

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Mortgage Broker License of: No. 10F-BD028-SBD

3 **STERLING HOME MORTGAGE, LLC AND** **CONSENT ORDER**
4 **CHRISTOPHER BROWN, MANAGING**
5 **MEMBER**

16815 S. Desert Foothills #140
Phoenix, AZ 85048

6 Respondents.
7

8 On October 5, 2009, the Arizona Department of Financial Institutions (“Department”) issued
9 an Order to Cease and Desist; Notice of Opportunity For Hearing; Consent to Entry of Order,
10 alleging that Respondents had violated Arizona law. Wishing to resolve this matter in lieu of an
11 administrative hearing, Respondents consent to the following Findings of Fact and Conclusions of
12 Law, and consent to the entry of the following Order.

13 **FINDINGS OF FACT**

14 1. Respondent Sterling Home Mortgage, LLC (“Sterling”) is an Arizona limited liability
15 company authorized to transact business in Arizona as a mortgage broker, license number
16 MB 0906813, within the meaning of A.R.S. § 6-901, *et seq.* The nature of Sterling’s business is that
17 of making, negotiating, or offering to make or negotiate loans secured by Arizona real property
18 within the meaning of A.R.S. § 6-901(6).

19 2. Respondent Christopher Brown (“Mr. Brown”) is the Managing Member of Sterling. Mr.
20 Brown is authorized to transact business in Arizona as a mortgage broker within the meaning of
21 A.R.S. § 6-903(E).

22 3. A September 15, 2008 through January 5, 2009 examination of Sterling, conducted by the
23 Department, revealed that Sterling and Mr. Brown:

24 a. Failed to use their name and license number, as issued on their principal place of
25 business license, within all regulated advertising, specifically:

26 i. On website danaunger.com: Failed to include their mortgage broker license

- 1 number, and held out to the public at an unlicensed location (23425 N. 39th
2 Drive, Suite 104, Glendale, AZ);
- 3 ii. On website mysterlingteam.com: Failed to include their mortgage broker
4 license number, and held out to the public at an unlicensed location (7119 E.
5 Shea Blvd., #109-219, Scottsdale, AZ);
- 6 iii. On website loanmanusa.com: Failed to include their mortgage broker license
7 number, and held out to the public at an unlicensed location (32232 N. 53rd
8 Street, Cave Creek, AZ);
- 9 iv. On website loansbyjanette.com: Failed to include their mortgage broker
10 license number, and held out to the public using “Sterling Mortgage,” a name
11 other than their name as issued on their principal place of business license;
- 12 v. On website mycaliforniahomemortgage.com: Failed to include their mortgage
13 broker license number;
- 14 vi. On website azloanrates.com: Held out to the public at an unlicensed location
15 (4805 E. Thistle Landing Dr., Suite 110, Phoenix, AZ);
- 16 vii. On website premiermortgagebankers.com: Held out to the public using
17 “Premier Mortgage Bankers,” a name other than their name as issued on their
18 principal place of business license;
- 19 viii. The examiner found that the unlicensed location addresses set forth in
20 paragraphs i, ii, iii and vi, above, were either post office boxes or
21 Respondents’ prior address; and
- 22 ix. Respondents are holding out to the public using “Sterling Home Mortgage,”
23 rather than “Sterling Home Mortgage, LLC,” as issued on their principal place
24 of business license.
- 25 b. Failed to conduct the minimum elements of reasonable employee investigations
26 before hiring employees, specifically:

- 1 i. Failed to obtain all Immigration Reform and Control Act documents before
2 hiring at least fifteen (15) employees;
- 3 ii. Failed to obtain a signed statement attesting to all of an applicant's felony
4 convictions, including information regarding each conviction, before hiring at
5 least thirteen (13) employees;
- 6 iii. Failed to consult with the applicant's most recent or next most recent
7 employer before hiring at least thirteen (13) employees;
- 8 iv. Failed to inquire regarding an applicant's qualifications and competence for
9 the position before hiring fifteen (15) employees;
- 10 v. Failed to obtain a current credit report from a credit reporting agency before
11 hiring at least five (5) employees; and
- 12 vi. Failed to conduct further investigation of two (2) employees with a derogatory
13 credit report;
- 14 c. Failed to reconcile and update on a monthly basis all records having more than ten
15 (10) transactions in a calendar quarter, specifically:
- 16 i. Failed to reconcile their bank account on a monthly basis as required,
17 specifically:
- 18 1. The bank account statements for January 2008 were reconciled in
19 March;
- 20 2. The bank account statements for March 2008 were reconciled in May;
21 and
- 22 3. The bank account statements for May, June and July 2008 were
23 reconciled in September;
- 24 d. Failed to maintain a complete list of all executed loan applications or executed fee
25 agreements, specifically:
- 26 i. Respondents provided two loan lists, one for loans processed in-house, and

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- one for loans that were self-processed.
- ii. The in-house loan list contained all required elements.
- iii. Respondents failed to include two elements of required information in their self-processed loan list, specifically:
 - 1. Failed to include a provision for entering the application date; and
 - 2. Failed to include declined and withdrawn applications;
- e. Failed 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, specifically:
 - i. The Truth in Lending (“TIL”) statement was incomplete for twelve (12) borrowers;
 - ii. The ARM box was checked on the TIL when the loan was at a fixed rate for eight (8) borrowers;
 - iii. The ARM box was not checked on the TIL when the loan was an ARM for ten (10) borrowers;
 - iv. The Yield Spread Premium was not disclosed on the Good Faith Estimate for three (3) borrowers;
 - v. The Mortgage Servicing Transfer disclosure was not updated to show the most recent three years as required for four (4) borrowers; and
 - vi. The APR failed to include finance charges for one (1) borrower;
- f. Failed to use a statutorily correct written fee/document agreement, signed by all parties, when accepting fees or documents in connection with mortgage loan applications in an amount of \$200,000.00 or less; specifically:
 - i. The written agreement was not signed until closing for at least one (1) borrower; and

- 1 ii. The written agreement was missing from the file for at least one (1) borrower;
- 2 g. Used an unlawful appraisal disclosure that limits a borrower to 90 days in which the
- 3 borrower may request a copy of an appraisal for which the borrower has paid;
- 4 h. Misrepresented or concealed an essential or material fact in the course of the
- 5 mortgage broker business by failing to disclose other loan applications or obligations
- 6 and by manipulating the monthly income, type of income, type of employment and
- 7 status of subject properties within at least sixteen (16) loan applications involving at
- 8 least five (5) loan officers and six (6) borrowers; specifically:

9 i. On December 7, 2007, J.G. took an application for J.L. to obtain a

10 \$500,000.00 HELOC on his primary residence. This loan closed on

11 1/24/2008 with JP Morgan Chase. On December 17, 2007, J.G. took another

12 application for J. L. to obtain a first mortgage on his primary residence. This

13 application did not disclose the new second. It closed on 1/24/2008 with

14 Countrywide. Failure to disclose the HELOC concealed a \$500,000.00

15 obligation;

16 ii. On February 21, 2008, R.S. took an application for R.G. to refinance his

17 primary residence. Said application indicated that R.G. was living in the

18 property. This loan closed on April 2, 2008 with Amtrust Bank. On

19 February 28, 2008, R.S. took another application for R.G. to purchase a

20 second home in Phoenix. This application indicated that R.G. was renting a

21 home in Phoenix and that his spouse lived in their primary home in Tucson.

