

**STATE OF NEBRASKA**  
**Department of Banking & Finance**

IN THE MATTER OF:	)	FINDINGS OF FACT
Regent Financial Group, Inc.,	)	CONCLUSIONS OF LAW
1910 South 72 <sup>nd</sup> Street, Suite 103,	)	AND
Omaha, Nebraska	)	CONSENT AGREEMENT

THIS MATTER comes before the Nebraska Department of Banking and Finance (“DEPARTMENT”), by and through its Director, pursuant to its authority under the Mortgage Bankers Registration and Licensing Act, Neb. Rev. Stat. §§ 45-701 to 45-721 (Reissue 2004; Cum. Supp. 2006) (“the Act”). Pursuant to Neb. Rev. Stat. § 45-710 (Reissue 2004), the DEPARTMENT has investigated the actions of Regent Financial Group, Inc., 1910 South 72<sup>nd</sup> Street, Suite 103, Omaha, Nebraska (“REGENT”). As a result of such investigation, and being duly advised and informed in the matter, the Director and REGENT enter into the following Findings of Fact, Conclusions of Law, and Consent Agreement.

**FINDINGS OF FACT**

1. A mortgage banker license was issued on October 24, 2000, to REGENT pursuant to Neb. Rev. Stat. § 45-705 (Cum. Supp. 2006), and has been renewed annually on March 1<sup>st</sup> since that time, pursuant to Neb. Rev. Stat. § 45-706(3) (Cum. Supp. 2006).
2. References in this Consent Agreement to customers of REGENT will be by way of initials, in order to protect the privacy of such customers. REGENT knows or should know the identity of these customers. If REGENT is unable to ascertain the identity of

these customers, the DEPARTMENT will provide a list of these customers upon receipt of a written request.

3. On January 23, 2006, the Nebraska Attorney General's Office forwarded a complaint that it received from consumer LH to the DEPARTMENT.

4. On January 30, 2006, the DEPARTMENT forwarded a copy of LH's complaint to REGENT and requested that REGENT provide a written response to the allegations made by LH and a copy of LH's loan file. A series of correspondence followed between REGENT, the DEPARTMENT, and LH regarding LH's dissatisfaction with a mortgage loan transaction handled by REGENT.

5. According to the information provided to the DEPARTMENT, LH submitted a Uniform Residential Loan Application ("URLA") to REGENT via telephone on July 7, 2005. The URLA indicated that LH applied for a mortgage loan in the amount of \$77,680. Julie Fraley ("FRALEY") was REGENT's loan officer responsible for LH's mortgage loan transaction.

6. According to the Good Faith Estimate ("GFE") given to LH, she would need to obtain subordinate financing in the amount of \$19,420 to complete the mortgage loan transaction.

7. A GFE is a form that estimates the amount of closing costs the borrower is likely to incur, including fees for appraisals, title insurance, closing fees, and mortgage broker fees. The GFE also states the amount of the mortgage loan, the interest rate, and an estimated monthly payment.

8. The GFE provided to LH only provided an estimate of the costs and fees associated with the first mortgage loan. The GFE did not estimate any expenses associated with the subordinate financing.

9. LH was also given a Truth-in-Lending Disclosure Statement (“TIL Disclosure”) for the first mortgage. The TIL Disclosure stated that the amount financed was \$73,915.14, the annual percentage rate was 8.893 percent, and the monthly payment was \$591.25. LH was not given a separate TIL Disclosure for the subordinate financing.

10. A closing was held on July 25, 2005. LH closed on two mortgage loans on that date, both of which had been obtained through REGENT.

11. In an April 17, 2006 letter, the DEPARTMENT requested REGENT provide a copy of the GFE that it had given to LH in connection with the subordinate mortgage.

12. Jason Rowe (“ROWE”), REGENT’s Vice President, responded to the DEPARTMENT’s request in a May 4, 2006 letter. ROWE stated that:

Unfortunately, there was not a Good Faith Estimate prepared or provided to [LH] for the 2<sup>nd</sup> mortgage transaction. I realize that this is an error by Julie (FRALEY) and the file should have been disclosed properly as a completely separate transaction. [customer’s name redacted]

13. 24 CFR 3500.7 (2006) requires that a lender deliver a GFE to the potential borrower within three business days of accepting a loan application. If a mortgage broker is utilized in the transaction, the mortgage broker must deliver a GFE within 3 days after accepting an application.

