

1 ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

2 In the Matter of the Mortgage Broker License
3 of:

4 **STATE FINANCIAL SERVICES, LLC**
5 **AND TODD H. DISHON, CEO AND**
6 **RESPONSIBLE INDIVIDUAL**
7 18301 N. 79th Avenue, Suite C-130
8 Glendale, AZ 85308

9 Respondents.

No. 10F-BD106-SBD

**ORDER TO CEASE AND DESIST;
NOTICE OF OPPORTUNITY FOR
HEARING; CONSENT TO ENTRY OF
ORDER**

10 The Superintendent of Financial Institutions for the State of Arizona (the "Superintendent"),
11 makes the following Findings of Fact and Conclusions of Law and enters the following Order
12 pursuant to Arizona Revised Statutes ("A.R.S.") § 6-137.

13 Pursuant to Titles 6 and 41 of the Arizona Revised Statutes and Title 20, Chapter 4 of the
14 Arizona Administrative Code ("A.A.C."), Respondents are hereby notified that they are entitled to a
15 hearing to contest the allegations set forth in this Order. The Request for Hearing shall be filed with
16 the Arizona Department of Financial Institutions (the "Department") pursuant to A.R.S. § 6-137(D)
17 within **thirty (30) days** of service of this Order and shall identify with specificity the action or order
18 for which review is sought in accordance with A.R.S. § 41-1092.03(B).

19 Pursuant to A.R.S. §§ 41-1092.01(D) and 41-1092.03(B), any person may appear on his or
20 her own behalf or by counsel. If Respondents are represented by counsel, the information required
21 by A.R.S. § 41-1092.03(B) shall be included in the Request for Hearing. Upon the filing of a
22 Request for Hearing, the Department shall issue a Notice of Hearing scheduling the matter for
23 hearing in accordance with A.R.S. § 41-1092.05. **Persons with disabilities may request**
24 **reasonable accommodations such as interpreters, alternative formats, or assistance with**
25 **physical accessibility.** Requests for special accommodations must be made as early as possible to
26 allow time to arrange the accommodations. If accommodations are required, call the Office of
Administrative Hearings at (602) 542-9826.

Respondents have the right to request an Informal Settlement Conference, pursuant to A.R.S.

1 § 41-1092.06, by filing a written request no later than **twenty (20) days** before the scheduled
2 hearing. The conference will be held within **fifteen (15) days** after receipt of your request. If an
3 Informal Settlement Conference is requested, a person with the authority to act on behalf of the
4 Department will be present (the "Department Representative"). Please note that in requesting an
5 Informal Settlement Conference, Respondents waive any right to object to the participation of the
6 Department Representative in the final administrative decision of this matter, if it is not settled. In
7 addition, any written or oral statement made by Respondents at such informal settlement conference,
8 including written documentation created or expressed solely for purposes of settlement negotiations,
9 are inadmissible in any subsequent administrative hearing. (See A.R.S. § 41-1092.06 for rules
10 regarding informal settlement conferences.) Conversely, any written or oral statement made by
11 Respondents outside an Informal Settlement Conference is not barred from being admitted by the
12 Department in any subsequent hearing.

13 If Respondents do not request a hearing, this Order shall become final. If Respondents
14 request a hearing, the purpose of the hearing shall be to determine if grounds exist for: (1) the
15 issuance of an order pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the
16 violative conduct and to take the appropriate affirmative actions, within a reasonable period of time
17 prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts,
18 practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S.
19 § 6-132; (3) the suspension or revocation of Respondents' license pursuant to A.R.S. § 6-905; (4) an
20 order to pay restitution of any fees earned on loans made in violation of A.R.S. § 6-901, *et seq.*,
21 pursuant to A.R.S. §§ 6-131(A)(3) and 6-137; and (5) an order or any other remedy necessary or
22 proper for the enforcement of statutes and rules regulating mortgage brokers pursuant to A.R.S.
23 §§ 6-123 and 6-131.

24 FINDINGS OF FACT

25 1. Respondent State Financial Services, LLC ("SFS") is an Arizona limited liability
26 company that is authorized to transact business in Arizona as a mortgage broker, license number

1 MB 0906575, within the meaning of A.R.S. § 6-901, *et seq.* The nature of SFS's business is that of
2 making, negotiating, or offering to make or negotiate a loans secured by Arizona real property
3 within the meaning of A.R.S. § 6-901(11).

4 2. Respondent Todd H. Dishon ("Mr. Dishon") is the CEO, Responsible Individual, and
5 fifty percent (50%) owner of SFS. Mr. Dishon is authorized to transact business in Arizona as a
6 mortgage broker within the meaning of A.R.S. § 6-903(H).

7 3. Neither SFS nor Mr. Dishon are exempt from licensure as mortgage brokers within the
8 meaning of A.R.S. § 6-902.

9 4. An examination of SFS, conducted by the Department beginning March 6, 2009 and
10 concluding on July 24, 2009, revealed that Respondents:

11 a. Failed to first obtain a branch office license from the Superintendent before
12 conducting business as a mortgage broker; specifically:

13 i. Respondents conducted mortgage broker activity at an unlicensed branch
14 location at 4824 E. Baseline Road, Suite 101, Mesa, Arizona 85206 from on or
15 about January 5, 2009 until March 8, 2009. Respondents' business activity
16 included but was not limited to interviewing potential mortgage loan borrowers
17 and originating mortgages. Respondents advertised their mortgage business on
18 the World Wide Web, which included use the SFS name, the unlicensed branch
19 location, and contact phone numbers.

