

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

ORDER NO. C-03-018-03-OR01

CHOICE ONE MORTGAGE

APPLICANT

ORDER DENYING REGISTRATION APPLICATION

On or about February 3, 2003, the Arkansas Securities Department received an application for registration as a mortgage loan company and loan broker from Choice One Mortgage, Inc. (hereinafter referred as the "Applicant"). The staff of the Arkansas Securities Department (hereinafter referred as the "Securities Department staff"), has reviewed the application of the Applicant, and its supporting documentation. The Securities Department staff has recommended denial of the Applicant's request for a registration certificate.

FINDINGS OF FACT

1. On or about February 3, 2003, the Applicant submitted its application for registration as a mortgage loan company and loan broker to the Arkansas Securities Department. The application was provided on a form furnished to the Applicant by the Arkansas Securities Department.
2. The application was signed by Larry Yates, as President of the company. The application was dated by Mr. Yates on December 12, 2002, and witnessed by Julie M. Oster, a notary public in Maricopa County, Arizona.

3. Page one (1) of the application furnishes the Applicant with instructions and general information on completing the form. Paragraph two (2) of page one (1) reads in pertinent part: "In the event a particular question is inapplicable, enter N/A in the space provided."
4. On page four (4) of nine (9) of the application, section 3 requests certain documentation. The specific language of the request at issue reads as follows:

Attached as Exhibit "G" is a disclosure of any action or proceeding, civil or criminal, judicial or administrative, complete or in process, against the Applicant.
5. In its response to the disclosure request described in paragraph four (4) above, the Applicant wrote "N/A".
6. An independent auditor's report was submitted with the application. The auditor's report contained the following: (1) table of contents; (2) a letter from L.Z. Buttrum, CPA; (3) a comparative balance sheet for the periods ending June 30, 2002 and December 31, 2001; (4) statement of income and retained earnings; (5) statement of cash flow; (6) statement of changes in stockholder's equity; (7) financial notes; and (8) supplemental information, including general administrative expenses.

7. The notes to financial statements are, for the most part, narrative in form. The notes occupy four (4) typewritten pages and are organized under the following headings:

- Note 1-Summary of Significant Accounting Policies
 - General
 - Revenue & Cost Recognition
 - Depreciation & Amortization
 - Income Taxes
- Note 2-Accounts Receivable
- Note 3-Prepaid Rent
- Note 4-Lease Agreements
- Note 5-Property and Equipment
- Note 6-Concentration of Credit Risk
- Note 7-Deposits
- Note 8-Organizational Costs
- Note 9-Accounts Payable
- Note 10-Short Term Debt
- Note 11-Long Term Debt
- Note 12-Equity
- Note 13-Cash and Cash Equivalents
- Note 14-Compliance by Regulated Agencies
- Note 15-Subsequent Events
- Note 16-Related party Transactions

It should be noted that page nine (9) of the Financial Notes was apparently omitted in error by the Applicant in its registration application. Page nine (9), containing Notes 7 through 13, was subsequently obtained directly from L.Z. Buttrum, C.P.A.

8. Note 14, under the heading “Compliance by Regulated Agencies”, summarizes regulatory deficiencies noted by the U.S. Department of Housing and Urban Development (hereinafter referred to as “HUD”).

9. Note 15, under the heading "Subsequent Events", contains an admission that as a result of an examination, The Arizona State Banking Department found that the Applicant had violated laws, rules or orders of the Department, and imposed a civil penalty against the Applicant in the sum of \$25,000.00.
10. In a letter dated February 4, 2003, Securities Department staff notified the Applicant that the application contained certain deficiencies. The Securities Department letter reads in pertinent part:

"The information required in item no. 3 Exhibit "G". Exhibit "G" submitted with the application reflects an answer of "N/A". However, the Notes to the Financial Statements submitted with the application reflected administrative actions by HUD and the Arizona State Banking Department. Please provide the Department with the information required by Exhibit "G". "
11. The Applicant responded to the February 4 letter on February 12, 2003. Included within the February 12 letter was a letter dated November 21, 2001 from HUD. This letter indicated that the Applicant had resolved the HUD regulatory deficiencies.
12. Also included within the February 12 letter was a copy of an Order to Cease and Desist issued by the Arizona State Banking Department on September 30, 2002. The Order stated that an examination regarding the mortgage broker business of the Applicant and its President, Mr. Gates, found fourteen (14) regulatory violations and ordered certain conduct. In the Order, the Arizona Superintendent of Banks fined the Applicant \$25,000. The Arizona Cease and Desist Order is attached hereto as Exhibit "A".

