

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Mortgage Broker License of: No. 08F-BD015-BNK

3 **STINSON FINANCIAL GROUP, INC. AND HARRY S. DENNIS, PRESIDENT** **CONSENT ORDER**  
4 2575 E. Camelback Road Ste. 450  
5 Phoenix, AZ 85016

6 Petitioners.

7 On October 15, 2007, the Arizona Department of Financial Institutions (“Department”)  
8 issued a Notice of Hearing, alleging that Petitioners had violated Arizona law. Wishing to resolve  
9 this matter in lieu of an administrative hearing and without admitting liability, Petitioners consent to  
10 the following Findings of Fact and Conclusions of Law, and consent to the entry of the following  
11 Order.

12 **FINDINGS OF FACT**

13 1. Petitioner Stinson Financial Group, Inc. (“SFG”) is an Arizona corporation authorized to  
14 transact business in Arizona as a mortgage broker, license number MB 0906870, within the meaning  
15 of A.R.S. §§ 6-901, *et seq.* The nature of SFG’s business is that of making, negotiating, or offering  
16 to make or negotiate loans secured by Arizona real property, within the meaning of A.R.S. § 6-  
17 901(6).

18 2. Petitioner Harry S. Dennis (“Mr. Dennis”) is the President of SFG. Mr. Dennis is authorized  
19 to transact business in Arizona as a mortgage broker within the meaning of A.R.S. § 6-903(E).

20 3. A December 5, 2006 through March 23, 2007, examination of SFG, conducted by the  
21 Department, revealed that SFG and Mr. Dennis:

22 a. Failed to obtain a license before acting as a mortgage broker; specifically:

- 23 i. Petitioners conducted unlicensed activity by originating, negotiating and  
24 processing mortgage loans on Arizona real property before obtaining a  
25 mortgage broker branch office license from the Department; specifically:

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1. Unlicensed activity occurred at an unlicensed branch office located at 871 Coronado Center Dr., Suite 200, Henderson, NV 89052; and
2. Unlicensed activity occurred at an unlicensed branch office located at 294 Shasta St., Suite A, Chula Vista, CA 91910; and
- ii. Petitioners unlicensed activity resulted in the following transactions involving at least two (2) borrowers; specifically:
  1. Borrower James Theriault, closing date 01/30/06, loan amount \$205,200.00; amount paid to SFG \$3,607.00; and
  2. Borrower Rhonda Gisler, closing date 01/26/06, loan amount \$22,000.00; amount paid to SFG \$2,205.00;
- b. Failed to first obtain a branch office license from the Superintendent and designate a person for each branch office to oversee the operations of that office; specifically:
  - i. Petitioners originated mortgage loans from the following unlicensed branch locations; specifically:
    1. 871 Coronado Center Dr., Suite 200, Henderson, NV 89052; and
    2. 294 Shasta St., Suite A, Chula Vista, CA 91910;
- c. Transferred or assigned their mortgage broker license; specifically:
  - i. Petitioners have allowed unlicensed individuals/entities to use their mortgage broker license to originate Arizona mortgage loans for a fee;
  - ii. Petitioners allowed the unlicensed individuals/entities to originate mortgage loans using the Petitioners' name and mortgage broker license;
  - iii. In 2005, Petitioners' unlicensed activity resulted in transactions on at least twenty-two (22) occasions involving at least ten (10) contractors; and
  - iv. In 2006, Petitioners' unlicensed activity resulted in transactions on at least thirty-six (36) occasions involving at least nineteen (19) contractors;
- d. Failed to conduct the minimum elements of reasonable employee investigations

1 before hiring employees; specifically:

- 2 i. Failed to collect and review all of the documents authorized by the  
3 Immigration and Control Act of 1986 for four (4) employees;  
4 ii. Failed to obtain a completed "I9" (Employment Eligibility Verification Form)  
5 for six (6) employees;  
6 iii. Failed to obtain a completed and signed employment application when hiring  
7 six (6) employees;  
8 iv. Failed to obtain a signed statement attesting to all of an applicant's felony  
9 convictions, including detailed information regarding each conviction when  
10 hiring twelve (12) employees;  
11 v. Failed to consult with the applicant's most recent or next most recent  
12 employer for eleven (11) employees;  
13 vi. Failed to inquire regarding an applicant's qualifications and competence for  
14 the position for eleven (11) employees;  
15 vii. Failed to obtain a current credit report from a credit reporting agency when  
16 hiring twelve (12) employees;  
17 viii. Failed to maintain and could not timely produce, a proper listing of employees  
18 as requested in the Responsible Individual Questionnaire; and  
19 ix. Failed to supply the required Arizona employee information as requested by  
20 the examiner despite a Subpoena Duces Tecum issued by the Department on  
21 January 5, 2007;

22 e. Contracted with or paid \$1,598,223.97 in compensation to unlicensed, independent  
23 contractors; specifically:

- 24 i. In 2005, Petitioners paid to unlicensed independent individuals and entities a  
25 total of one hundred twenty-five thousand four hundred twenty-eight dollars  
26 and fifty-five cents (\$125,428.55) involving at least nine (9) contractors;

- 1           ii. In 2006, Petitioners paid to unlicensed independent individuals and entities a  
2           total of one hundred seventy-four thousand two hundred five dollars and fifty-  
3           five cents (\$174,205.55) involving at least eighteen (18) contractors;
- 4           iii. In 2006, Petitioners paid compensation to individuals listed as “employees”  
5           that have their own mortgage broker license in other states, are employed by  
6           another broker, or are employed by the Petitioners on a 1099 basis. These  
7           individuals have wrongfully received compensation totaling eight hundred  
8           twenty-one thousand three hundred sixty-four dollars and sixteen cents  
9           (\$821,364.16) in activities involving at least twenty-six (26) contractors;
- 10          iv. In 2006, Petitioners paid two-hundred twenty-three thousand seven hundred  
11          eighty-three dollars and seventy-one cents (\$223,783.71) to a related party for  
12          commissions on Arizona mortgage loans;
- 13          v. Petitioners failed to issue forms W-2 that included all income derived from  
14          Arizona real property;
- 15          vi. Petitioners’ marketing expense report for 2005, lists two hundred fourteen  
16          thousand seven hundred ninety-eight dollars (\$214,798.00) paid to HMJ  
17          Realty; and
- 18          vii. Petitioners marketing expense report for 2006, lists thirty-eight thousand six  
19          hundred forty-four dollars (\$38,644.00) paid to HMJ Realty;
- 20          f. Failed to maintain correct and complete records; specifically:
- 21                i. Petitioners failed to keep a list of any denied, cancelled or withdrawn loan  
22                applications prior to 2006, as required;
- 23          g. Failed to update and reconcile records having more than ten (10) transactions in a  
24          calendar quarter; specifically:
- 25                i. Petitioners have not been able to supply correct bank statement reconciliations  
26                despite repeated requests and a Subpoena Duces Tecum;