20 ii. Respondents originated, closed and collected fees from borrowers for at least
21 four (4) mortgage loans from the unlicensed Mesa, Arizona branch location;
22 specifically:

23 1. On January 30, 2009, C.M. and A.M. funded and closed a loan in the
24 amount of \$245,756.00 for the purchase of a residence in Chandler,
25 Arizona. Fees paid by the seller, in the borrowers' behalf, to Respondent
26 totaled \$11,222.31; specifically:

- 1 (a) A loan origination fee of \$2,415.30;
- 2 (b) A discount fee of \$2,457.56;
- 3 (c) A processing fee of \$495.00;
- 4 (d) A broker courier fee of \$395.00;
- 5 (e) A broker admin. fee of \$795.00; and
- 6 (f) A Yield Spread Premium of \$4,664.45;
- 7 2. On February 11, 2009, A.M. applied for and was approved for an FHA
- 8 insured HECM loan for the amount of \$131,863.43. The loan was closed
- 9 and funded on March 10, 2009. Fees paid by the borrower to Respondent
- 10 totaled \$6,108.74; specifically:
- 11 (a) A credit report fee of \$28.00;
- 12 (b) A flood certification fee of \$35.00;
- 13 (c) A correspondence fee of \$1,115.74; and
- 14 (d) A processing fee of \$4,930.00;
- 15 3. On February 2, 2009, W.A. applied for a loan to purchase a secondary
- 16 property. The loan for \$202,000.00 was closed and funded on March 20,
- 17 2009. Fees paid by the borrower to Respondents totaled \$4,525.04;
- 18 specifically:
- 19 (a) A loan origination fee of \$2,020.00;
- 20 (b) A discount fee of \$1,010.00;
- 21 (c) A processing fee of \$795.00;
- 22 (d) A broker fee of \$595.00; and
- 23 (e) A Yield Spread Premium of \$105.04;
- 24 4. On February 2, 2009, J.B. and K.B. applied for a loan to purchase a
- 25 primary residence. The loan for \$146,921.00 was closed and funded on
- 26 March 30, 2009. Fees paid to Respondents by the seller, for the borrowers'

1 benefit, totaled \$5,588.93; specifically;

2 (a) A loan origination fee of \$1,447.50;

3 (b) A processing fee of \$595.00;

4 (c) A doc handling fee of \$395.00;

5 (d) A broker fee of \$595.00; and

6 (e) A Yield Spread Premium of \$2,556.43;

7 5. On January 21, 2009, J.M. applied for a loan to purchase an investment
8 property. The loan for \$60,900.00 was closed and funded on April 1,
9 2009. Fees paid by the borrower to Respondents totaled \$2,320.00;
10 specifically:

11 (a) A processing fee of \$495.00;

12 (b) An application fee of \$395.00; and

13 (c) A broker fee of \$1,430.00;

14 iii. The Mesa, Arizona branch location was not approved by the Department at the
15 time Respondents were conducting mortgage business and charging various fees
16 for their services.

17 b. Failed to include their license number, as issued on their principal place of business
18 license and to fully comply with real estate lending disclosure requirements within all
19 regulated advertising and solicitations for mortgage business; specifically:

20 1. *"If you make \$25,000 a year...."* - Trigger terms used without additional
21 disclosures;

22 2. *"Tell your landlord you're tired..."* - MB0904774 in the advertising is
23 incorrect. MB # should be MB0906775;

24 3. *"Notice 2009 Veteran Processing Department VA Notice"* *"Call for a VA*
25 *processor"* - Solicitation gives the appearance that it is sent by the
26 Veterans Administration ("VA"). The mortgage broker is not identified

1 except by small print at the bottom of the letter. VA has no processors,
2 nor does the VA process mortgage loans. The interest rate is in bold
3 numbers, the APR is not;

4 4. "*Do you need cash?*" - The 1.25% interest rate is not stated as an "annual
5 percentage rate";

6 5. "*January 19, 2007 letter*" - The 5.78% interest rate is not stated as an
7 "annual percentage rate";

8 6. "*RE official notice of eligibility.*" - Trigger terms used without additional
9 disclosures;

10 7. There have been several consumer complaints filed with the Department
11 regarding the appearance of Respondents' mailers. The deceptive verbiage
12 used in these mailers implies that the recipient is being notified by FHA
13 and/or the Veterans Administration because of a problem with their
14 mortgage loans. As a result of these type solicitations, the Department
15 issued warnings to Respondents addressing the advertising practices noted
16 above. Respondents must not use deceptive advertising material that
17 would lead the public to believe it would be contacting the FHA and/or
18 Veterans Administration if it responds to this solicitation; and

19 8. Two of Respondents' employees, J.T. and D.B., advertised SFS' mortgage
20 loan services on the radio. Respondents have no record of any radio
21 broadcasts nor did it retain any scripts for these radio advertisements.

22 ii. Respondents failed to correct this violation from their last examination;

23 c. Failed to conduct the minimum elements of reasonable employee investigations prior
24 to hiring employees, specifically:

25 i. Immigration Reform and Control documents were incomplete or missing for at
26 least seven (7) employees;

- 1 ii. The Employment Eligibility Verification (Form I-9) was incomplete, missing or
2 untimely for at least ninety-five (95) employees;
- 3 iii. A completed and signed employment application was incomplete or missing for
4 at least twelve (12) employees;
- 5 iv. A signed statement attesting to all of an applicant's felony convictions,
6 including detailed information regarding each conviction, was incomplete or
7 missing for at least fifteen (15) employees;
- 8 v. Failed to consult with the applicant's most recent or next most recent employer,
9 prior to hiring at least one hundred forty (140) employees;
- 10 vi. Failed to inquire regarding an applicant's qualifications and competence for the
11 position prior to hiring at least one hundred six (106) employees;
- 12 vii. Failed to obtain a current credit report from a credit reporting agency prior to
13 hiring at least twelve (12) employees;
- 14 viii. Failed to investigate further after at least fifty-one (51) employee's credit
15 contained derogatory information; and
- 16 ix. Failed to correct this violation from their previous examination;
- 17 d. Failed to keep and maintain original documents or clearly legible copies of all
18 mortgage loan transactions; specifically:
- 19 i. Failed to maintain an original or copy of a document showing the application's
20 final disposition, such as a settlement statement or a denial or withdrawal letter,
21 for at least two (2) mortgage loan files;
- 22 ii. Failed to maintain an original or copy of the assignments of beneficial interest
23 in two (2) mortgage loan files for one (1) borrower;
- 24 iii. Failed to maintain an original or copy of the assignment of beneficial interest
25 and closing instructions in two (2) mortgage loan files for one (1) borrower;
- 26 iv. Failed to correct this violation from their previous examination;