14. 12 CFR 226.19 (2006) requires that a lender deliver a TIL Disclosure to the potential borrower within three business days of accepting a loan application. If a

mortgage broker is utilized in the transaction, the mortgage broker must deliver a TIL Disclosure within three days after accepting an application.

15. Neb. Rev. Stat. § 45-714(1)(c) (Cum. Supp. 2006) provides that a licensee, an officer, an employee, or an agent of the licensee shall not misrepresent to, or conceal from, an applicant for a mortgage loan or a borrower, material facts, terms, or conditions of a mortgage loan to which the licensee is a party.

16. REGENT's failure to deliver a GFE to LH for the subordinate mortgage is a violation of 24 CFR 3500.7 (2006).

17. REGENT's failure to deliver a TIL Disclosure to LH for the subordinate mortgage is a violation of 12 CFR 2600.19 (2006)

18. REGENT also violated Neb. Rev. Stat. § 45-914(1)(c) (Cum. Supp. 2006) by not properly disclosing the fees, annual percentage rate, or monthly payment associated with the subordinate financing, it concealed material facts from LH regarding her mortgage loan transaction.

19. REGENT's loan file does contain a GFE and TIL Disclosure for the first loan which was prepared on July 8, 2005. However, these documents purport to have been signed by LH on July 7, 2005. LH provided the DEPARTMENT with a copy of an identical GFE and an identical TIL Disclosure that REGENT had provided to her. These documents were unsigned; however, someone had written in the date "7-7-05" on the signature line next to where the borrower was to sign the document in what appears to be the exact same handwriting as the date on the signed GFE and TIL Disclosure in REGENT's file.

20. REGENT provided the DEPARTMENT with a copy of a log prepared by FRALEY which recorded her actions taken in regards to this loan. The following entries relate to the application and to the GFE:

07/07/2005 11:07AM - customer upset with option one-coming in monday about 5pm to sign respa-Using accredited-ESCROW YES.

07/12/2005 11:02AM - submitted file to accredited. scheduled closing for friday, july 15. Customer bringing in letter from seller wed morn (Spacing, capitalization, and spelling as in original.)

21. It appears that REGENT backdated the GFE and TIL Disclosure to make it appear that they had been given to the consumer on July 7, 2005. REGENT therefore committed two violations of Neb. Rev. Stat. § 45-714(1)(n) (Cum. Supp. 2006) as it falsified two documents in connection with obtaining a mortgage loan.

22. LH had purchased her property in April 2005 and was dissatisfied with her current mortgage lender and was seeking to refinance to change mortgage lenders, escrow her insurance and taxes, obtain a lower payment, and obtain a fixed-rate mortgage.

23. At the time of the REGENT transaction, LH had two loans with her existing lender. The first loan was for \$70,400.00 with an interest rate of 8.49%. The second loan was for \$17,600.00 with an interest rate of 10.75%. LH's payment on the two loans was approximately \$738.00 per month.

24. REGENT obtained two loans for LH. The first loan was for \$78,400.00 with an interest rate of 8.39%. The second loan was for \$19,600.00 with an interest rate of 11.49%. The combined monthly payment on the two new loans was \$790.68, over \$50 per month higher than what LH was paying at the time of the refinance transaction.

25. LH's prior loans had prepayment penalty clauses. As a result of the refinance, LH was required to pay a \$2,390.78 penalty on the first loan and a \$756.80 penalty on the second loan for a total of \$3,147.58 in penalties.

26. LH's debt secured by her residence increased from \$88,000.00 to \$98,000.00 as a result of this transaction. Of the additional \$10,000.00 in debt, LH received \$479.00 in cash at the closing. No other debt was consolidated into the mortgage in this transaction. Instead, the rest of the \$10,000.00 was used to pay fees, including the prepayment penalties, broker fees, title fees, appraisal fees, and origination fees.

27. As a result of this transaction, LH increased her debt by \$10,000.00, increased her payments by \$50.00 per month, and paid \$9,521.00 in various fees. The interest rate on the first loan was decreased by 0.10% while the interest rate on her second loan increased by 0.74%. She only received \$479.00 in cash at the closing, which was far outweighed by the costs of the transaction. There was no net benefit to LH from this transaction. In fact, LH appears to be in worse shape financially as a result of this transaction. REGENT and the other service providers appear to be the only beneficiaries from this transaction.