13. The Applicant's February 12, 2003 letter contains a document entitled "Exhibit G". "Exhibit G" reads, "Regarding AZ State Banking Department, they show us as being licensed and they do not send letters of audit issues being resolved. However, they have been satisfied, as the financial Note No. 15 indicates."
14. The Arizona State Banking Department has informed Securities Department staff that audits are normally conducted of mortgage loan companies within one year of the date of an order citing violations, and that compliance is determined by the follow up audit.

CONCLUSIONS OF LAW

15. The Arkansas Securities Commissioner (hereinafter referred as "the Commissioner") shall exercise general supervision and control over mortgage loan companies and loan brokers doing business in Arkansas. **Ark. Code Ann. § 23-39-201.**
16. It is unlawful for any person to transact business in Arkansas, either directly or indirectly, as a mortgage loan company without first filing an application with and obtaining a registration certificate from the Commissioner. **Ark. Code Ann. § 23-39-301.**
17. Each verified application for registration or renewal shall be filed in writing with the Commissioner and contain, among other things, disclosure of any action or proceeding, civil or criminal, judicial or administrative, completed or in process against the applicant. **Ark. Code Ann. § 23-39-302(7).**

18. The Commissioner may reject, suspend, or revoke any registration when the applicant or registrant does not conduct his business in accordance with law or has violated any provision of the Arkansas Mortgage Loan Companies and Loan Brokers Act. **Ark. Code Ann. § 23-39-307(3).**
19. The Commissioner may also reject, suspend, or revoke any registration when the applicant or registrant has knowingly made or caused to be made to the Commissioner any false representation of material fact, or has suppressed or withheld from the Commissioner any information which the applicant or registrant possesses and which, if submitted by him, would have rendered the applicant or registrant ineligible to be registered under this act. **Ark. Code Ann. § 23-39-307(8).**

OPINION

20. This matter is properly before the Commissioner pursuant to **Ark. Code Ann. § 29-39-201.**
21. The Applicant submitted its application for registration as mortgage loan company and loan broker to the Arkansas Securities Department on or about February 3, 2003. The application was signed by Larry Yates, as President of the company. The application was dated by Mr. Yates on December 12, 2002, and duly verified by Julie M. Oster, a notary public in Maricopa County, Arizona.
22. The application form furnished by the Arkansas Securities Department requests disclosure of “any action or proceeding, civil or criminal, judicial or administrative, complete or in process, against the applicant”.

23. In its response to the request for disclosure referenced in paragraph 22 above, the Applicant indicated “N/A”, meaning, in accordance with the instruction sheet, *not applicable*.
24. Audited financial statements of the Applicant must be submitted to the Commissioner with the Applicant’s application. The audited financial statements must be prepared by an independent certified public accountant accompanied by an opinion acceptable to the Commissioner as of a date not more than twelve (12) months preceding the application date. **Ark. Code Ann. 23-39-302(5)**.
25. The audited financial statements submitted by the Applicant is comprised of ten (10) pages, and a one (1) page supplement. Notes fourteen (14) and (15), found on page ten (10) of the audited financial statements, give rise to the concern addressed in this Opinion and Order. Note fourteen (14), entitled “Compliance by Regulated Agencies” is a disclosure of violations of certain regulations of the U.S. Department of Housing and Urban Development. When contacted by the Arkansas Securities Department, the Applicant furnished a letter from the U.S. Department of Housing and Urban Development which appears to indicate that the Applicant is now in compliance with said regulations. Nonetheless, the disclosure in Note fourteen (14) contradicts and is irreconcilable with the representation made in the application.