- 1 e. Failed to use a statutorily correct written document agreement signed by all parties
2 when accepting advance fees and/or documents from borrowers in connection with
3 mortgage loan applications for at least thirty-six (36) loans applied for, by at least
4 thirty (30) borrowers;
- 5 f. Failed to comply with the disclosure requirements of Title I of the Consumer Credit
6 Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement
7 Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated
8 under these acts, specifically:
- 9 i. The Yield Spread Premium ("YSP") was not disclosed within Good Faith
10 Estimate ("GFE") in the loan files of ten (10) borrowers;
 - 11 ii. The Truth-in-Lending Statement ("TIL") was incomplete in the loan files of
12 nine (9) borrowers;
 - 13 iii. The GFE was missing in the loan file of one (1) borrower;
 - 14 iv. The APR calculation disclosed on the TIL did not contain the finance charges in
15 the loan files of eight (8) borrowers;
 - 16 v. The GFE and the TIL were disclosed to the borrower after the RESPA three-day
17 disclosure deadline in the loan files of three (3) borrowers;
 - 18 vi. The application fee was not disclosed on the GFE in the loan file of one (1)
19 borrower;
 - 20 vii. The administration fee was not disclosed on the GFE in the loan file of one (1)
21 borrower; and
 - 22 viii. Fees undisclosed on the GFE, which were collected at closing by Respondents,
23 as set forth above, totaled \$41,398.50, in violation of section 5 of RESPA
24 (12 U.S.C. § 32604). "Any fees which were received by the Licensee at
25 settlement which exceed the charges listed on the GFE by more than the
26 permitted tolerances shall be refunded to the borrower in the form of

1 restitution.”

2 ix. Several of Respondents’ employees are not completing the interviewer’ portion
3 of the loan application form correctly, making it difficult for the examiners to
4 determine if the required disclosure documents are presented to the borrower
5 within RESPA’s allotted time period. Many of the required RESPA disclosures
6 contain “prepared” dates that range from several days to several weeks prior to
7 the application date that appears in this section. At times there are no dates or
8 signatures contained in the interviewer’s section at all, which seems highly
9 unusual and may cause suspicion as to when the disclosures were actually
10 presented to the borrowers and/or when the application’s information was
11 actually taken The employees who are responsible for obtaining the borrowers’
12 information and completing the loan applications must sign and date the
13 appropriate interviewers’ section of the loan application on the date they receive
14 enough information to complete the form. The required disclosures must be
15 presented to the borrowers within three (3) days of date the application was
16 completed.

17 g. Allowed borrowers to sign regulated documents containing blank spaces without
18 written authorization; specifically:

- 19 i. Servicing Disclosure Statements containing blank spaces were present in the
20 loan files of at least five (5) borrowers;
- 21 ii. Credit score information disclosures containing blank spaces were present in the
22 loan files of at least five (5) borrowers;
- 23 iii. Verification of VA Benefits forms containing blank spaces were present in the
24 loan files of at least two (2) borrowers;
- 25 iv. Authorization to Complete Blank Spaces forms containing blank spaces were
26 present in the loan files of at least two (2) borrowers;

- 1 v. Loan Applications containing blank spaces were present in the loan files of at
2 least two (2) borrowers;
- 3 vi. The Patriot Act information disclosure form containing blank spaces was present
4 in the loan file of one (1) borrower;
- 5 vii. The HUD/VA Addendum to Uniform Residential Loan application form
6 containing blank spaces was present in the loan file of one (1) borrower;
- 7 viii. The Notice to Applicants form, RESPA Section, containing blank spaces was
8 present in the loan file of (1) borrower;
- 9 ix. The Social Security Number Certification form containing blank spaces was
10 present in the loan file of (1) borrower;
- 11 x. Disclosure Notices form containing blank spaces was present in the loan file of
12 one (1) borrower;
- 13 xi. Consistently requires the borrowers to sign a blank "Department of the Treasury
14 Internal Revenue Service form 4506-T Request for Transcript of Tax Return."
15 Line 5, of this form, states... "If the transcript or tax return is to be mailed to a
16 third party (such as a mortgage company), enter the third party's name, address,
17 and telephone number. The IRS has no control over what the third party does
18 with the information." Line 5 of this form consistently is left blank.
19 Immediately below line 5 of this form contains the following notation:
20 "CAUTION: Lines 6 and 9 must be completed if the third party requires you to
21 complete Form 4506-T. Do not sign Form 4506-T if the third party requests that
22 you sign Form 4506-T and lines 6 and 9 are blank." Copies of this form, which
23 is either signed by the borrower or presented to the borrower for their signature,
24 reveals that lines 6 and 9 have been intentionally left blank. The Licensee does
25 not have nor does it use a completed and signed blank space authorization form
26 giving it the authority from the borrower to complete these lines at a later date;

1 and

2 xii. Failed to correct this violation from their previous examination;

3 h. Used an appraisal disclosure that places an unlawful 90-day limit on the amount of
4 time in which a borrower may obtain a copy of an appraisal for which the borrower
5 has paid; specifically:

6 i. Respondents have used a disclosure entitled "NOTICE OF RIGHT TO
7 RECEIVE AN APPRAISAL REPORT" that includes a 90-day limit on the
8 amount of time an applicant may request the appraisal;

9 i. Failed to provide all required disclosure information and documentation to private
10 investors before the payment of any money occurred, and made false promises or
11 misrepresentations or concealed essential or material facts in the course of the
12 mortgage broker business; specifically ;

13 i. Branch Office located at 5110 North 44th Street, Suite 240-L, Phoenix, Arizona
14 85018: J.T. was a loan officer and a former branch manager for SFS, located at
15 5110 North 44th Street, Suite 240-L, Phoenix, Arizona 85018. S.K. and A.P.
16 were loan officers and former employees of SFS at the same location. J.T. was
17 the host of a radio show in which he advertised that he was a loan officer with
18 SFS during his broadcasts on the radio. During the time period in which J.T.,
19 S.K. and A.P. were employed by SFS, all three were engaged in the business of
20 buying and selling real property which mostly involved the use of hard money
21 lenders/investors to finance these investments. J.T., appraiser K.D., and A.P.
22 would purchase distressed or foreclosed properties for below fair market value.
23 Because of the number of properties being purchased and because they were
24 short term investments conventional loans were not sought. Loan officer S.K.
25 would solicit the private lenders/investors to lend their money to these
26 borrowers backed by either first or second position deeds of trust depending on

1 the amount of money sought by the borrowers for these properties.

