

1
2
3
4
5
6
7
8
9

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES**

10
11
12
13
14
15

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Consumer Loan Act of Washington by:

16
17
18
19
20
21
22
23
24
25

GLOBAL EQUITY FINANCE, INC.,
NMLS No. 13116, and
CORNELL M. HOUGH, Owner, President, CEO,
and Mortgage Loan Originator, NMLS 13294,

Respondents.

No. C-16-1927-16-SC01

STATEMENT OF CHARGES and NOTICE OF
INTENT TO ENTER AN ORDER TO CEASE
AND DESIST, TAKE AFFIRMATIVE ACTION,
IMPOSE FINE, COLLECT INVESTIGATION
FEES, and RECOVER COSTS AND
EXPENSES OF PROSECUTION

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INTRODUCTION

Pursuant to RCW 31.04.093 and RCW 31.04.165, the Director of the Washington State Department of
Financial Institutions (Director) is responsible for the administration of chapter 31.04 RCW, the Consumer Loan
Act (Act). Having conducted an investigation pursuant to RCW 31.04.145, and based upon the facts available as of
the date of this Statement of Charges, the Director, through his designee, Division of Consumer Services Director
Charles E. Clark, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondent Global Equity Finance, Inc. (Respondent Global Equity) was licensed by the Washington
State Department of Financial Institutions (Department) to conduct business in Washington as a consumer loan
company on or about December 6, 2010, and continues to be licensed to date. Respondent Global Equity became a
participating lender with the U.S. Department of Veterans Affairs (VA) on or about December 11, 2008, lender
ID number 901599-00-00, and continues to be an approved VA lender to date.

1.2 Respondent Cornell M. Hough (Respondent Hough) has been the Owner, President, and CEO of
Respondent Global Equity since about March 2006. Respondent Hough was licensed by the Department as a
mortgage loan originator sponsored by Respondent Global Equity on or about February 28, 2011, and continues to
be licensed to date. During all times relevant to this matter Respondent Hough, as Owner, President, and CEO of
Respondent Global Equity, was responsible for marketing and compliance for Respondent Global Equity.

1 **1.3 Unfair, Deceptive, and Misleading Advertising.**

2 **A. Direct Mail Solicitations.** On or around January 1, 2011, Respondent Global Equity and Respondent
3 Hough (hereinafter Respondents) began distributing direct mail solicitations in Washington offering consumers
4 residential mortgage refinance loans. The Department received a complaint relating to the solicitation, and
5 determined the solicitation violated the CLA by:

- 6 1. Offering “low wholesale interest rates” to recipients;
- 7 2. Advertising “no Cost or Obligation” for recipients to obtain the advertised loan;
- 8 3. Advertising Respondent Global Equity had the “absolute lowest minimum payment” available;
- 9 4. Failing to disclose whether the advertised mortgage payment included amounts for taxes, insurance, or
10 other products;
- 11 5. Advertising a rate of interest without conspicuously disclosing the annual percentage rate (APR);
6. Advertising credit disclosure triggering terms without making the required additional disclosures;
7. Failing to disclose, with adjustable rate mortgages (ARMs), that the advertised rate may increase; and
8. Offering the “best refinance deal available,” supported by a \$1,000 30-day guarantee subject to
undisclosed conditions.

12 On or about April 5, 2012, Respondents were advised of the Department’s determinations and advised to
13 implement a system of controls designed to prevent future violations.

14 **B. VA Solicitations.** On or around January 5, 2015, Respondents began distributing direct mail
15 solicitations in Washington offering servicemembers, veterans, and eligible family members the VA’s Interest Rate
16 Reduction Refinance Loan (IRRRL). The solicitations:

- 17 1. Featured an official-looking emblem resembling the logo of the City of Olympia, Washington;
- 18 2. Advertised that Respondent Global Equity had interest rates that were “the lowest” in the industry;
- 19 3. Advertised that Respondent Global Equity had “the quickest turn time” to get a loan funded;
- 20 4. Represented Respondent Global Equity was licensed by, rather than approved by, the VA; and
5. Advertising credit disclosure triggering terms without clearly and conspicuously making the required
additional disclosures.

21 Between on or around January 1 and April 1, 2016, Respondents used the official Seal of the Department of
22 Veterans Affairs in their direct mail solicitations. In addition, the solicitations advertised that Respondent Global
23 Equity could close the recipient’s loan “in half the time” of its competitors; could “immediately” reduce the
24 recipient’s mortgage payment; again offered its “Best Loan Guarantee” subject to undisclosed conditions; and
25 failed to clearly and conspicuously disclose either the APR or the terms of repayment for the advertised loan.