26. Note fifteen (15), entitled “Subsequent Events”, contains a separate disclosure. The Commissioner finds the disclosure in Note fifteen (15) to be particularly disturbing. Note fifteen (15), (*Subsequent Events*) reflects that on September 30, 2002, the Arizona State Banking Department, after an examination, found that the Applicant had violated laws, rules, or orders of that department. A \$25,000 penalty was ordered.
27. The Commissioner has reviewed the Findings of Fact contained within the Arizona State Banking Department Cease and Desist Order. The Commissioner finds that these violations are serious in nature. The violations, enumerated fully in paragraphs 4(a) through 4(n) of the Arizona Order, (see Exhibit “A”) reflect, a disregard for the state regulatory scheme, including misrepresentations. The Commissioner, relying upon the Arizona Order to which the Applicant consented, finds that the Applicant has failed to conduct its business in accordance with law and that registration in Arkansas should be denied pursuant to **Ark. Code Ann. § 23-39-307(3)**. The Commissioner finds that any future applications submitted by the Applicant to the Arkansas Securities Department may be considered, and that the Applicant’s compliance with the Arizona Cease and Desist Order shall be given substantial weight in making a determination on the registration application.

28. Applications for registration in Arkansas must contain disclosure of any civil, criminal, judicial, or administrative actions or proceedings against the applicant, whether the action or proceeding is completed or in process. **Ark. Code Ann. § 21-39-302(7)**. The Commissioner finds the manner in which disclosure was made by the Applicant to be questionable, at best. The Applicant's application, standing alone, represents that there have been no regulatory proceedings or actions against the company. The regulatory action taken by the Arizona State Banking Department was discovered only upon a careful reading of the Notes to the Financial Statement, under the title "Subsequent Events". The Commissioner finds that the Applicant's response in its application was a misrepresentation of material fact. The Commissioner declines to find that the misrepresentation was willful. However, the Commissioner admonishes the Applicant to pay close and careful attention to any application for registration submitted to the Arkansas Securities Department in the future. It is unlawful for any person to make or cause to be made, in any document filed with the Securities Commissioner or at any proceeding under the Arkansas Mortgage Loan Companies and Loan Brokers Act, any statement which is, at the time and in light of the circumstances under which it is made, false or misleading in any material respect. **Ark. Code Ann. § 23-39-104**. Any person who willfully violates **Ark. Code Ann. § 23-39-104** knowing the statement to be false or misleading in any material respect shall be guilty of a Class B Felony. **Ark. Code Ann. § 23-39-103(a)**. A Class B Felony, in Arkansas, is punishable by not

less than five (5) years and not more than twenty (20) years imprisonment. **Ark. Code Ann. § 5-4-401(3).**

ORDER

IT IS HEREBY ORDERED that the Applicant's application for registration as a mortgage loan company and loan broker be denied. Any subsequent applications for registration submitted by the Applicant to the Arkansas Securities Department may be considered. The Applicant's compliance with the Arizona Cease and Desist Order shall be given substantial weight in making a determination on a subsequent registration application. The Commissioner reserves the right to deny any future registration application from the Applicant based upon any subsequent regulatory violations or other matters which may come to the attention to the Securities Department staff.

The Applicant may contest this Order by requesting a hearing before the Commissioner. Any requests for hearing must be made in writing within twenty (20) days of Applicant's receipt of the Order Denying Registration Application. If no hearing is requested within twenty (20) days, this Order shall become final.

IT IS SO ORDERED:



MICHAEL B. JOHNSON
ARKANSAS SECURITIES COMMISSIONER

May 7, 2003
Date

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ARIZONA STATE BANKING DEPARTMENT

In the Matter of the Mortgage Broker License of: No. 03F-BD044-SBD

**CHOICE ONE MORTGAGE, INC. AND
LARRY GATES, PRESIDENT**
11024 N. 28th Drive, Suite 200
Phoenix, Arizona 85029

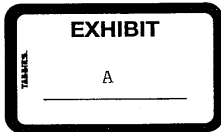
**ORDER TO CEASE AND DESIST;
NOTICE OF OPPORTUNITY FOR
HEARING; CONSENT TO ENTRY OF
ORDER**

Respondents.