2 ii. None of the private money lenders ever received any of the documentation
3 required pursuant to A.R.S. § 6-907. Complainants in two of three complaints
4 filed with the Department, by investors, were not exempt from receiving the
5 required documentation. In responding to the complaints, Respondents named
6 J.T. as the only manager at the 44th Street branch location. There were at least
7 four (4) other loan officer employees and an employed processor working at that
8 location. Because these individuals were brokering these type loans under
9 Respondents' mortgage broker's license issued by the Department, Respondents
10 are responsible for these loan officers' mortgage brokering activities.

11 1. Borrowers S. and S.M.: There were serious discrepancies in six (6) loan
12 applications regarding the borrowers' monthly gross incomes and the
13 properties owned and mortgaged. The concealment of properties owned,
14 mortgages owed, and inflated incomes misled the lenders in their decision
15 to approve or deny the loans. Because the borrowers' debt ratio
16 calculations were inaccurate, and the underwriters' analysis of the
17 borrowers' ability to repay the loan was based on falsified, missing, and
18 misleading information, the lending decisions appear to be based on
19 incomplete and inaccurate information. The applications were also
20 submitted to different lenders to conceal the inaccurate information and to
21 ensure that the applications for these loans would be approved;
22 specifically:

23 (a) On March 7, 2007, loan officer A.P. conducted a face to face
24 application interview with S. and S.M. The applicants applied for a
25 \$225,000.00 mortgage loan to refinance their primary residence
26 listed as 5015 East Cheyenne Drive #12, Phoenix, Arizona 85044.

1 (b) On March 22, 2007, loan officer A.P. conducted a face to face
2 application interview with S.M. The applicant applied for a
3 \$73,350.00 home equity line of credit loan on his investment
4 property located at 15410 North 61st Avenue, Glendale, AZ 85306.

5 (c) On April 2, 2007, loan officer A.P. conducted a face to face
6 application interview with S. and S.M. The applicants applied for a
7 \$208,000.00 mortgage loan to refinance their investment property
8 located at 2610 South 159th Avenue, Goodyear, Arizona 85338.

9 (d) On May 2, 2007 loan officer A.P. conducted a face to face
10 application interview with S.M. The applicant applied for a
11 \$175,000.00 mortgage loan to refinance his investment property
12 located at 6231 West Mitchell Drive, Phoenix, Arizona 85033.

13 (e) On September 21, 2007 loan officer A.P. conducted a face to face
14 application interview with S. and S.M. The applicant applied for a
15 \$250,000.00 mortgage loan to refinance his investment property
16 located at 5730 North 12th Street, Phoenix, Arizona 85014.

17 (f) On January 21, 2008 loan officer J.T. conducted a telephone
18 application interview with S.M. The applicant applied for a
19 \$240,000.00 mortgage loan to refinance his investment property
20 located at 1908 North 47th Place, Phoenix. Arizona 85008.

21 2. Borrower T.H.: There were serious discrepancies in three (3) loan
22 applications regarding the borrowers' monthly gross incomes and the
23 properties owned and mortgaged. The concealment of properties owned,
24 mortgages owed, and inflated incomes misled the lenders in their decision
25 to approve or deny the loans. Because the borrowers' debt ratio
26 calculations were inaccurate, and the underwriters' analysis of the

1 borrowers' ability to repay the loan was based on falsified, missing, and
2 misleading information, the lending decisions appear to be based on
3 incomplete and inaccurate information. The applications were also
4 submitted to different lenders to conceal the inaccurate information and to
5 ensure that the applications for these loans would be approved;
6 specifically:

7 (a) On April 23, 2007 S.K. took a mortgage loan application for
8 \$144,000.00 by telephone from T.H. to refinance an investment
9 property. The property was located at 2833 West Banff Lane,
10 Phoenix, AZ 85053. The applicant's present address is listed as
11 13840 North 17th Avenue, Phoenix, AZ 85023.

12 (b) S.K. took a mortgage loan application by telephone on an unknown
13 date from T.H. The applicant was applying for a \$117,600.00
14 mortgage loan to refinance an investment property located at
15 20227 North 21st Lane, Phoenix, AZ 85027. The applicant's
16 present address is listed as 13840 North 17th Avenue, Phoenix, AZ
17 85023.

18 (c) On August 3, 2007 S.K. took a mortgage loan application by
19 telephone from T.H. The applicant was applying for a \$113,000.00
20 mortgage loan to refinance an investment property located at
21 15207 North 27th Avenue, Phoenix, AZ 85053. The applicant's
22 present address is listed as 13840 North 17th Avenue, Phoenix, AZ
23 85023.

24 3. Borrower M.M.: Respondents failed to maintain private lending files for
25 this borrower, although the purchase of the property was made through
26 private lenders; specifically:

1 (a) On November 30, 2007, J.T. was the loan officer on an application
2 for a mortgage loan signed and dated by the applicant on 11/30/07.
3 The initial interview was conducted by telephone. The applicant
4 was applying for a \$288,000.00 mortgage loan to refinance an
5 investment property located at 3655 East Palmer Street, Gilbert,
6 AZ 85297. The applicant's present address was listed as 255 South
7 Kyrene Road #217, Chandler, AZ 85226. This property was
8 foreclosed on October 31, 2008 and was subsequently sold short in
9 March 2009.

