

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. C-08-082
ORDER NO. C-08-082-10-CD01**

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ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:
GREENLEAF COMPANIES, LLC**

RESPONDENT

CEASE AND DESIST ORDER

On October 22, 2009, the Staff of the Arkansas Securities Department (“Staff”) filed a Request for a Cease and Desist Order (“Request”), and on January 22, 2010, the Staff filed an Amended Request for a Cease and Desist Order (“Amended Request”) stating that it has information and certain evidence in its possession that indicates Greenleaf Companies, LLC, (“Greenleaf”) has violated provisions of the Arkansas Fair Mortgage Lending Act (“FMLA”), Ark. Code Ann. §§ 23-39-501 through 23-39-518. The Arkansas Securities Commissioner (“Commissioner”) has reviewed the Amended Request, and based upon representations made therein, finds that:

FINDINGS OF FACT

1. The Staff’s Amended Request asserts the following representations of fact:
 - a. Greenleaf is a Missouri limited liability company. Greenleaf has never been licensed by the Arkansas Securities Department (“Department”) as a mortgage servicer.
 - b. Between 2006 and 2008 Greenleaf operated a residential housing investment, sales, and servicing business in Arkansas. Under the Greenleaf business plan, Greenleaf would enter into an agreement with an investor (“investor”) to use the investor’s good

credit rating to arrange for the financing of and the purchase for a residential home in Arkansas. As part of Greenleaf's business plan, the investor would turn over actual control of the residential home to Greenleaf for three years under an investment Agreement and Contract for Deed. Greenleaf was to manage the property during this three year period and pay all mortgage, tax, and insurance payments. In order for Greenleaf to make the mortgage, tax, and insurance payments, Greenleaf would locate a potential buyer or purchaser ("resident") for the residential home owned by the investor. Greenleaf would execute a contract for deed and promissory note with said resident. The resident would live in the residential home and make the mortgage, tax, and insurance payments to Greenleaf. Greenleaf was contractually obligated to forward these mortgage, tax, and insurance payments to the investor. The investor was contractually obligated to apply these payments from Greenleaf toward the mortgage, tax, and insurance payments of the residential home. At the end of three years, Greenleaf would either purchase the residential property or sell it to a third party for the outstanding balance on the loan. Greenleaf and its affiliates led the Arkansas residents purchasing these residential homes to believe that they were in fact buying a residential home owned by Greenleaf. At the time the contracts for deed and promissory notes were signed by the Arkansas residents, they were not told by any officer or employee of Greenleaf that there was actually a third party investor who owned the residential home. The Arkansas residents who entered into the contract for deeds with Greenleaf were to make payments that were ultimately disbursed to the investor for the mortgage, tax, and insurance payments. Greenleaf's business scheme disintegrated on or around April 2008, when payments received from the residents were no longer forwarded to the investors causing

or contributing to a large number of properties purchased by the investors under Greenleaf's business plan to enter foreclosure and ultimately be sold at a foreclosure sale.

c. On or about January 31, 2008, a married couple, Arkansas residents one ("AR1"), signed a Contract for Deed (attached as Exhibit A to Staff's Amended Request) and Promissory Note (attached as Exhibit B to Staff's Amended Request) for the purchase of a residential home with an authorized representative of Greenleaf. In paragraph ten of the Contract for Deed, AR1 was instructed to make and deliver all payments required under the agreement to Greenleaf. Also, at the time the Contract for Deed was executed, AR1 signed a document titled Payment Policies (attached as Exhibit C to Staff's Amended Request). Paragraph number eight of the Payment Policies states that, "Approximately 1-2 months after your account has been set up, you will receive information regarding payment processing. At that time, Weststar Escrow Servicing ("Weststar) will begin handling and receiving your payments Until you receive a coupon book, please continue to make your payments to Greenleaf Companies, LLC". AR1 did as they were instructed, and they sent their mortgage payments for April and May 2008 to Greenleaf. From June through August 2008, AR1 made all of their payments to Weststar. Weststar forwarded all payments it received from AR1 to Greenleaf. On or about September 12, 2008, a Mortgage Notice of Default was filed by the mortgage note holder for the residential home occupied by AR1. In November 2008, AR1 moved from the residential home, and the home was sold at a foreclosure sale.

d. On or about January 10, 2007, a married couple, Arkansas residents two ("AR2"), signed a Contract for Deed (attached as Exhibit D to Staff's Amended Request) and Promissory Note (attached as Exhibit E to Staff's Amended Request) with an authorized

representative of Greenleaf. In paragraph nine of the Contract for Deed, AR2 was instructed to make and deliver all payments required under the agreement to Greenleaf. In addition, in the Addendum to the Promissory Note (included in Exhibit E) AR2 was again instructed to mail or deliver payments to Greenleaf. AR2 did as they were instructed, and they sent their mortgage payments from March through December 2007, to Greenleaf. From January through October 2008, AR2 continued to make their payments. On or about August 2008, a Mortgage Notice of Default was filed by the mortgage note holder for the residential home occupied by AR2. In April of 2009, AR2 moved from the residential home, and the home was sold at a foreclosure sale.