- 1 h. Failed to maintain original documents or clearly legible copies of all mortgage loan  
2 transactions; specifically:
- 3 i. Petitioners failed to maintain required documents in at least four (4) loan files;
- 4 i. Failed to maintain a complete loan application listing; specifically:
- 5 i. In Petitioners' 2005, loan listing, the application date and name of the loan  
6 officer are missing, and the declined and withdrawn applications are not  
7 included;
- 8 ii. In Petitioners' 2006 loan listing the application date is missing, and the name  
9 of the loan officer is missing, in many instances; and
- 10 iii. In Petitioners' cancelled, denied or withdrawn loan listing the application date  
11 is missing; the amount of the initial loan request is missing; the final  
12 disposition date is missing; and the name of the loan officer is missing;
- 13 j. Allowed borrowers to sign regulated documents containing blank spaces; specifically:
- 14 i. Five (5) Arizona broker agreements contained blank fee amounts;
- 15 ii. One (1) advance fee agreement was signed in blank;
- 16 iii. One (1) affiliated business arrangement disclosure was signed in blank;
- 17 iv. One (1) mortgage servicing transfer was signed in blank; and
- 18 v. Petitioners used an "Authorization to Complete Blank Spaces" disclosure that  
19 does not specifically identify the documents and/or blank spaces to be  
20 completed by Petitioners;
- 21 k. Failed to comply with the disclosure requirements of Title I of the Consumer Credit  
22 Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement  
23 Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated  
24 under these acts; specifically:
- 25 i. Preliminary Truth-in-Lending disclosures are missing from at least seventeen  
26 (17) loan files;

- 1                   ii. Good Faith Estimates are missing from at least six (6) loan files;
- 2                   iii. Mortgage Servicing Transfer disclosures are missing from at least twenty-one
- 3                   (21) loan files;
- 4                   iv. Yield Spread Premiums were not disclosed within Good Faith Estimates to at
- 5                   least to six (6) borrowers;
- 6                   v. Miscellaneous fees were charged to at least one (1) borrower; and
- 7                   vi. A discount fee was charged to at least one (1) borrower;
- 8                   I. Misrepresented or concealed an essential or material fact in the course of the
- 9                   mortgage broker business; specifically:
- 10                  i. Petitioners failed to disclose the correct annual percentage rates (“APRs”) on
- 11                  loans for at least two (2) borrowers;
- 12                  ii. Petitioners quoted APRs to the borrowers on initial Truth-in-Lending
- 13                  disclosures which were the same as the interest rates on the Good Faith
- 14                  Estimates provided, and in some cases the APR was the same as the interest
- 15                  rate on the loan;
- 16                  iii. Petitioners failed to add the fees to the loan amount, thus lower APRs were
- 17                  presented to the borrowers, misrepresenting the actual APRs the borrowers
- 18                  would eventually pay; and.
- 19                  iv. Petitioners charged a “Loan Discount Fee” on at least one (1) loan, which is a
- 20                  misrepresentation of a material fact to the borrower;
- 21                  m. Failed to use a correct written document agreement when accepting documents from
- 22                  borrowers;
- 23                  i. Petitioners’ written agreement form states, “These fees are not refundable and
- 24                  will not be returned to the borrower in the event that the loan does not close”;
- 25                  ii. Petitioners agreement is incorrect since all third party fees are refundable
- 26                  unless the services have been performed;

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- iii. Agreement is missing from the file on loans to twelve (12) borrowers;
- iv. Agreement is not signed by the company on loans to six (6) borrowers; and
- v. Agreement is not dated by the company on loans to two (2) borrowers;
- n. Used unlawful appraisal disclosures that limit a borrower to 90 days in which the borrower may request a copy of an appraisal for which the borrower has paid;
- o. Failed to ensure that the Responsible Individual maintained a position of active management; specifically:
  - i. The Responsible Individual has not been in active management of the Petitioners' Arizona business activities;
  - ii. The Responsible Individual is not knowledgeable about the Petitioners' Arizona activities and has not supervised compliance with Arizona laws and rules; and
  - iii. The Responsible Individual has not been given the authority to ensure compliance;
- p. Failed to furnish information to the Department within a reasonable time; specifically:
  - i. On January 5, 2007, a Subpoena Duces Tecum was issued in order to obtain the documents and information necessary to complete the examination; and
  - ii. Petitioners failed to provide the examiner, within a reasonable time, the following:
    1. A list of employees with specific hire dates and work locations;
    2. Accurate bank account reconciliations; and
    3. A check register for 2005, for account # 204-1940616.
- 4. Based upon the above findings, the Department issued and served upon SGF and Mr. Dennis an Order to Cease and Desist; Notice of Opportunity For Hearing; Consent to Entry of Order ("Cease and Desist Order") on August 22, 2007.