10 iii. S.D. was also employed as a loan officer at State Financial Services, LLC
11 branch located at 5110 North 44th Street, Suite 240-L, Phoenix, Arizona 85018.
12 J.T. was the branch manager at the time of S.D.'s employment.

13 1. Borrower C.S.: There were serious discrepancies in the above loan
14 applications regarding the borrowers' monthly gross incomes and the
15 properties owned and mortgaged. The concealment of properties owned,
16 mortgages owed, and inflated incomes misled the lenders in their decision
17 to approve or deny the loans. Because the borrowers' debt ratio
18 calculations were inaccurate, and the underwriters' analysis of the
19 borrowers' ability to repay the loan was based on falsified, missing, and
20 misleading information, the lending decisions appear to be based on
21 incomplete and inaccurate information. The applications were also
22 submitted to different lenders to conceal the inaccurate information and to
23 insure that the applications for these loans would be approved.

24 (a) On October 6, 2006 S.D. took a telephone application from C.S.
25 for a \$312,000.00 mortgage loan to purchase a secondary residence
26 located at 3611 N. Barron Circle, Mesa, AZ 85207. The

1 application listed the applicant's primary residence as 9539 East
2 Linder, Mesa AZ 85209. This property was foreclosed in 2007
3 and sold in 2008 for \$291,000.00.

4 (b) S.D. took two applications by phone from C. S. who applied by
5 phone for a 1st mortgage loan in the amount of \$454,400.00 and a
6 2nd mortgage loan in the amount of \$113,600.00 to refinance his
7 primary residence located at 3530 East Caballero Street, Mesa, AZ
8 85213. This property was foreclosed in 2007.

9 2. Borrower J. C.: There were serious discrepancies in the above loan
10 applications regarding the borrowers' monthly gross incomes and the
11 properties owned and mortgaged. The concealment of properties owned,
12 mortgages owed, and inflated incomes misled the lenders in their decision
13 to approve or deny the loans. Because the borrowers' debt ratio
14 calculations were inaccurate, and the underwriters' analysis of the
15 borrowers' ability to repay the loan was based on falsified, missing, and
16 misleading information, the lending decisions appear to be based on
17 incomplete and inaccurate information. The applications were also
18 submitted to different lenders to conceal the inaccurate information and to
19 ensure that the applications for these loans would be approved;
20 specifically:

21 (a) On December 11, 2006 loan officer S. D. took a mortgage loan
22 application by telephone for \$193,600.00 from J.C. for the
23 purchase of his primary residence located at 7812 East Plaza
24 Avenue, Scottsdale, AZ 85250. The application listed J.C.'s
25 present address as 7710 E. Gainey Ranch Road, Scottsdale, AZ
26 85258. This property was foreclosed on January 30, 2008.

1 (b) On January 3, 2007, loan officer and branch manager J.T. took a
2 mortgage loan application by telephone for \$295,920.00 from J.C.
3 for the purchase of his primary residence located at 13227 North
4 Mimosa Drive, Fountain Hills AZ 85268. The application listed
5 J.C.'s present address as 7710 E. Gainey Ranch Road, Scottsdale,
6 AZ 85258.

7 (c) On December 3, 2006 loan officer S.D. took two (2) mortgage loan
8 applications by telephone for \$224,000.00 and \$56,000.00 from
9 J.C. to refinance his primary residence located at 7812 East Plaza
10 Avenue, Scottsdale, AZ 85250. Both applications listed this
11 address as his present address. This property was foreclosed on
12 January 30, 2008.

13 (d) It should be noted that there was additional property conveyed to
14 J.C. as verified by a warrantee deed filed on 2/7/2007 with the
15 Maricopa County Recorder. The location of this property is 17164
16 North Silver Path, Surprise, AZ 85274. This property does not
17 appear to be brokered by Respondents as it does not appear on its
18 loan listing nor is there a loan file for this property. Novastar was
19 the lender on the deeds of trust for this property. The property was
20 owned by J.C. until foreclosed on 8/15/2008.

21 iv. Branch Office located at 309 East Coronado Road, #B, Phoenix, AZ 85004:
22 D.B. is a loan officer and branch manager. This branch location is also D.B.'s
23 residence. D.B. signed a consent order in late July 2004 that revoked his
24 licenses with the Minnesota Department of Commerce. The web site for the
25 Minnesota Department of Commerce enforcement actions states that, "By
26 engaging in predatory equity stripping respondent has engaged in acts &

1 practice that are fraudulent, deceptive and dishonest; he is untrustworthy,
2 financially irresponsible & incompetent unqualified to act under licenses.” The
3 loan officer never revealed this information to his employer.

4 1. Borrowers R. and G.H.: The concealment of properties owned, and
5 mortgages owed, misled the lenders in their decision to approve or deny
6 the loans. Because the borrowers’ debt ratio calculations were inaccurate,
7 and the underwriters’ analysis of the borrowers’ ability to repay the loan
8 was based on falsified, missing, and misleading information, the lending
9 decisions appear to be based on incomplete and inaccurate information.
10 The applications were also submitted to different lenders to conceal the
11 inaccurate information and to ensure that the applications for these loans
12 would be approved; specifically:

13 (a) On July 21, 2007, D.B. conducted a face to face interview with
14 G. and R.H. who applied for a mortgage loan in the amount of
15 \$130,000.00 to refinance their primary residence. G.H. was listed
16 as the borrower and R.H. as the co-borrower on the application.
17 The application stated the couple owned the residence located at
18 8102 East Windsor Avenue, Scottsdale, AZ 85257 for 21 years.

19 (b) On July 21, 2007, D.B. conducted a face to face interview with
20 G. and R.H. who applied for a mortgage loan in the amount of
21 \$178,000.00 to purchase an investment property located at 2289
22 West Pecan Road, Phoenix, AZ 85041. G.H. was listed as the
23 borrower and R.H. as the co-borrower on the application. The
24 application stated the couple owned their residence located at 8102
25 East Windsor Avenue, Scottsdale, AZ 85257. This property was
26 foreclosed on February 9, 2009.