e. On or about June 16, 2008, a married couple, Arkansas residents three (“AR3”), signed a Contract for Deed (attached as Exhibit F to Staff’s Amended Request) and Promissory Note (attached as Exhibit G to Staff’s Amended Request) with an authorized representative of Greenleaf. In paragraph ten of the Contract for Deed, AR3 was instructed to make and deliver all payments required under the agreement to Greenleaf. In addition, in the Addendum to the Promissory Note (included in Exhibit G) AR3 was again instructed to mail or deliver payments to Greenleaf. Also, at the time the Contract for Deed was executed AR3 signed a document titled Payment Policies (attached as Exhibit H to Staff’s Amended Request). Paragraph number eight of the Payment Policies states that, “Approximately 1-2 months after your account has been set up, you will receive information regarding payment processing. At that time, Weststar Escrow Servicing will begin handling and receiving your payments Until you receive a coupon book, please continue to make your payments to Greenleaf Companies, LLC”. AR3 did as they were instructed, and they sent their mortgage payments from September

2008 through January 2009, to Greenleaf. In fact, Greenleaf never did transfer the servicing of AR3's account to Weststar. Further, the payment made by AR3 to Greenleaf in December 2008, was endorsed and negotiated by Greenleaf, but not sent or delivered by Greenleaf to the investor of the residential home. Eventually, AR3 was contacted by the investor of the residential home. AR3 made arrangements to remain in the residential home and make their payments directly to the investor of the home. If not for the actions of the investor of the residential home, Greenleaf's failure to disburse the payments would have caused or contributed to a foreclosure action being brought against said residential home.

f. In connection with the acceptance and disbursement of payments, taxes, and insurance, Greenleaf intentionally violated the FMLA by acting as a mortgage servicer without holding a mortgage servicer license in Arkansas.

CONCLUSIONS OF LAW

2. A mortgage loan is a loan primarily secured either by a mortgage or a deed of trust on real property. Ark. Code Ann. § 23-39-502(16). The contracts for deed executed by AR1 through AR3 and Greenleaf constitute a mortgage loans as defined by the FMLA.

3. A mortgage servicer is a person that receives from or on behalf of a borrower; funds or credits in payment of a mortgage loan; or, the taxes or insurance associated with a mortgage loan. Ark. Code Ann. § 23-39-502(17). Greenleaf was acting a mortgage servicer when it collected payments from AR1 through AR3 as detailed in ¶ 1 b-f.

4. It is unlawful for any person to act or attempt to act, directly or indirectly, as a mortgage servicer with any person located in Arkansas without first obtaining a license from the

Commissioner under the FMLA. Ark. Code Ann. § 23-39-503(b). Greenleaf violated Ark. Code Ann. § 23-39-503(b) when it acted as a mortgage servicer with AR1 through AR3 without first being licensed by the Commissioner under the FMLA.

6. Upon finding that any action of a person is in violation of the FMLA, the Commissioner may summarily order the person to cease and desist from the prohibited action. Ark. Code Ann. § 23-39-514(d)(1). The conducts, acts, and practices of Greenleaf as detailed in ¶ 1 b-f threaten irreparable harm against Arkansas consumers, therefore, this Cease and Desist Order is in the public interest and appropriate pursuant to Ark. Code Ann. § 23-39-514.

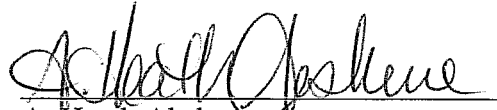
ORDER

IT IS THEREFORE ORDERED that the Greenleaf, CEASE and DESIST from all mortgage loan servicing activity in Arkansas until such time as Greenleaf has applied for and been granted a license to engage in such activities.

Respondent may request a hearing before the Commissioner in accordance with Ark. Code Ann. § 23-39-514. Any request for a hearing must be made in writing and delivered to the Commissioner within thirty (30) days from the date on which notice of this Order is sent by the Commissioner to Respondent's address by first class mail, postage prepaid. Such request should be addressed to the Commissioner and submitted to the following address:

**Arkansas Securities Commissioner
201 East Markham, Suite 300
Little Rock, Arkansas 72201**

If no hearing is requested and none is ordered by the Commissioner, this Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-39-514(d).


A. Heath Abshire
Arkansas Securities Commissioner

February 2, 2010
Date

Order Prepared By:

Karyn Tierney
Staff Attorney
Arkansas Bar No. 2003120

Scott Freydl
Staff Attorney
Arkansas Bar No. 93100

Arkansas Securities Department
201 East Markham Street, Suite 300
Little Rock, Arkansas 72201
Telephone: 501-324-9260