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

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

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



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

14 If Respondents do not request a hearing to contest the allegations set forth below, or if after
 15 hearing the Superintendent affirms the following Findings of Fact and Conclusions of Law, the
 16 Superintendent may affirm his Order commanding Respondents to cease and desist their illegal actions
 17 and to take affirmative action to correct the conditions created by the violative conduct pursuant to
 18 A.R.S. § 6-137 and to pay a civil money penalty pursuant to A.R.S. § 6-132.

19 **FINDINGS OF FACT**

20 1. Respondent Choice One Mortgage, Inc. (“Choice One”) is an Arizona corporation
 21 authorized to transact business in Arizona as a mortgage-broker, license number MB 0901985, within
 22 the meaning of A.R.S. § 6-901(6). The nature of Choice One’s business is that of making, negotiating,
 23 or offering to make or negotiate loans secured by Arizona real property, within the meaning of A.R.S.
 24 § 6-901, *et seq.*

25 2. Respondent Larry Gates is the President and a 75% stockholder of Choice One. Mr.
 26 Gates is authorized to transact business in Arizona within the meaning of A.R.S. § 6-903(E).

1 3. Neither Choice One nor Mr. Gates is exempt from licensure as a mortgage broker
2 within the meaning of A.R.S. §§ 6-901(6) and 6-902.

3 4. From July 30 to August 2, 2002, the Department conducted an examination regarding
4 the mortgage broker business of Choice One and Mr. Gates and found that they have:

5 a. Failed to advertise using the name as issued on the principal place of business
6 license, and failed to comply with Regulation Z, Truth in Lending by failing to use an annual
7 percentage rate (APR) as required and by failing to state the required down payment.

8 b. Failed to conduct the minimum elements of reasonable employee investigations
9 before hiring a person, specifically: Failed to obtain a signed statement attesting to all felony
10 convictions before hiring eleven (11) employees; failed to consult with the applicant's most
11 recent or next most recent employer before hiring thirteen (13) employees; failed to inquire
12 regarding an applicant's qualifications and competence for a position before hiring thirteen
13 (13) employees; failed to obtain an Employment Eligibility Verification (19) before hiring two
14 (2) employees; failed to obtain a current credit report before hiring ten (10) employees; and
15 failed to collect and review all the documents authorized by the Immigration Reform Act of
16 1986 before hiring two (2) employees.

17 c. Failed to obtain a branch office license before conducting mortgage broker
18 activity from a new location.

19 d. Unlawfully paid compensation to unlicensed, independent contractors.

20 e. Made misrepresentations and concealed material facts in the course of the
21 mortgage broker business, specifically: diverted corporate funds to the bank accounts of
22 separate S-corporations, withheld information regarding warehouse lines of credit from the
23 Department, and presented financial information that was not prepared by a licensed Arizona
24 certified public accountant.

25 f. Failed to follow Generally Accepted Accounting Principles in its financial
26 statements and disclosures, specifically: the Company has not disclosed contingent liability

1 from indemnified HUD loans, and has incorrectly reported expenses regarding management
2 fees.

3 g. Failed to maintain correct and complete records, specifically: records for its/
4 closed branch, including a loan log, loan files, and advertising information.

5 h. Unlawfully allowed borrowers to sign documents containing blank spaces,
6 specifically: Two (2) Good Faith Estimates were signed in blank, and blank space disclosures
7 did not contain the required notice conspicuously printed on its face.

8 i. Used an unlawful appraisal disclosure that limits a borrower to 90 days in which
9 the borrower may request a copy of an appraisal paid for by the borrower.

10 j. Failed to comply with the disclosure requirements of Title I of the Consumer
11 Credit Protection Act, (15 United States Code section 1601 through 1666j), the Real Estate
12 Settlement Procedures Act, (12 United States Code section 2601 through 1671), and the
13 regulations promulgated under these acts, specifically: Failed to disclose yield spread
14 premiums on preliminary Good Faith Estimate disclosures to sixteen (16) borrowers; failed to
15 issue a Servicing Transfer disclosure to six (6) borrowers; and failed to timely issue a Good
16 Faith Estimate to one (1) borrower.