1 **1.4 Unfair, Deceptive, and Misleading Internet Advertising.** Beginning on or around January 1, 2011, and
2 continuing as of the date of this Statement of Charges, Respondents advertised on the Internet that Respondent
3 Global Equity could provide consumers with the lowest rates in the industry; the best rates available; and used
4 consumer testimonials to make “lowest rate” and “lowest cost” representations.

5 Respondent Global Equity’s Internet website advertises its Best Loan Guarantee and its No-Risk Appraisal
6 Guarantee, and provides in footnotes fine-print disclosures of additional restrictions to those Guarantees:

7 **\$1,000 Best Loan Guarantee**

8 For 30-days after your loan closes with Global Equity Finance, if you provide us with a
9 legitimate lender approval showing a comparable program and terms at lower fees and lower
10 payments, we’ll write you a check for \$1,000 — no questions asked.¹

11 ¹ Best Loan Guarantee Terms: Lender approval must be a firm approval with commitment to lend. Lender
12 approval must not be given prior to accurate verification of all qualifying information and documentation
13 including but not limited to income, employment, mortgage balances, lien types and amounts, etc. Lender
14 approval must include stipulations required to fund. All terms must be comparable including but not
15 limited to loan type, term, interest rate, APR, payoffs, lender/broker fees, etc.

16 **NO-RISK
17 Appraisal Guarantee**

18 If your loan does not close for any reason other than the following exceptions, we will
19 reimburse you for your appraisal payment – guaranteed.²

20 **EXCEPTIONS:**

- 21 1. You cancel your loan with Global Equity Finance
22 2. The appraised value comes in lower than estimated

23 ² No-Risk Appraisal Guarantee: Reimbursement of appraisal payment will not be honored if the company
24 finds that there is insufficient equity in the property to satisfy approvable loan requirements of [sic] if
25 information obtained at time of application is inaccurate or cannot be verified.

18 **1.5 Failure to Comply with Investigative Authority.** On or about January 29, 2015, and again on or about
19 February 11, 2016, the Department issued Directives to Respondent Global Equity seeking written explanations
20 and documents relating to complaints received by the Department. Respondents failed to comply.

21 **II. GROUNDS FOR ENTRY OF ORDER**

22 **2.1 Legislative Findings.** Pursuant to the Act, the Legislature has found that the activities of mortgage lenders
23 and MLOs have a direct, valuable, and immediate impact upon Washington's consumers, economy, and real estate
24 industry. The Legislature therefore declared that the Act is necessary to encourage responsible lending, to protect
25 borrowers, and to preserve access to credit in the residential real estate lending market.

1 **2.2 Unfair or Deceptive Practices.** Based on the Factual Allegations set forth in Section I above, Respondents
2 are in apparent violation of RCW 31.04.027(2) for directly or indirectly engaging in any unfair or deceptive
3 practice toward any person, and by being in apparent violation of WAC 208-620-550(5); WAC 208-620-610(5);
4 WAC 208-620-630(1) and (1)(b); WAC 208-620-630(2) and (6); and WAC 208-620-640.

5 **2.3 False or Deceptive Statements or Representations.** Based on the Factual Allegations set forth in Section I
6 above, Respondents are in apparent violation of RCW 31.04.027(7) for making, in any manner, any false or
7 deceptive statement or representation with regard to the rates, points, or other financing terms for a residential
8 mortgage loan, and by being in apparent violation of WAC 208-620-550(5) and WAC 208-620-640.

9 **2.4 False, Misleading, or Deceptive Advertisements or Promotions.** Based on the Factual Allegations set
10 forth in Section I above, Respondents are in apparent violation of RCW 31.04.135 for advertising, in any manner
11 whatsoever, any statement or representation with regard to the rates, terms, or conditions for the lending of money
12 that is false, misleading, or deceptive, and by being in apparent violation of WAC 208-620-550(5).

13 **2.5 Failure to Clearly and Conspicuously Disclose the APR.** Based on the Factual Allegations set forth in
14 Section I above, Respondents are in apparent violation of RCW 31.04.027(12) for advertising any rate of interest
15 without conspicuously disclosing the annual percentage rate implied by that rate of interest, and by being in
16 apparent violation of WAC 208-620-630(2).