22 This loan closed with First Horizon on April 9, 2008. Failure to disclose the

23 purchase of the new second home concealed a \$214,400 obligation to Amtrust

24 Bank.

25 iii. On November 17, 2006, C.C. took an application for D.M. to refinance his

26 primary residence. This loan closed on 1/24/2007 with American Brokers

1 Conduit under a stated income program. The stated monthly income was
2 \$6,500.00 as a sales associate. On February 7, 2007, C.C. took another
3 application for D.M. to refinance a new primary residence that he had just
4 purchased. This loan closed with Taylor Bean on April 2, 2008 under a stated
5 income program. This time the stated monthly income was inflated to
6 \$9,000.00 as a sales associate;

7 iv. On October 26, 2007, J.K. took two applications for J.B. to refinance
8 investment properties. One located at 942 W. Saragosa Street which closed
9 on December 11, 2007 with Wells Fargo. The other for a property located at
10 6629 W. Poinsettia Dr. which closed with HSBC on December 14, 2007.
11 Failure to disclose the 942 W. Saragosa St. property concealed a \$196,000
12 mortgage obligation to HSBC'

13 v. On August 9, 2007, E.C. took two applications for M.D. The first loan was
14 for the refinance of an investment property located 9022 W. McClellan Road.
15 The application showed 1851 E. Palomino Drive as her primary residence.
16 This file also contained a lease agreement for an investment property located
17 at 1519 E. Drake Drive for a term from March 1, 2007 until February 28,
18 2009. The loan closed on October 2, 2007 with American Sterling Bank.
19 The second loan was for the refinance of M.D.'s primary residence located at
20 1519 E. Drake Drive. This is in direct contradiction of the first loan which
21 indicated it was an investment property. This loan closed on November 7,
22 2007 with ABN-AMRO. The borrower obtained more favorable terms by
23 showing the subject property as a primary residence instead of an investment
24 property; and

25 vi. Between March 2006 and December 2006, C.C. took six (6) loan applications
26 for borrower J.C., which revealed misrepresentations of stated income and

1 primary residence, specifically:

- 2 1. On March 1, 2006, C.C. took an application for J.C. for the refinance of
3 an investment property located at 5521 S. 7th Drive. This loan closed
4 on April 24, 2006 with American Brokers Conduit under a stated
5 income program. Stated monthly income was \$8159.00 as the sales
6 director for Clear-View Sun Screens for the last two (2) years eight (8)
7 months. The final application also showed 3303 W. Lynne Lane as the
8 primary residence and 1526 E. Grove Street as an investment property.
- 9 2. On March 21, 2006, C.C. took another application for J.C. for the
10 refinance of 1526 E. Grove Street as his primary residence. This
11 application did not disclose that J.C. owned any other properties. This
12 was a stated income loan. The stated monthly income was inflated to
13 \$10,217.14 as the sales director for Clear-View Sun Screens for the last
14 two (2) years seven (7) months. The loan was declined by Wells Fargo
15 due to occupancy. Wells Fargo agreed to do the loan as an investment
16 property. Borrower did not accept counter.
- 17 3. On April 21, 2006, C.C. took another application for J.C. for the
18 refinance his primary residence located at 3303 W. Lynn Lane. This
19 application disclosed he owned a rental property 1526 E. Grove Street
20 but did not disclose that he owned 5521 S. 7th Drive. This was a stated
21 income loan. The stated monthly income was inflated to \$11,217.14 as
22 the sales director for Clear-View Sun Screens for the last two (2) years
23 seven (7) months. The loan was denied by Bear Stearns for insufficient
24 income.
- 25 4. On August 28, 2006, C.C. took another application for J.C. for the
26 refinance of his primary residence located at 6712 S. 54th Lane. This

1 application showed 3303 W. Lynn Lane, 1526 E. Grove Street and
2 5521 S. 7th Drive as investment properties. This loan closed on
3 September 28, 2006 with Taylor Bean under a stated income program.
4 This time the stated monthly income was inflated to \$19,330.00 and
5 now states the borrower has been the owner of Clear-View Sun Screens
6 for the last two (2) years seven (7) months when all prior loans
7 indicated he was the sales director for the last two (2) years seven (7)
8 months.

9 5. On November 26, 2006, C.C. took another application for J.C. for the
10 refinance of his primary residence located at 3303 W. Lynn Lane. This
11 application disclosed 6712 S. 54th Lane, 1526 E. Grove Street and
12 5521 S. 7th Drive as investment properties. This loan closed on
13 January 30, 2007 with American Brokers Conduit under a stated
14 income program. The stated monthly income this time was \$17,000 as
15 the owner of Clear-View Sun Screens for the last two (2) years eleven
16 (11) months.