1 (c) On August 2, 2009, D.B. conducted a face to face interview with
2 G. and R. H. who applied for a mortgage loan in the amount of
3 \$196,000.00 to purchase an investment property located at 2117
4 North 25th Place, Phoenix, AZ 85008. This property was
5 foreclosed on April 3, 2009.

6 (d) On July 21, 2009, D.B. conducted a face to face interview with
7 G. and R.H. who applied for a mortgage loan in the amount of
8 \$196,000.00 to purchase an investment property located at 101
9 East La Mirada Drive, Phoenix, AZ 85042. This property was
10 foreclosed on December 10, 2008.

11 (e) On July 21, 2009, D.B. conducted a face to face interview with
12 G. and R.H. who applied for a mortgage loan in the amount of
13 \$160,000.00 to purchase an investment property located at 19062
14 North 2nd Avenue, Phoenix, AZ 85042. This property was
15 foreclosed on January 29, 2009.

16 2. Borrowers A. and R. D.: The concealment of properties owned, and
17 mortgages owed, misled the lenders in their decision to approve or deny
18 the loans. Because the borrowers' debt ratio calculations were inaccurate,
19 and the underwriters' analysis of the borrowers' ability to repay the loan
20 was based on falsified, missing, and misleading information, the lending
21 decisions appear to be based on incomplete and inaccurate information.
22 The applications were also submitted to different lenders to conceal the
23 inaccurate information and to ensure that the applications for these loans
24 would be approved; specifically:

25 (a) On June 30, 2007, D.B. conducted a face to face interview with
26 A. and R.D. who applied for a \$206,910.00 mortgage loan to

1 purchase an investment property located at 4717 North 58th Drive,
2 Phoenix, AZ 85031. The applicants' primary residence was located
3 7416 East Palm Lane, Scottsdale Arizona, 85257. This property
4 was foreclosed on December 19, 2008 and sold at a public auction
5 on March 20, 2009.

6 (b) On October 26, 2007, D.B. conducted a face to face interview with
7 A. and R.D. who applied for a \$211,420.00 mortgage loan to
8 purchase an investment property located at 2110 West Osborn
9 Road, Phoenix, AZ 85015. This property was foreclosed and the
10 notice of trustee sale was dated December 18, 2008.

11 (c) On June 30, 2007, D.B. conducted a face to face interview with
12 A. and R.D. who applied for a \$206,910.00 mortgage loan to
13 purchase an investment property located at 1137 North 59th Drive,
14 Phoenix, AZ 85043. The applicants' primary residence was located
15 7416 East Palm Lane, Scottsdale Arizona, 85257. This property
16 was foreclosed and the notice of trustee sale was dated
17 December 30, 2008.

18 3. Borrowers T. and M.T.: The concealment of properties owned, and
19 mortgages owed, misled the lenders in their decision to approve or deny
20 the loans. Because the borrowers' debt ratio calculations were inaccurate,
21 and the underwriters' analysis of the borrowers' ability to repay the loan
22 was based on falsified, missing, and misleading information, the lending
23 decisions appear to be based on incomplete and inaccurate information.
24 The applications were also submitted to different lenders to conceal the
25 inaccurate information and to ensure that the applications for these loans
26 would be approved; specifically:

1 (a) On April 12, 2007, D.B. conducted a face to face interview with
2 T. and M.T. who applied for a \$180,000.00 mortgage loan to
3 purchase an primary residence. The address of the property was
4 omitted from the application. The applicants listed their present
5 address as 8220 East Mackenzie Drive, Scottsdale, AZ 85251.
6 This property was foreclosed on February 2, 2009.

7 (b) On April 12, 2007, D.B. conducted a face to face interview with
8 T. and M.T. who applied for a \$180,000.00 mortgage loan to
9 purchase an primary residence. The address of the property was
10 omitted from the application. The applicants listed their present
11 address as 8220 East Mackenzie Drive, Scottsdale, AZ 85251.

12 (c) On March 28, 2008, D.B. conducted a face to face interview with
13 T. and M.T. who applied for a \$165,000.00 mortgage loan to
14 purchase an investment property located at 4046 West Rancho
15 Drive, Phoenix, Arizona 85019. The applicants listed their present
16 address as 8220 East Mackenzie Drive, Scottsdale, AZ 85251.

17 4. Borrower C.C.: The concealment of properties owned, and mortgages
18 owed, misled the lenders in their decision to approve or deny the loans.
19 Because the borrowers' debt ratio calculations were inaccurate, and the
20 underwriters' analysis of the borrowers' ability to repay the loan was
21 based on falsified, missing, and misleading information, the lending
22 decisions appear to be based on incomplete and inaccurate information.
23 The applications were also submitted to different lenders to conceal the
24 inaccurate information and to ensure that the applications for these loans
25 would be approved.

26 (a) On 6/28/2006 D.B. received a mailed application from C.C. to

1 refinance his primary residence at 4545 East Campbell Court,
2 Higley, AZ 85236 for \$238,000.00. The application lists this
3 address as the applicant's present address. This property was
4 foreclosed on March 14, 2008.

5 (b) On October 17, 2006, D.B. conducted a face to face interview with
6 C.C. who applied for a \$144,000.00 mortgage loan to purchase an
7 investment property located at 7025 South 41st Place, Phoenix,
8 Arizona 85042. The applicant listed his present address as 3641
9 West Dahlia Drive, Phoenix, Arizona 85029. This property was
10 foreclosed on April 1, 2008.

