



ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

Felecia A. Rotellini
Superintendent of Financial Institutions

Janet Napolitano
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NEWS RELEASE

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Freedom Financial License Revocation Becomes Final

Superintendent Felecia Rotellini, Arizona Department of Financial Institutions, announced today that the mortgage banker license of Freedom Financial & Mortgage Services Corporation is revoked. In addition to revocation, the company paid a \$25,000 penalty for violation of Arizona statutes. The Superior Court dismissed Freedom Financial's appeal of the Superintendent's Final Decision and Order, dated October 15, 2007, cutting off any remaining right to dispute the revocation. The Superintendent's decision was issued after a multi-day hearing before an administrative law judge.

The Superintendent said "This is a great result and sends a clear message that a mortgage company is not excused from submitting misleading loan applications because the borrower cooperates in the deception. In Arizona it is against the law for a mortgage banker or broker to misrepresent or conceal facts from a borrower or a lender. The law puts a burden on the licensee to tell the truth. They are not excused if the borrower is complicit in making false submissions in the loan application. Further, a lender's failure to catch inconsistencies or to assess the borrower's ability to repay, does not excuse the mortgage company's misrepresentations in the loan process."

The case against Freedom Financial began with an examination of its business and complaints alleging fraudulent mortgage loans. The Department issued a Cease and Desist Order on March 7, 2007 ordering the company to discontinue violating Arizona laws regulating mortgage bankers. Following the company's request for a hearing the Department filed a notice of hearing to revoke the license on April 13, 2007.

At the administrative hearing, Freedom Financial admitted it had, among other things, used inaccurate advertising, failed to conduct proper investigations before hiring loan officers, employed people whose business conduct it could not control, and allowed borrowers to sign documents containing blank spaces. Many of the admitted violations were originally cited in a previous examination of the lender and remained uncorrected in later examinations.

The evidence at the hearing on the revocation proved that Freedom Financial submitted misleading or inaccurate information on loan applications to lenders about their clients' income, omitting important facts about the clients' financial liabilities that diminished their ability to

actually repay the loans. Lenders reviewing the loans in question failed to note inconsistencies and irregularities in loan applications they accepted and ultimately funded.

In its defense, Freedom Financial claimed its practices complied with industry standards and, therefore, did not amount to misrepresentations prohibited under Arizona law. The Administrative Law Judge disagreed concluding that the company had a cavalier attitude toward regulation and a poor licensing history. The judge found that the Department satisfied its burden to prove Freedom Financial violated the law prohibiting deceptive practices and to prove grounds for revocation.

The revocation was sustained by an objective, neutral Administrative Law Judge after a full and open hearing on the merits of the case. Superintendent Rotellini praised the work of the Assistant Attorney General on the case and the judge who issued a recommended decision with 164 paragraphs of findings. “The Administrative Law Judge’s Findings of Fact and Conclusions of Law are thorough, thoughtful, and detailed. Her decision was so complete that there were no sustainable grounds for appeal.”

The Final Order of the Superintendent is on the Department’s website at http://www.azdfi.gov/Final/Forms/Freedom_Financial_final_order.pdf.

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