28. Neb. Rev. Stat. § 45-714(1)(e) (Cum. Supp. 2006) provides that a licensee, an officer, an employee, or an agent of the licensee shall not engage in any transaction, practice, or business conduct that is not in good faith or that operates a fraud upon any person in connection with the making of any mortgage loan. A licensee violates this section by engaging in a transaction that provides no benefit to the consumer.

29. REGENT's failure to reasonably supervise FRALEY to ensure her compliance with the Act constitutes a violation of Neb. Rev. Stat. § 45-707(1)(l) (Cum. Supp. 2006)

which provides that the Director may impose an administrative fine for each separate violation of the Act if the Director finds that the licensee has failed to reasonably supervise any officer, employee, or agent to assure his or her compliance with the Act or with any state or federal law applicable to the mortgage banking business.

30. The DEPARTMENT incurred a minimum of five hundred dollars in investigation costs in this matter.

### **CONCLUSIONS OF LAW**

1. Neb. Rev. Stat. § 45-705 (Cum. Supp. 2006) provides, in part, that no person shall act as a mortgage banker or use the title mortgage banker in this state unless he, she, or it is licensed or registered with the DEPARTMENT.

2. Neb. Rev. Stat. § 45-706(1) (Cum. Supp. 2006) provides that the business of a mortgage banker shall be operated honestly, soundly, and efficiently in the public interest consistent with the purposes of the Act.

3. 24 CFR 3500.7 (2006) requires that a lender deliver a GFE to a potential borrower within three business days of accepting a loan application. If a mortgage broker is utilized in the transaction, the mortgage broker must deliver a GFE within 3 days after accepting an application.

4. 12 CFR 226.19 (2006) requires that a lender deliver a TIL Disclosure to the potential borrower within three business days of accepting a loan application. If a mortgage broker is utilized in the transaction, the mortgage broker must deliver a TIL Disclosure within 3 days after accepting an application.

5. Neb. Rev. Stat. § 45-714(1)(c) (Cum. Supp. 2006) provides that a licensee, an officer, an employee, or an agent of the licensee shall not misrepresent to, or conceal from, an applicant for a mortgage loan or a borrower material facts, terms, or conditions of a mortgage loan to which the licensee is a party.

6. Neb. Rev. Stat. § 45-714(1)(e) (Cum. Supp. 2006) provides that a licensee, an officer, an employee, or an agent of the licensee shall not engage in any transaction, practice, or business conduct that is not in good faith or that operates a fraud upon any person in connection with the making of any mortgage loan. A licensee violates this section by engaging in a transaction that provides no benefit to the consumer.

7. Neb. Rev. Stat. § 45-714(1)(n) (Cum. Supp. 2006) provides that a licensee, an officer, an employee, or an agent of the licensee shall not falsify any documentation relating to a mortgage loan or a mortgage loan application.

8. Neb. Rev. Stat. § 45-707(1)(a) (Cum. Supp. 2006) provides that the Director may suspend or revoke any license issued under the Act or impose an administrative fine if the licensee has materially violated or demonstrated a continuing pattern of violating the Mortgage Bankers Registration and Licensing Act, rules and regulations adopted and promulgated under the Act, any Order, including a Cease and Desist Order, issued under the act, or any other state or federal law applicable to the conduct of its business.

9. Neb. Rev. Stat. § 45-707(1)(l) (Cum. Supp. 2006) provides that the Director may revoke or suspend a license and/or impose an administrative fine for each separate violation of the Act if the Director finds that the licensee has failed to reasonably supervise



any officer, employee, or agent to assure his compliance with the Act or with any other state or federal law applicable to the mortgage banking business.

10. Neb. Rev. Stat. § 45-717.01(2) (Cum. Supp. 2006) provides that if the Director finds, after notice and hearing in accordance with the Administrative Procedure Act, that any person has knowingly committed any act prohibited by Section 45-707 or has otherwise violated the Mortgage Bankers Registration and Licensing Act, the Director may order such person to pay an administrative fine not exceeding five thousand dollars for each separate violation plus the costs of investigation.

11. The facts listed in the above Findings of Fact constitute a sufficient basis for the Director to have determined that REGENT has violated the Act and that proceedings could be commenced to revoke or suspend REGENT's license and/or an administrative fine in an amount of not more than five thousand dollars for each of the violations plus costs of investigation should be imposed in accordance with Neb. Rev. Stat. § 45-717.01(2) (Cum. Supp. 2006).