11 5. Borrower J.H.: The concealment of properties owned, and mortgages
12 owed, misled the lenders in their decision to approve or deny the loans.
13 Because the borrowers' debt ratio calculations were inaccurate, and the
14 underwriters' analysis of the borrowers' ability to repay the loan was
15 based on falsified, missing, and misleading information, the lending
16 decisions appear to be based on incomplete and inaccurate information.
17 The applications were also submitted to different lenders to conceal the
18 inaccurate information and to ensure that the applications for these loans
19 would be approved; specifically:

20 (a) On November 29, 2006, D.B. conducted a face to face interview
21 with J.H. who applied for a \$228,000.00 mortgage loan purchase
22 an investment property located at 3428 West Krall Street, Phoenix,
23 Arizona 85017. The applicant gave his present address as 9803
24 North 47th Drive, Glendale, Arizona 85302. The applicant has
25 owned this property for one (1) month. The former address is listed
26 as 8888 North 47th Avenue, #262, Phoenix, Arizona 85302. This

1 property was foreclosed on February 5, 2008.

2 (b) On November 29, 2006 D.B. conducted a face to face interview
3 with J.H. The applicant applied for two (2) mortgage loans for
4 \$152,000.00 and \$38,000.00 to purchase a primary residence
5 located at 2335 North 47th Drive, Phoenix, Arizona 85035. The
6 applicant gave his present address as 8888 North 47th Avenue,
7 #262, Phoenix, Arizona 85302. This property was foreclosed on
8 September 19, 2007.

9 (c) On November 29, 2006 D.B. conducted a face to face interview
10 with J.H. The applicant applied for \$205,200.00 to purchase a
11 primary residence located at 9803 North 47th Drive, Glendale,
12 Arizona 85302. The applicant gave his present address as 8888
13 North 47th Avenue, #262, Phoenix, Arizona 85302. This property
14 was foreclosed on September 19, 2007.

15 v. Respondents have little if any control over their employees as evidenced in this
16 examination report. Respondents had prior violations in this area and have had
17 previous warnings involving making false promises, misleading information and
18 concealment of material facts.

19 j. Failed to ensure that their Responsible Individual was in active management of
20 Respondents' activities; specifically:

21 i. Respondents' Responsible Individual, Todd Dishon, CEO and fifty percent
22 (50%) owner of SFS, failed to supervise compliance with A.R.S. Title 6,
23 Chapter 9 as it relates to Respondents, and other applicable laws and rules as
24 evidenced by the number and severity of violations cited in the Report of
25 Examination;

26 k. Failed to abide by all applicable laws, rules and orders; specifically:

1 i. There were several written and verbal communications from the Department to
2 Respondents warning about their deceptive advertising practices which appear
3 to have been ignored (as described in the Findings of Fact, paragraph 4(b)
4 above). There are several consumer complaints regarding the appearance of
5 Respondents' mailers. The deceptive verbiage used in these mailers implies that
6 the recipient is being notified by either FHA and/or VA because of a problem
7 with their mortgage loans. Despite the warnings from AZDFI, there was still
8 evidence of these type solicitations/mailers continued use in Respondents'
9 marketing strategies

10 5. These Findings of Fact shall also serve as Conclusions of Law.

11 LAW

12 1. Pursuant to A.R.S. §§ 6-901, *et seq.*, the Superintendent has the authority and duty to
13 regulate all persons engaged in the mortgage broker business and with the enforcement of statutes,
14 rules, and regulations relating to mortgage brokers.

15 2. By the conduct set forth in the Findings of Fact, SFS and Mr. Dishon violated the
16 following:

- 17 a. A.R.S. § 6-904(H) by failing to first obtain a branch office license from the
18 Superintendent before conducting business as a mortgage broker;
- 19 b. A.R.S. §§ 6-903(P) and 6-906(D) by failing to include their license number, as issued
20 on their principal place of business license and to fully comply with real estate
21 lending disclosure requirements within all regulated advertising and solicitations for
22 mortgage business;
- 23 c. A.R.S. § 6-903(Q) and A.A.C. R20-4-102 by failing to conduct the minimum
24 elements of reasonable employee investigations prior to hiring employees,
- 25 d. A.R.S. § 6-906(A) and A.A.C. R20-4-917(B)(6) by failing to keep and maintain
26 original documents or clearly legible copies of all mortgage loan transactions;

- 1 e. A.R.S. § 6-906(C) by failing to use a statutorily correct written document agreement
2 signed by all parties when accepting advance fees and/or documents from borrowers
3 in connection with mortgage loan applications;
- 4 f. A.R.S. § 6-906(D) and A.A.C. R20-4-917(B)(6)(e) by failing to comply with the
5 disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C.
6 §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12 U.S.C.
7 §§ 2601 through 2617), and the regulations promulgated under these acts;
- 8 g. A.R.S. § 6-909(A) and A.A.C. R20-4-921 by allowing borrowers to sign regulated
9 documents containing blank spaces without written authorization;
- 10 h. A.R.S. § 6-906(C) by using an appraisal disclosure that places an unlawful 90-day
11 limit on the amount of time in which a borrower may obtain a copy of an appraisal for
12 which the borrower has paid;
- 13 i. A.R.S. §§ 6-907(A) and 6-909(L) and A.A.C. R20-4-917(B)(6)(f) by failing to
14 provide all required disclosure information and documentation to private investors
15 before the payment of any money occurred, and made false promises or
16 misrepresentations or concealed essential or material facts in the course of the
17 mortgage broker business;
- 18 j. A.R.S. § 6-903(H) and A.A.C. R20-4-102 by failing to ensure that their Responsible
19 Individual was in active management of Respondents' activities; and
- 20 k. A.R.S. § 6-905(A)(3) by failing to abide by all applicable laws, rules and orders;

21 3. The violations, set forth above, constitute grounds for: (1) the issuance of an order
22 pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the violative conduct and
23 to take the appropriate affirmative actions, within a reasonable period of time prescribed by the
24 Superintendent, to correct the conditions resulting from the unlawful acts, practices, and
25 transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the
26 suspension or revocation of Respondents' license pursuant to A.R.S. § 6-905; (4) an order to pay

1 restitution of any fees earned on loans made in violation of A.R.S. § 6-901, *et seq.*, pursuant to
2 A.R.S. §§ 6-131(A)(3) and 6-137; and (5) an order or any other remedy necessary or proper for the
3 enforcement of statutes and rules regulating mortgage bankers pursuant to A.R.S. §§ 6-123 and
4 6-131.

