

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

ORDER NO. C-05-037-06-OR01

KEITH W. THOMAS, individually and d/b/a
FREEDOM NOTE LIQUIDATION

RESPONDENT

MODIFICATION OF CEASE AND DESIST ORDER

An Order was entered herein on May 16, 2006 against Keith W. Thomas, (hereinafter referred to as "Respondent") individually and doing business as Freedom Note Liquidation (hereinafter referred to as "Freedom") to Cease and Desist all mortgage loan activity in the State of Arkansas for alleged violations of the Arkansas Fair Mortgage Lending Act, Ark. Code Ann. § 23-39-501, *et. seq.*, (hereinafter referred to as "the Act"). At Respondent's request, a hearing was held on July 11, 2006. Respondent appeared pro se. The Arkansas Securities Department (hereinafter referred to as "Department") was represented by staff attorney Alexandra N. Stephens.

Having considered the pleadings, the exhibits, and the testimony of the witnesses, the Arkansas Securities Commissioner (hereinafter referred to as "Commissioner") finds that the May 16, 2006 Cease and Desist Order will be affirmed in part and overruled in part. The Order is entered pursuant to the provisions of the Act, and the Arkansas Administrative Procedures Act, Ark. Code Ann. § 25-15-201, *et. seq.*

This Order entered by the Commissioner directs that Freedom continue under the full force and effect of the Cease and Desist entered on May 16, 2006. This Order directs Respondent Thomas be granted a conditional loan officer license upon submission of a complete and correct loan officer application to the Department. In addition, Respondent Thomas is directed to complete certain conditions within the next ninety (90) days to retain said loan officer license allowing him to conduct mortgage loan activity within the State of Arkansas.

FINDINGS OF FACT

1. Respondent Thomas is an individual residing in Austin, Arkansas.
2. Respondent Thomas was doing business as Freedom Note Liquidation in Cabot, Arkansas.
3. Respondent Thomas nor Freedom are licensed with the Arkansas Securities Department.
4. On or about February 22, 2005, the Staff received an initial application for registration as a loan officer from Thomas.
5. This initial application reflected that Thomas was to be associated with an unlicensed mortgage company. Therefore, Thomas' application could not be processed until such time as his employer became licensed.
6. On or about August 4, 2005, the Staff received notice from the Arkansas Real Estate Commission that Thomas might be conducting mortgage business without a license in Cabot, Arkansas.
7. On or about August 5, 2005, the Staff met with Thomas, in Cabot, Arkansas. Thomas indicated that his understanding and belief from his unlicensed employer

was that he did not have to obtain a license as a loan officer if he closed less than five (5) mortgage loans in Arkansas. The Staff informed Thomas that there was no such exemption and that he would need to become licensed under the Act to legally continue in Arkansas the business he was currently operating.

8. The Staff requested that Thomas provide information to the Department as soon as possible regarding any loans that he had solicited or brokered either individually or d/b/a Freedom Note Liquidation.
9. On or about August 8, 2005, the Staff met with an Arkansas resident (hereinafter referred to as "Complainant #1") at the Department who filed a complaint against Thomas.
10. The complaint alleged that Complainant #1 and her husband had contacted Thomas for the purpose of securing a home loan through an advertisement in a local paper. Thomas advised that upon payment of a fee, an investor would purchase the home whereupon Thomas would in turn purchase from the investor and sell direct to Complainant #1 and her husband. Monthly payments were to be made to Thomas as the Lender.
11. Complainant #1 alleged that on or about March 28, 2005, and April 22, 2005, she paid to Thomas via personal check(s) the total of one thousand dollars (\$1,000.00) made payable to "Freedom Note Liquidation." By agreement, Thomas was to use these funds as a down payment for a house.
12. Complainant #1 and her husband executed a "Mortgage Note" representing an agreement to pay Respondent Thomas fifty-nine thousand dollars (\$59,000.00) as

the purchase price of the house in monthly payments, as well as a separate "Mortgage Note" representing the ten percent down payment.

13. Complainant #1 further alleged on July 9, 2005, she discussed the subject property with Thomas and was advised there was no investor and the property could not close. She requested a refund but was advised by Thomas that he did not have to return the funds if Complainant #1 and her husband were canceling the deal.
14. Complaint #2 alleged that she and her husband had contacted Thomas for the purpose of securing a home loan.
15. Complainant #2 alleged that on or about June 6, 2005, her husband paid to Carol Lewis of Freedom the sum total of five hundred twenty-five dollars (\$525.00) in cash. By agreement, Thomas was to use these funds as a down payment for a house.
16. Complainant #3 alleged that she had contacted Thomas for the purpose of securing a home loan.
17. Complainant #3 alleged that on or about July 1, 2005, her brother paid to Thomas the sum total of one thousand dollars (\$1,000.00) made payable to "Freedom Note Liquidation / Keith Thomas." By agreement, Thomas was to use these funds as a down payment for a house.
18. On or about August 8, 2005, the Staff met with Complainant #4 at the Department who filed another complaint against Thomas.
19. Complainant #4 alleged that she and her husband had contacted Thomas for the purpose of securing a home loan.