17 6. On December 14, 2006, C.C. took another application for J.C. for the
18 refinance of his primary residence located at 1526 E. Grove Street.
19 This application showed 6712 S. 54th Lane, 3303 W. Lynn Lane and
20 5521 S. 7th Drive as investment properties. This loan closed on
21 February 7, 2007 with First Magnus under a stated income program.
22 The stated monthly income was \$16,500.00 as the owner of Clear-View
23 Sun Screens for the last two (2) years eleven (11) months.

24 The loans listed above clearly show that the amount of the borrower's
25 monthly income and type of income was manipulated from one loan to the
26 next. The type of employment changed from being an employee of Clear-

1 View Sun Screens to being the owner and the amount of monthly income
2 ranged from \$8,159.00 up to \$19,330.00. It also whos that the borrower
3 obtained and tried to obtain loans under more favorable terms by stating the
4 subject property was his primary residence.

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

6 **CONCLUSIONS OF LAW**

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

10 2. By the conduct set forth in the Findings of Fact, Sterling and Mr. Brown violated the
11 following:

- 12 a. A.R.S. §§ 6-903(M) and 6-906(D) by failing to use their name and license number, as
13 issued on their principal place of business license, within all regulated advertising;
- 14 b. A.R.S. § 6-903(N) and A.A.C. R20-4-102 by failing to conduct the minimum
15 elements of reasonable employee investigations before hiring employees;
- 16 c. A.A.C. R20-4-917(C) by failing to reconcile and update on a monthly basis all
17 records having more than ten (10) transactions in a calendar quarter;
- 18 d. A.A.C. R20-4-917(B)(1) by failing to maintain a complete list of all executed loan
19 applications or executed fee agreements;
- 20 e. A.R.S. § 6-906(D) and A.A.C. R20-4-917(B)(6)(e) by failing to comply with the
21 disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C.
22 §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12 U.S.C.
23 §§ 2601 through 2617), and the regulations promulgated under these acts;
- 24 f. A.R.S. § 6-906(C) by failing to use a statutorily correct written fee/document
25 agreement, signed by all parties, when accepting fees or documents in connection
26 with mortgage loan applications in an amount of \$200,000.00 or less;

1 g. A.R.S. § 6-906(C) by using an unlawful appraisal disclosure that limits a borrower to
2 90 days in which the borrower may request a copy of an appraisal for which the
3 borrower has paid.

4 h. A.R.S. § 6-909(L) by misrepresenting or concealing an essential or material fact in
5 the course of the mortgage broker business.

6 3. The violations, set forth above, constitute grounds for: (1) the issuance of an order
7 pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the violative conduct and
8 to take the appropriate affirmative actions, within a reasonable period of time prescribed by the
9 Superintendent, to correct the conditions resulting from the unlawful acts, practices, and
10 transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the
11 suspension or revocation of Respondents' license pursuant to A.R.S. § 6-905; (4) an order to pay
12 restitution of any fees earned on loans made in violation of A.R.S. § 6-901, *et seq.*, pursuant to
13 A.R.S. §§ 6-131(A)(3) and 6-137; and (5) an order or any other remedy necessary or proper for the
14 enforcement of statutes and rules regulating mortgage brokers pursuant to A.R.S. §§ 6-123 and
15 6-131.