12. Under the Act's statutory framework, the Director has the legal and equitable authority to fashion significant remedies.

13. It is in the best interest of REGENT, and in the best interest of the public, for REGENT and the DEPARTMENT to resolve the issues included herein.

### **CONSENT AGREEMENT**

The DEPARTMENT and REGENT agree as follows:

Stipulations: In connection with this Consent Agreement, REGENT and the DEPARTMENT stipulate to the following:

1. The DEPARTMENT has jurisdiction as to all matters herein.

2. This Consent Agreement shall resolve all matters between the DEPARTMENT and REGENT in connection with the Findings of Fact listed above. Should future circumstances warrant, the facts from this matter may be considered in a future administrative action by the DEPARTMENT.

3. This Consent Agreement shall be in lieu of all other proceedings available to the DEPARTMENT, except as specifically referenced in this Consent Agreement.

REGENT further represents as follows:

1. REGENT is aware of its right to a hearing on these matters at which it may be represented by counsel, present evidence, and cross-examine witnesses. The right to such a hearing, and any related appeal, is irrevocably waived.

2. REGENT is acting free from any duress or coercion of any kind or nature.

3. This Consent Agreement is executed to avoid further proceedings and constitutes an admission of violations of the Act solely for the purpose of this Consent Agreement and for no other purpose.

IT IS, THEREFORE AGREED as follows:

1. REGENT shall pay a fine of one thousand dollars (\$1,000.00) for the violation of 24 CFR 3500.7 (2006) where REGENT failed to give LH a Good Faith Estimate within three days after accepting her loan application.

2. REGENT shall pay a fine of one thousand dollars (\$1,000.00) for the violation of 12 CFR 2600.19 (Cum. Supp. 2006) where REGENT failed to give LH a Truth-in-Lending Disclosure Statement within three days after accepting her loan application.

3. REGENT shall pay a fine of one thousand dollars (\$1,000.00) for the violation of Neb. Rev. Stat. § 45-714(1)(c) (Cum. Supp. 2006) where REGENT concealed material information from LH when it failed to disclose to her the fees associated with the subordinate mortgage loan.

4. Regent shall pay a fine of one thousand dollars (\$1,000.00) for the violation of Neb. Rev. Stat. § 45-714(1)(e) (Cum. Supp. 2006) where REGENT engaged in a transaction in bad faith.

5. REGENT shall pay a fine of one thousand dollars (\$1,000.00) for each of the two violations of Neb. Rev. Stat. § 45-714(1)(n) (Cum. Supp. 2006) where REGENT falsified documents in connection with a mortgage loan by backdating the GFE.

6. REGENT shall pay a fine of one thousand dollars (\$1,000.00) for the violation of Neb. Rev. Stat. § 45-707(1)(l) (Cum. Supp. 2006) where REGENT failed to reasonably supervise its employee to insure her compliance with the Act.

7. REGENT shall pay the investigation costs of the DEPARTMENT in the amount of five hundred dollars (\$500.00).

8. The total amount of the fine and investigation costs, seven thousand five hundred dollars (\$7,500.00) shall be payable in one check or money order to the DEPARTMENT and shall be due on or before November 10, 2006.

9. On or before October 10, 2006, REGENT shall submit to the DEPARTMENT a cashier's check in the amount of nine thousand five hundred twenty-one dollars (\$9,521.00) payable to customer LH, to refund the fees that LH was assessed for this


transaction. The DEPARTMENT will forward the check to customer LH and obtain a receipt from LH and deliver the receipt to REGENT.

10. In the event REGENT fails to comply with any of the provisions of this Consent Agreement, the DEPARTMENT may commence such action regarding REGENT as it deems necessary and appropriate in the public interest.

11. The effective date of this Consent Agreement shall be the date of the Director's signature.

DATED this 2<sup>nd</sup> day of OCTOBER, 2006.


**Regent Financial Group, Inc.**

By:   
Tad Vollmar, President

1910 South 72<sup>nd</sup> Street, Suite 103  
Omaha, Nebraska 68124  
(402) 955-0880

DATED this 3<sup>rd</sup> day of October, 2006.

**STATE OF NEBRASKA  
DEPARTMENT OF BANKING AND FINANCE**

By:   
John Munn, Director

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