17 **2.6 Violation of Applicable Federal Law.** Based on the Factual Allegations set forth in Section I above,
18 Respondents are in apparent violation of RCW 31.04.027(13) for violating any applicable federal laws relating to
19 the activities governed by the Act, including the advertising prohibitions contained in the Federal Trade
20 Commission Act, 15 U.S.C. §§ 41-58; the Truth in Lending Act, 15 U.S.C. § 1601 and Regulation Z, 12 C.F.R. §
21 1026; and the Mortgage Acts and Practices – Advertising (MAP) rule, Regulation N, 12 C.F.R. § 1014.

22 **2.7 Requirement to Comply with Investigation Authority.** Based on the Factual Allegations set forth in
23 Section I above, Respondents are in apparent violation of RCW 31.04.145 for failing to comply with the
24 Department's investigation authority and by being in apparent violation of WAC 208-620-550(6).

1 **III. AUTHORITY TO IMPOSE SANCTIONS**

2 **3.1 Authority to Issue an Order to Cease and Desist.** Pursuant to RCW 31.04.093(5)(a), the Director may
3 issue an order directing licensees to cease and desist from conducting business in a manner that is injurious to the
4 public or violates any provision of the Act.

5 **3.2 Authority to Order Affirmative Action.** Pursuant to RCW 31.04.093(5)(b), the Director may issue an
6 order directing licensees to take such affirmative action as is necessary to comply with the Act.

7 **3.3 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of up to one
8 hundred dollars per day, per violation, upon licensees for any violation of the Act.

9 **3.4 Authority to Charge and Collect Investigation Fees.** Pursuant to RCW 31.04.145(3) and WAC 208-620-
10 590, every licensee investigated by the Director shall pay for the cost of the investigation, calculated at the rate of
11 \$69.01 per staff hour devoted to the investigation.

12 **3.5 Authority to Recover Costs and Expenses.** Pursuant to RCW 31.04.205(2), the Director may recover the
13 Department's costs and expenses for prosecuting violations of the Act.

14 **IV. NOTICE OF INTENT TO ENTER ORDER**

15 Respondents' violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC, as set forth in the
16 above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis for
17 the entry of an Order under RCW 31.04.093, RCW 31.04.165, and RCW 31.04.205. Therefore, it is the Director's
18 intent to ORDER that:

19 **4.1** Respondent Global Equity Finance, Inc. and Respondent Cornell M. Hough cease and desist
20 directly or indirectly engaging in any unfair or deceptive practice toward any person;
21 advertising on the Internet and elsewhere that it offers "the lowest rates in the industry" or
22 words to that effect; failing to comply with the Department's investigative authority; and
23 distributing in Washington any advertising offering residential mortgage loans until such time
as it is able to demonstrate, to the Department's satisfaction, that it has in place compliance
policies, procedures, and testing systems reasonably designed to detect and prevent the
distribution of false, deceptive, or misleading advertising.

24 **4.2** Respondent Global Equity Finance, Inc. and Respondent Cornell M. Hough take affirmative
25 action as is necessary to comply with the Act, including:

- a. Within 30 days of the entry of a Final Order in this matter, review Respondent Global Equity's advertising compliance policies and procedures and make necessary changes to ensure the advertising compliance systems are reasonably designed to detect and prevent the distribution of false, deceptive, or misleading advertising in Washington;
- b. Within 60 days of the entry of a Final Order in this matter, provide the Department with a copy of Respondent Global Equity's revised advertising compliance policies and procedures, along with a report of any changes made to those advertising compliance policies and procedures.

- 4.3 Respondent Global Equity Loans, Inc. and Respondent Cornell M. Hough jointly and severally pay a fine. As of the date of this Statement of Charges the fine totals \$200,000.
- 4.4 Respondent Global Equity Loans, Inc. and Respondent Cornell M. Hough jointly and severally pay the Department's costs of the investigation. As of the date of this Statement of Charges the investigation fee totals \$3,105.45.
- 4.5 Respondent Global Equity Loans, Inc. and Respondent Cornell M. Hough jointly and severally pay the Department's costs and expenses for prosecuting violations of the Act in an amount to be determined at hearing, or, in event of default by Respondents, by declaration with supporting documentation.

V. AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of RCW 31.04.093, RCW 31.04.165, RCW 31.04.202, and RCW 31.04.205, and is subject to the provisions of chapter 34.05 RCW, the Administrative Procedure Act. Respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

Dated this 13th day of October, 2016.




CHARLES E. CLARK
Director, Division of Consumer Services
Department of Financial Institutions

Presented by:

ANTHONY W. CARTER
Senior Legal Examiner

Approved by:

STEVEN C. SHERMAN
Enforcement Chief