16 ORDER

17 1. Sterling and Mr. Brown shall immediately stop the violations set forth in the Findings of
18 Fact and Conclusions of Law. Sterling and Mr. Brown:

- 19 a. Shall use their name and license number, as issued on their principal place of business
20 license, within all regulated advertising;
- 21 b. Shall conduct the minimum elements of reasonable employee investigations before
22 hiring employees;
- 23 c. Shall reconcile and update on a monthly basis all records having more than ten (10)
24 transactions in a calendar quarter;
- 25 d. Shall maintain a complete list of all executed loan applications or executed fee
26 agreements;

- 1 e. Shall comply with the disclosure requirements of Title I of the Consumer Credit
2 Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement
3 Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated
4 under these acts;
- 5 f. Shall use a statutorily correct written fee/document agreement, signed by all parties,
6 when accepting fees or documents in connection with mortgage loan applications in
7 an amount of \$200,000.00 or less;
- 8 g. Shall not use an unlawful appraisal disclosure that limits a borrower to 90 days in
9 which the borrower may request a copy of an appraisal for which the borrower has
10 paid.
- 11 h. Shall not misrepresent or conceal an essential or material fact in the course of the
12 mortgage broker business.

13 2. Sterling and Mr. Brown shall comply with all Arizona statutes and rules regulating
14 Arizona mortgage brokers (A.R.S. §§ 6-901 *et seq.*).

15 3. Sterling and Mr. Brown shall immediately pay to the Department a civil money penalty
16 in the amount of fifteen thousand dollars (\$15,000.00). Sterling and Mr. Brown are jointly and
17 severally liable for payment of the civil money penalty.

18 4. Sterling and Mr. Brown shall immediately pay to the Department the examination fee in
19 the amount of five thousand seven hundred fifty two dollars and fifty cents (\$5,752.50).

20 5. The provisions of this Order shall be binding upon Sterling and Mr. Brown, their
21 employees, agents, and other persons participating in the conduct of the affairs of Sterling Home
22 Mortgage, LLC.

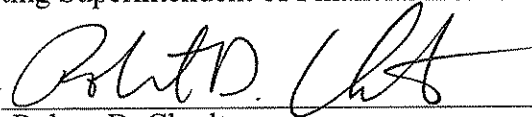
23 6. The provisions of this Order shall be binding upon Sterling and Mr. Brown, and resolves
24 this Cease and Desist Order, subject to Respondents' compliance with the requirements of this
25 Order, as well as all other statutes and rules regulating mortgage brokers.

26 7. This Order shall become effective upon service, and shall remain effective and

1 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated,
2 or set aside.

3 SO ORDERED this 8 day of December, 2009.

4 Thomas L. Wood
Acting Superintendent of Financial Institutions

5
6 By 
7 Robert D. Charlton
Assistant Superintendent of Financial Institutions

8 **CONSENT TO ENTRY OF ORDER**

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

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

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

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

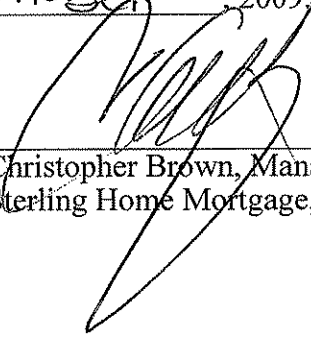
18 5. Respondents acknowledge that the acceptance of this Agreement by the Superintendent is
19 solely to settle this matter and does not preclude this Department, any other agency or officer of this
20 state or subdivision thereof from instituting other proceedings as may be appropriate now or in the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

22 6. Christopher Brown on behalf of Sterling Home Mortgage, LLC and himself represents
23 that he is the Managing Member, and that, as such, has been authorized by Sterling Home Mortgage,
24 LLC to consent to the entry of this Order on its behalf.

25 7. Respondents waive all rights to seek judicial review or otherwise to challenge or contest
26 the validity of this Order.

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DATED this 30 day of November, 2009.

By 
Christopher Brown, Managing Member
Sterling Home Mortgage, LLC

ORIGINAL of the foregoing filed this 8th
day of December, 2009, in the office of:

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

COPY mailed/delivered same date to:

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

Robert D. Charlton, Assistant Superintendent
Chris Dunshee, Senior Examiner
Arizona Department of Financial Institutions
2910 North 44th Street, Suite 310
Phoenix, AZ 85018

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

Christopher Brown, Managing Member
Sterling Home Mortgage, LLC
16815 S. Desert Foothills, #140
Phoenix, AZ 85048
Respondents


613207