1 5. On September 20, 2007, Petitioners filed a Request For Hearing to appeal the Cease and  
2 Desist Order.

3 **CONCLUSIONS OF LAW**

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

7 2. By the conduct set forth in the Findings of Fact, SFG has violated the mortgage broker  
8 statutes and rules as follows:

- 9 a. A.R.S. §§ 6-903(A) and 6-901(6) by originating, negotiating, or processing mortgage  
10 loans on Arizona real property at unlicensed branch office locations;
- 11 b. A.R.S. § 6-904(F) by failing to obtain branch office licenses from the Superintendent  
12 and by failing to designate a person for each branch office to oversee the operations  
13 of such offices;
- 14 c. A.R.S. § 6-903(O) by transferring or assigning their mortgage broker license without  
15 prior written consent of the Superintendent;
- 16 d. A.R.S. § 6-903(N) and A.A.C. R20-4-102 by failing to conduct the minimum  
17 elements of reasonable employee investigations before hiring employees;
- 18 e. A.R.S. § 6-909(B) and A.A.C. R20-4-102 by allowing unlicensed, independent  
19 individuals/entities to use it license, and unlawfully compensating these  
20 individuals/entities;
- 21 f. A.R.S. § 6-906(A) and A.A.C. R20-4-917(B) by failing to maintain correct and  
22 complete records;
- 23 g. A.A.C. R20-4-917(C) by failing to update and reconcile records having more than ten  
24 (10) transactions in a calendar quarter;
- 25 h. A.R.S. § 6-906(A) and A.A.C. R20-4-917(B)(6) by failing to maintain original  
26 documents or copies of all mortgage loan transactions;

- i. A.A.C. R20-4-917(B)(1) by failing to maintain a complete loan application list;
- j. A.R.S. § 6-909(A) and A.A.C. R20-4-921 by allowing borrowers to sign regulated documents containing blank spaces;
- k. A.R.S. § 6-906(D) and A.A.C. R20-4-917(B)(6)(e) by failing to comply with the disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated under these acts;
- l. A.R.S. § 6-909(L) by misrepresenting or concealing an essential or material fact in the course of the mortgage broker business;
- m. A.R.S. § 6-906(C) by failing to use a correct written document agreement when accepting documents from borrowers;
- n. A.R.S. § 6-906(C) by using unlawful appraisal disclosures that limit a borrower to 90 days in which the borrower may request a copy of an appraisal for which the borrower has paid;
- o. A.R.S. § 6-903(E) and A.A.C. R20-4-102 by failing to ensure that the responsible individual maintains a position of active management; and
- p. A.R.S. § 6-905(A) by failing to furnish information to the Department within a reasonable time.

3. The violations, set forth above, constitute grounds for: (1) the issuance of an order pursuant to A.R.S. § 6-137 directing Petitioners to cease and desist from the violative conduct and to take the appropriate affirmative actions, within a reasonable period of time prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts, practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the suspension or revocation of Petitioners' license pursuant to A.R.S. § 6-905; and (4) an order or any other remedy necessary or proper for the enforcement of statutes and rules regulating mortgage brokers pursuant to A.R.S. §§ 6-123 and 6-131.

**ORDER**

1  
2 1. Stinson Financial Group, Inc. shall immediately, upon execution of this Consent Order,  
3 voluntarily surrender to the Department its Mortgage Broker License, Number MB 0906870, issued  
4 in the name of Stinson Financial Group.

5 2. At the time of execution of this Order, Petitioners shall:

6 a. Submit a report of the winding down and closure of all loan files showing that all files  
7 have been closed or transferred to a mortgage broker or mortgage banker licensed by  
8 the Department or exempt from licensure; and

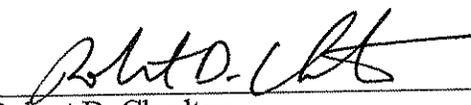
9 b. Provide to the Department a report of the arrangements made for storage of the closed  
10 loan files, including a list of all files placed in storage, the location of the files, and  
11 the name of the person to contact for retrieval.