17 k. Failed to provide private investors with a lawfully required Disclosure
18 Statement before any payment of money was made by the investor, specifically: the disclosure
19 requiring the name and address of the fee owner of the property servicing the mortgage loan
20 being made or sold and information related to the ability of the borrower to meet the
21 obligations of the mortgage loan.

22 l. Failed to provide private investors with a Private Investor Validity Statement
23 and failed to obtain the lender's acknowledgment before the disbursement of investors' funds.

24 m. Failed to use numbered receipts when accepting cash from borrowers.

25 n. Failed to use a written agreement, signed by all parties, when accepting
26 documents in connection with mortgage loan applications.

1 CONCLUSIONS OF LAW

2 1. Under A.R.S. § 6-901, *et seq.*, the Department is charged with the duty to regulate all
3 persons engaged in the mortgage broker business and with the enforcement of statutes, rules and
4 regulations relating to mortgage brokers.

5 2. By the conduct set forth in the Findings of Fact, Respondents violated the mortgage
6 broker statutes and rules as follows:

7 a. A.R.S. § 6-903(M) by failing to use the name on the principal place of business
8 license in advertisements, and failure to comply with Regulation Z, Truth in Lending.

9 b. A.R.S. § 6-903(N) by failing to conduct reasonable employee investigations.

10 c. A.R.S. § 6-904(F) by failure to obtain a branch office license.

11 d. A.R.S. § 6-909(B) for paying compensation to unlicensed contractors.

12 e. A.R.S. § 6-909(L) for misrepresentations and the concealment of material facts.

13 f. A.R.S. § 6-906(B) for failing to use Generally Accepted Accounting Principles
14 in the presentation of financial information.

15 g. A.R.S. § 6-906(A) for failing to maintain correct and complete records.

16 h. A.R.S. § 6-909(A) for allowing borrowers to sign documents with blank spaces
17 and the use of an incorrect authorization form.

18 i. A.R.S. § 6-906(C) by using an incorrect appraisal disclosure that limits the time
19 in which an applicant may request a copy of an appraisal to 90 days.

20 j. A.R.S. § 6-906(D) and A.A.C. R20-4-917(B)(6)(e) by failing to maintain
21 documents showing compliance with the disclosure requirements of Title I of the Consumer
22 Credit Protection Act, (15 United States Code sections 1601 through 1666j), the Real Estate
23 Settlement Procedures Act, (12 United States Code sections 2601 through 2617), and the
24 regulations promulgated under these acts.

25 k. A.R.S. § 6-907(A) by failing to provide private investors with proper disclosure
26 statements regarding the investment property.

1 i. A.R.S. § 6-907(B) by failing to provide private investors with proper validity
2 statements and obtaining investors' signed acknowledgment of such.

3 m. A.A.C. R20-4-917(B)(4) for failing to use numbered receipts when accepting
4 cash from borrowers.

5 n. A.R.S. § 6-906(C) for failing to use a written agreement, signed by all parties,
6 whenever accepting fees and/or documents in connection with mortgage loan applications.

7 3. The violations set forth above constitute grounds for (1) the issuance of an order
8 pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the violative conduct and
9 to take the appropriate affirmative actions, within a reasonable period of time prescribed by the
10 Superintendent, to correct the conditions resulting from the unlawful acts, practices, and transactions,
11 and (2) the imposition of a monetary civil penalty pursuant to A.R.S. § 6-132.

12 ORDER

13 1. Respondents shall not advertise for or solicit mortgage business in any manner without
14 using the name and license number as issued on the mortgage broker's principal place of business
15 license, and all Regulation Z, Truth in Lending regulations shall be adhered to.

16 2. Respondents shall conduct reasonable employee investigations before hiring any new
17 employees.

18 3. Respondents shall obtain a branch office license for all unlicensed locations where
19 mortgage loan activity is taking place, and shall use the name as issued on the principal place of
20 business license.

