

STATE OF ARKANSAS  
SECURITIES DEPARTMENT

IN THE MATTER OF  
A-1 MORTGAGE COMPANY  
ROGERS, ARKANSAS

Order No. 00-63-M

REVOCATION OF MORTGAGE LOAN COMPANY  
EXEMPTION FROM REGISTRATION

Arkansas Securities Commissioner Mac Dodson, upon sufficient evidence presented to him by Assistant Commissioner Charles F. Handley, has reason to believe that A-1 Mortgage Company has failed to comply with the provisions of the Arkansas Mortgage Loan Company and Loan Broker Act, Ark. Code Ann. §§ 23-39-101, *et seq.*, and has thereby lost its exemption from the registration provisions of the Act.

FINDINGS OF FACT

1. A-1 Mortgage Company (A-1) was incorporated under the name, Advantage One Mortgage Company, as a domestic corporation in Arkansas on 4 April 1994 with Tom Waggoner listed as the sole incorporator.
2. A-1's application for registration as a mortgage loan company under the Act was approved and A-1 commenced business under the name, Advantage One Mortgage Company, on 20 April 1994.
3. A-1 changed its name to A-1 Mortgage Company by a certificate of amendment filed with the Arkansas Secretary of State on 1 April 1996.
4. On 28 August 1996 A-1 was approved as a seller/servicer under the Federal National Mortgage Association, better known as Fannie Mae, and became eligible for exemption from the registration provisions of the Act pursuant to Ark. Code Ann. § 23-39-

306(a)(4)(A) (Supp. 1999). By letter dated 21 March 1997 Assistant Commissioner Charles F. Handley recognized that by virtue of A-1's licensing by Fannie Mae, it was exempt from the registration, bond and net worth provisions of the Act.

5. As of 31 July 2000, A-1 owed income tax withholdings and interest in the amount of \$75,889.72. On 8 August 2000 the Revenue Division of the Arkansas Department of Finance and Administration issued a writ of execution to collect this sum, but it remains uncollected and delinquent.
6. As of 6 October 2000, A-1 owed Mortgage Reporting Services, Inc., of Fort Smith, Arkansas \$6,827.50 for credit reporting services rendered.
7. As of 26 October 2000 A-1 reported that it owed delinquent bills in the amount of \$16,900, \$6,000 of which was owed to Mortgage Reporting Services, Inc., of Fort Smith, Arkansas, and \$2,000 of which was owed in real estate taxes. This amount did not include the amount owed to the Department of Finance and Administration in delinquent withholding taxes.
8. By letter of 26 October 2000 Tom Waggoner, A-1's president, reported that A-1 had lost some \$1.5 million in 1997, had not recovered from the loss and was looking for a potential buyer or partner.

#### CONCLUSIONS OF LAW

9. The Commissioner is charged with the administration and enforcement of the Act pursuant to Ark. Code Ann. § 23-39-201 (Repl. 1994).
10. Ark. Code Ann. § 23-39-306(a)(4)(A) (Supp. 1999), provides in pertinent part that a

mortgage loan company subject to licensing, supervision or auditing by the Federal National Mortgage Association, better known as Fannie Mae, is exempt from the registration, bond and net worth requirements of the Act. To maintain this exemption, a mortgage loan company must file audited financial statements with the Commissioner on a yearly basis showing the company has a net worth of at least \$25,000.

11. Ark. Code Ann. § 23-39-307(b) (Supp. 1999) provides that the Commissioner may revoke any exemption available under the Act for any of the grounds set forth in Ark. Code Ann. § 23-39-307(a)(2) - (11) (Repl. 1999).
12. Ark. Code Ann. § 23-39-307(a)(2), (3) and (5) (Supp. 1999) each provide for revocation of a registration or exemption for the following grounds:
  - a) Subsection 307(a)(2): the company is unfit through lack of financial responsibility, experience or otherwise to conduct the business of a mortgage loan company;
  - b) Subsection 307(a)(3): the company does not conduct its business in accordance with law or has violated any provision of the Act; and
  - c) Subsection 307(a)(5): the company is in such financial condition that it cannot continue in business with safety to its customers.
13. Ark. Code Ann. § 26-51-905(a)(1) (Repl. 1997) provides that every employer making payment of wages to employees shall deduct and withhold from those wages an amount to be determined by tables promulgated by the Director of the Department of Finance and Administration. The employer is to pay over this amount to the Director of the Department of Finance and Administration in accordance with Ark. Code Ann. § 26-51-

908(a)(1) (Repl. 1997).

## OPINION

14. This matter has been properly brought before the Commissioner in accordance with Ark. Code Ann. § 23-39-201 (Repl. 1994).
15. A-1's failure to pay over to the Director of the Department of Finance and Administration in accordance with Ark. Code Ann. § 26-51-908(a)(1) (Repl. 1997) is a violation of law such that would permit the revocation of A-1's exemption from the registration, bond and net worth requirements of the Act pursuant to Ark. Code Ann. § 23-39-307(a)(3) (Supp. 1999).
16. A-1's failure to meet its obligations and pay its debts in a timely manner, as set out in ¶¶ 6 and 7 and its apparent failure and imminent demise, as set out in ¶ 8, show that A-1 is unfit through lack of financial responsibility, experience or otherwise to conduct the business of a mortgage loan company and, more importantly, that it cannot continue in business with safety to its customers, which would permit the revocation of A-1's exemption from the registration, bond and net worth requirements of the Act pursuant to Ark. Code Ann. § 23-39-307(a)(2) and (5) (Supp. 1999).
17. Pursuant to Ark. Code Ann. § 23-39-307(b) (Supp. 1999), the Commissioner can and should revoke A-1's exemption from the registration, bond and net worth requirements of the Act.
18. This order is in the public interest.

ORDER

IT IS THEREFORE ORDERED that the exemption provided A-1 Mortgage Company under Ark. Code Ann. § 23-39-306(a)(4) (Supp. 1999) by virtue of licensing, supervision or auditing by the Federal National Mortgage Association, better known as Fannie Mae, be revoked in accordance with Ark. Code Ann. § 23-39-307(b) (Supp. 1999).

WITNESS MY HAND AND SEAL this 27<sup>th</sup> day of November, 2000.

  
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Mac Dodson  
ARKANSAS SECURITIES COMMISSIONER