12 2. Stinson Financial Group, Inc., and Harry S. Dennis shall immediately pay to the  
13 Department a civil money penalty in the sum of Ten Thousand Dollars (\$10,000.00). Five Thousand  
14 Dollars (\$5,000.00) shall be paid immediately and Five Thousand Dollars (\$5,000) shall be paid on  
15 or before March 14, 2008. Stinson Financial Group, Inc., and Harry S. Dennis are jointly and  
16 severally liable for the payment of the civil money penalty.

17 3. The provisions of this Order shall be binding upon Petitioners, their employees, agents,  
18 and other persons participating in the conduct of the affairs of Petitioners.

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

22 SO ORDERED this 21 day of March, 2008.

23  
24 By:   
25 Robert D. Charlton  
26 Assistant Superintendent of Financial Institutions

**CONSENT TO ENTRY OF ORDER**

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

5 2. Petitioners admit the jurisdiction of the Superintendent and consent to the entry of the  
6 foregoing Findings of Fact, Conclusions of Law, and Order.

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

9 4. Petitioners agree to cease from engaging in the violative conduct set forth above in the  
10 Findings of Fact and Conclusions of Law.

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

15 6. Harry S. Dennis, on behalf of Stinson Financial Group, Inc. and himself represents that  
16 he is the President, and that, as such, has been authorized by Stinson Financial Group, Inc. to consent  
17 to the entry of this Order on its behalf.

18 7. Petitioners waive all rights to seek judicial review or otherwise to challenge or contest the  
19 validity of this Order.

20 DATED this 13 day of March, 2008.

21  
22 By 

Harry S. Dennis, President  
Stinson Financial Group, Inc.  
and Individually

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1 ORIGINAL of the foregoing filed this 21<sup>st</sup>  
day of March, 2008, in the office of:

2 Felecia A. Rotellini  
3 Superintendent of Financial Institutions  
4 Arizona Department of Financial Institutions  
5 ATTN: Susan L. Longo  
6 2910 N. 44th Street, Suite 310  
7 Phoenix, AZ 85018

8 COPY mailed same date to:

9 Diane Mihalsky  
10 Administrative Law Judge  
11 Office of the Administrative Hearings  
12 1400 West Washington, Suite 101  
13 Phoenix, AZ 85007

14 Craig A. Raby  
15 Assistant Attorney General  
16 Office of the Attorney General  
17 1275 West Washington  
18 Phoenix, AZ 85007

19 Robert D. Charlton, Assistant Superintendent  
20 Joan S. Doran Senior Examiner  
21 Arizona Department of Financial Institutions  
22 2910 N. 44th Street, Suite 310  
23 Phoenix, AZ 85018

24 AND COPY MAILED SAME DATE by  
25 Certified Mail, Return Receipt Requested, to:

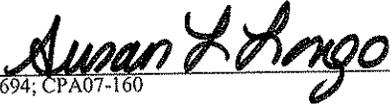
26 Stinson Financial Group, Inc.  
c/o Harry S. Dennis, President  
2575 E. Camelback Rd., Ste. 450  
Phoenix, AZ 85016

Harry S. Dennis, President  
Stinson Financial Group, Inc.  
2575 E. Camelback Rd., Ste. 450  
Phoenix, AZ 85016

Stinson Financial Group, Inc.  
Attention: Harry S. Dennis, President  
3636 Camino Del Rio North #230  
San Diego, CA 92108-1700

...

1 Harry Dennis, President  
2 Stinson Financial Group, Inc.  
3 1347 Caminito Arriata  
4 La Jolla, CA 92037  
5 Petitioners

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