21 4. Respondents shall not pay compensation to unlicensed, independent contractors.

22 5. Respondents shall not misrepresent or conceal material facts.

23 6. Respondents shall adhere to Generally Accepted Accounting Principles in the
24 preparation and presentment of all financial information.

25 7. Respondents shall maintain correct and complete records, and maintain control of all
26 branch offices.

1 8. Respondents shall not permit borrowers to sign regulated documents containing blank
2 spaces, and shall create a proper authorization to complete blank spaces.

3 9. Respondents shall not use an appraisal disclosure that limits a borrower to 90 days in
4 which the borrower may request a copy of an appraisal paid for by the borrower.

5 10. Respondents shall maintain for five (5) years, within mortgage loan files, documents
6 showing compliance with the disclosure requirements of Title I of the Consumer Credit Protection Act,
7 (15 United States Code sections 1601 through 1666j), the Real Estate Settlement Procedures Act, (12
8 United States Code sections 2601 through 2617), and the regulations promulgated under these acts.

9 11. Respondents shall provide a private investor, before any payment of money by the
10 investor has occurred, a disclosure statement containing all of the requirements of A.R.S. § 6-907(A).

11 12. Respondents shall provide a private investor, before any payment of investors' money
12 has occurred, a statement attesting to the validity of information provided by the Respondents, and
13 obtain the investor's signed acknowledgment of same.

14 13. Respondents shall obtain and use numbered receipts whenever cash is accepted from
15 borrowers in the course of the mortgage broker business.

16 14. Respondents shall use a written agreement, signed by all parties, when accepting
17 documents in connection with mortgage loan applications and shall keep either originals or clearly
18 legible copies thereof within mortgage loan files for five (5) years.

19 15. Choice One and Mr. Gates shall pay to the Department a civil money penalty in the
20 amount of twenty-five thousand dollars (\$25,000.00). Choice One and Mr. Gates are jointly and
21 severally responsible for the payment of the civil money penalty.

22 16. The provisions of this Order shall be binding upon Choice One and Mr. Gates, its
23 officers, directors, employees, agents, representatives and other persons participating in the conduct
24 of Respondents' business affairs.

25 17. This Order shall become effective upon service, and shall remain effective and
26 enforceable until such time as, and except that, it shall be stayed, modified, terminated or set aside.

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SO ORDERED this 30th day of September, 2002.

Richard C. Houseworth
Superintendent of Banks

By Bruce Tunell
Bruce Tunell
Deputy Superintendent of Banks

CONSENT TO ENTRY OF ORDER

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

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

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

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

5. Larry Gates, signing on behalf of himself and Choice One Mortgage, Inc., represents that he is the President and 75% stockholder and that, as such, is authorized by to consent to the entry of this Order on Choice One Mortgage, Inc.'s behalf.

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

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1 DATED this _____ day of _____, 2002.

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By: _____
Larry Gates, President
Choice One Mortgage, Inc.

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7 ORIGINAL of the foregoing filed this
8 1st day of October, 2002,
9 in the office of:

8

9 Richard C. Houseworth
10 Superintendent of Banks
11 Arizona State Banking Department
12 ATTN: June Beckwith
13 2910 N. 44th Street, Suite 310
14 Phoenix, AZ 85018

12 COPY mailed same date to:

13

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

16

17 Robert D. Charlton, Assistant Superintendent
18 Joan S. Doran, Senior Examiner
19 Arizona State Banking Department
20 2910 N. 44th Street, Suite 310
21 Phoenix, AZ 85018

19

20 Larry Gates, Statutory Agent for
21 Choice One Mortgage, Inc.
22 5468 Kristal Way
23 Glendale, AZ 85308

22


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

23

24 Larry Gates, President
25 Choice One Mortgage, Inc.
26 11024 N. 28th Drive, Suite 200
Phoenix, Arizona 85029
Respondent

26 ...

1 Charles K. Ayers, Esq.
2 AYERS & BROWN P.C.
3 4227 N. 32nd Street, 1st Floor
4 Phoenix, AZ 85018-4757
5 Attorneys for Respondent

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