5 **ORDER**

6 1. SFS and Mr. Dishon shall immediately stop the violations set forth in the Findings of
7 Fact and Conclusions of Law. SFS and Mr. Dishon:

- 8 a. Shall first obtain a branch office license from the Superintendent before conducting
9 business as a mortgage broker;
- 10 b. Shall include their license number, as issued on their principal place of business
11 license and to fully comply with real estate lending disclosure requirements within all
12 regulated advertising and solicitations for mortgage business
- 13 c. Shall conduct the minimum elements of reasonable employee investigations prior to
14 hiring employees,
- 15 d. Shall keep and maintain original documents or clearly legible copies of all mortgage
16 loan transactions;
- 17 e. Shall use a statutorily correct written document agreement signed by all parties when
18 accepting advance fees and/or documents from borrowers in connection with
19 mortgage loan applications;
- 20 f. Shall comply with the disclosure requirements of Title I of the Consumer Credit
21 Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement
22 Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated
23 under these acts;
- 24 g. Shall not allow borrowers to sign regulated documents containing blank spaces
25 without written authorization;
- 26 h. Shall not use an appraisal disclosure that places an unlawful 90-day limit on the

1 amount of time in which a borrower may obtain a copy of an appraisal for which the
2 borrower has paid;

3 i. Shall provide all required disclosure information and documentation to private
4 investors before the payment of any money occurred, and shall not make false
5 promises or misrepresentations or concealed essential or material facts in the course
6 of the mortgage broker business;

7 j. Shall ensure that their Responsible Individual is in active management of
8 Respondents' activities;

9 k. Shall abide by all applicable laws, rules and orders;

10 2. SFS and Mr. Dishon shall comply with all Arizona statutes and rules regulating Arizona
11 mortgage brokers (A.R.S. §§ 6-901 *et seq.*), mortgage bankers (A.R.S. §§ 6-941 *et seq.*) and loan
12 originators (A.R.S. §§ 6-991 *et seq.*).

13 3. SFS and Mr. Dishon shall immediately pay to the Department a civil money penalty in
14 the amount of **fifty thousand dollars (\$50,000.00)**. SFS and Mr. Dishon are jointly and severally
15 liable for payment of the civil money penalty.

16 4. SFS and Mr. Dishon shall immediately pay to the Department the examination fee in the
17 amount of **twenty five thousand three hundred sixty six dollars and twenty five cents**
18 **(\$25,366.25)**, pursuant to A.R.S. § 6-125.

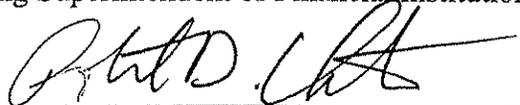
19 5. The provisions of this Order shall be binding upon Respondents, their employees, agents,
20 and other persons participating in the conduct of the affairs of Respondents.

21 6. This Order shall become effective upon service, and shall remain effective and
22 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated,
23 or set aside.

24 ...
25 ...
26 ...

1 SO ORDERED this 28th day of January, 2010.

2 Thomas L. Wood
3 Acting Superintendent of Financial Institutions

4 By: 
5 Robert D. Charlton
6 Assistant Superintendent

6 **CONSENT TO ENTRY OF ORDER**

7 1. Respondents acknowledge that they have been served with a copy of the foregoing Findings
8 of Fact, Conclusions of Law, and Order in the above-referenced matter, have read the same, are
9 aware of their right to an administrative hearing in this matter, and have waived the same.

10 2. Respondents admit the jurisdiction of the Superintendent and consent to the entry of the
11 foregoing Findings of Fact, Conclusions of Law, and Order.

12 3. Respondents state that no promise of any kind or nature has been made to induce them to
13 consent to the entry of this Order, and that they have done so voluntarily.

14 4. Respondents agree to cease from engaging in the violative conduct set forth above in the
15 Findings of Fact and Conclusions of Law.

16 5. Respondents acknowledge that the acceptance of this Agreement by the Superintendent is
17 solely to settle this matter and does not preclude this Department, any other agency or officer of this
18 state or subdivision thereof from instituting other proceedings as may be appropriate now or in the
19 future.

20 6. Todd H. Dishon, on behalf of State Financial Services, LLC and himself, represents that he is
21 the CEO and Responsible Individual, and that, as such, has been authorized by State Financial
22 Services, LLC to consent to the entry of this Order on its behalf.

23 7. Respondents waive all rights to seek judicial review or otherwise to challenge or contest the
24 validity of this Cease and Desist Order.

25 ...

26 ...

1 DATED this _____ day of _____, 2010.

2
3 By: _____
4 Todd H. Dishon, CEO and Responsible Individual
State Financial Services, LLC

5 ORIGINAL of the foregoing filed this 28th
6 day of January, 2010 in the office of:

7 Thomas L. Wood
8 Acting Superintendent of Financial Institutions
9 Arizona Department of Financial Institutions
ATTN: Susan Longo
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

10 COPY mailed/delivered same date to:

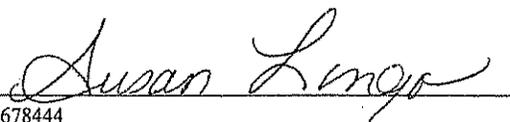
11 Craig A. Raby, Assistant Attorney General
12 Office of the Attorney General
1275 West Washington
Phoenix, AZ 85007

13 Robert D. Charlton, Assistant Superintendent
14 Judith R. Moss, Senior Examiner
15 Arizona Department of Financial Institutions
2910 North 44th Street, Suite 310
Phoenix, AZ 85018

16 AND COPY MAILED SAME DATE by
17 Certified Mail, Return Receipt Requested, to:

18 Todd H. Dishon, CEO and Responsible Individual
19 State Financial Services, LLC
18301 N. 79th Avenue, Suite C-130
20 Glendale, AZ 85308
Respondents

21 Kevin Wray, Statutory Agent for
22 State Financial Services, LLC
18301 N. 79th Avenue, Suite C-130
23 Glendale, AZ 85308

24 
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