20. Complainant #4 alleged that on or about July 28, 2005, her husband paid to Thomas the sum total of one thousand twenty-five dollars (\$1,025.00) in cash. By agreement, Thomas was to use these funds as a down payment for a house.
21. Complainant #4 further alleged that on August 5, 2005, a request for a refund was made to Thomas but was ignored.
22. On or about August 16, 2005, the Staff forwarded a letter to Thomas regarding the request for information made on the August 5, 2005 visit.
23. On or about August 18, 2005, the Staff appeared at Thomas's office to view the information requested at the August 5, 2005 meeting and by letter dated August 16, 2005 delivered via overnight mail.
24. On or about August 18, 2005, Thomas advised the Staff through a representative that he had retained legal counsel and would not be speaking further to the Department.
25. On or about August 18, 2005, Thomas later contacted the Staff and advised he would be forwarding the information requested to obtain a license as a loan officer. As of this date, Thomas has not responded to the letter.
26. A thorough review of filings with the Department indicates that neither "Keith Thomas" nor "Freedom Note Liquidation" located at either of the above two addresses is registered or otherwise authorized by the Commissioner to engage in mortgage loan or loan brokering activities.
27. Respondent Thomas has failed and refused to furnish specific documents requested by the Staff.

28. Respondent Thomas filed a loan officer application completed on June 5, 2006 with the Department indicating he was not subject to an Order by any state regulatory agency after the Cease and Desist Order was entered on May 16, 2006, thus filing a false or misleading application with respect to a material fact because he felt he should not be subject to a Cease and Desist Order.

APPLICABLE CODE PROVISIONS

29. The Commissioner is charged with the duty of issuing licenses for mortgage bankers, mortgage brokers, mortgage servicers and loan officers under the Fair Mortgage Lending Act pursuant to Ark. Code Ann. § 23-39-514 and regulating the conduct of such persons.
30. Ark. Code Ann. § 23-39-503 provides that it is unlawful for any person to transact business in Arkansas, either directly or indirectly, as a mortgage broker without first filing a complete application with and obtaining a license from the Commissioner unless qualified as exempt under the Fair Mortgage Lending Act.
31. Ark. Code Ann. § 23-39-514 (a) (1) and (2) (A) - (B), and (E) provides that the Commissioner may deny, suspend, revoke, or refuse to issue or renew a license of a licensee or applicant under this subchapter or may restrict or limit the activities relating to mortgage loans of any licensee or any person who owns an interest in or participates in the business of a licensee if the commissioner finds that the Order is in the public's interest; any of the following circumstances apply to the applicant, licensee, or any partner, member, manager, officer, director, loan officer, managing principal, or any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the

applicant or license. The person has filed an application for license that, as of its effective date or as of any date after filing, contained any omission or statement that, in light of the circumstances under which it was made, is false or misleading with respect to any material fact; has violated or failed to comply with any provision of the Fair Mortgage Lending Act; or is the subject of an order of the Commissioner directing that person to cease and desist from any activity regulated by the Commissioner.

32. Ark. Code Ann. § 23-39-514 (c) (6) and (d) (2) (E) provides that the Commissioner can modify or vacate the order after a hearing until final determination.
33. Ark. Code Ann. § 23-39-514 (d) (1) provides that whenever it appears, upon sufficient grounds or evidence satisfactory to the Commissioner, that a mortgage loan company has engaged in any act or practice in violation of the Fair Mortgage Lending Act, the Commissioner may order the company to cease and desist from the act or practice.
34. Ark. Code Ann. § 23-39-514 (h) (1) provides that the Commissioner may from time to time conduct examinations, with or without cause, of the books and records of any applicant or licensee in order to determine the compliance the Fair Mortgage Lending Act.
35. Ark. Code Ann. § 23-39-514 (k) provides that the Commissioner is not prohibited or restricted by other sections in the Fair Mortgage Lending Act to allow for the informal disposition of a proceeding, or allegations that might give rise to a proceeding by stipulation, settlement, consent, or default in lieu of a formal or

informal hearing on the allegations or in lieu of the sanctions authorized by the disciplinary section of the Fair Mortgage Lending Act.

CONCLUSIONS OF LAW

36. This matter has been properly brought before the Commissioner, and the entry of this Order is in the public interest.
37. Securities Department staff has conducted an investigation of the alleged mortgage loan activities of Keith Thomas and Freedom Note Liquidation. Securities Department staff represent that Keith Thomas and Freedom Note Liquidation are not registered to transact mortgage loan business in Arkansas. Securities Department staff reports that to the best of its knowledge, Keith Thomas and Freedom Note Liquidation were not acting on the behalf of any duly registered mortgage banker, mortgage broker, or mortgage servicer.
38. Keith Thomas, individually, had failed to comply with the Fair Mortgage Lending Act, conducted unlicensed activity, and failed to provide documentation to the Securities Department Staff when requested leading to entry of a Cease and Desist Order.
39. Freedom Note Liquidation had failed to comply with the Fair Mortgage Lending Act, conducted unlicensed activity, and failed to provide documentation to the Securities Department Staff when requested leading to entry of a Cease and Desist Order.
40. Keith Thomas, neither individually nor d/b/a Freedom Note Liquidation located at 1212 S. 2nd Street, Suite 2, Cabot, Arkansas 72023 is exempt from registration as a broker or loan officer under Ark. Code Ann. § 23-39-502(6).

41. The Commissioner finds that satisfactory evidence exists that Keith Thomas has attempted to or engaged in the business of a mortgage loan broker in Arkansas without a license.
42. The Commissioner finds that satisfactory evidence exists that Freedom Note Liquidation has attempted to or engaged in the business of a mortgage loan broker in Arkansas without a license.
43. The Commissioner is duly authorized to summarily order the mortgage broker, or person engaged in the act or practice in violation of the Act, to cease and desist from the unlawful activity.
44. The Commissioner finds that satisfactory evidence exists that Keith Thomas was aware of the Cease and Desist Order entered against him on May 16, 2006 prior to making application for a loan officer license on June 5, 2006 and submitted a false or misleading statement to the Department when he indicated he was not named in any orders by state regulatory agencies.

ORDER

IT IS HEREBY ORDERED and affirmed that Freedom Note Liquidation shall immediately CEASE and DESIST from transacting the business of a mortgage broker or otherwise engaging in mortgage loan or loan brokering activities in Arkansas. It is further ordered that Keith Thomas must fulfill the following in order to obtain permanent licensing as a loan officer in the State of Arkansas:

1. Within the next ninety (90) days, Respondent Thomas must associate himself with a licensed broker or banker that is properly registered and authorized to conduct business in the State of Arkansas.

2. Respondent Thomas must provide the Securities Department Staff proof that an officer or authorized representative of the licensed broker or banker has full knowledge of the Cease and Desist Order entered on May 16, 2006.
3. Upon submission of a complete and correct loan officer application and proof the licensed broker or banker Respondent Thomas will be employed by has knowledge of the Cease and Desist Order entered on May 16, 2006, a conditional loan officer license may be issued to Respondent Thomas.
4. By the end of the ninety (90) day period, Respondent Thomas must have made full restitution to all four (4) claimants that the Securities Department Staff is aware of at this time. Each claim and supporting documentation is set out below:
 - a. Claimant #1
 - i. March 30, 2005 Check \$500.00
 - ii. April 22, 2005 Check \$500.00
 - b. Claimant #2
 - i. June 6, 2005 Cash receipt \$525.00
 - c. Claimant #3
 - i. July 1, 2005 Check \$1,000.00
 - d. Claimant #4
 - i. July 28, 2005 Cash receipt \$1,000.00

5. Restitution shall be made via certified funds, made payable directly to each of the above referenced Claimants until each claim is paid in full, and a copy of each payment provided to the Arkansas Securities Department.
6. If Respondent Thomas fails to satisfy any of the above conditions, another Cease and Desist Order will be issued.
7. If Respondent Thomas fails to satisfy any of the above conditions and a second Cease and Desist Order is issued, Respondent Thomas agrees to waive his right to a hearing.
8. If Respondent Thomas is employed with a licensed broker or banker authorized to do business in the State of Arkansas at the end of the ninety-day period, has made full restitution to all four claimants listed above, is in good standing with his employer and the State of Arkansas Securities Department, the conditional loan officer license issued after the deficiencies are resolved will be made permanent for the remainder of its term.

WITNESS MY HAND AND SEAL THIS 20th DAY OF JULY, 2006.


Michael B. Johnson
ARKANSAS SECURITIES COMMISSIONER