

RECEIVED

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

2010 JAN -8 AM 8: 52

ARKANSAS SECURITIES DEPT.

\_\_\_\_\_  
IN THE MATTER OF:

CASE NO C-09-063

DISCOUNT MORTGAGE RELIEF  
\_\_\_\_\_

**REQUEST FOR CEASE AND DESIST ORDER**

The Staff of the Arkansas Securities Department (“Staff”) received information and has in its possession certain evidence that indicates Discount Mortgage Relief has violated provisions of the Arkansas Fair Mortgage Lending Act (“FMLA”), Ark. Code Ann. §§ 23-39-501 through 23-39-518.

**Administrative Authority**

This matter is brought in connection with violations of sections of the FMLA and is therefore properly before the Arkansas Securities Commissioner (“Commissioner”) in accordance with Ark. Code Ann. § 23-39-514(d).

**Respondent**

1. Discount Mortgage Relief (“Discount Mortgage”) is believed to be a business entity located in Scottsdale, Arizona. Discount Mortgage has never been licensed by the Arkansas Securities Department (“Department”) in any capacity under the FMLA.

**Facts Supporting Request for Cease and Desist Order**

2. On or about August 7, 2009, AR1 had a telephone conversation with an employee of Discount Mortgage, Angie, concerning a renegotiation of the terms of AR1’s residential

mortgage loan. AR1's residence is located in St. Paul, Arkansas. AR1 and Angie discussed the amount of AR1's existing mortgage loan as well as AR1's current monthly mortgage payments. Sometime after the telephone conversation between AR1 and Angie, Discount Mortgage sent AR1 packet of forms for AR1 to complete and return. Included in this packet of forms was a form letter from Discount Mortgage. This letter listed the forms and financial documents AR1 would need to provide to Discount Mortgage. Also included in the packet were forms titled Authorization to Represent, Client Fee Contract, Income and Expense Worksheet, Client Interview, and a form Hardship Letter. The information required from AR1 to complete the forms provided by Discount Mortgage is all of the standard personal financial information required from a borrower, like AR1, by a mortgage broker or lender during the mortgage loan application process. The Authorization to Represent form, attached hereto as Exhibit "1", states that the designated agent, defined in the same form as Discount Mortgage, is authorized to work out the terms of AR1's payment agreement with the holder of AR1's mortgage loan. In addition, the Client Fee Contract, attached hereto as Exhibit "2", states that AR1 agreed that Discount Mortgage will provide loan mitigation services to AR1. Later in the same contract Discount Mortgage agreed to prepare a mortgage loan modification application for AR1. The contract also states that for these services AR1 agrees to make a Pre-Paid Legal Services Fee in the amount of \$1,395.00 to Discount Mortgage. In August 2009, AR1 made two payments to Discount Mortgage in the total amount of \$1,097.50. Also, AR1 completed and returned the packet of forms to Discount Mortgage. In September 2009, AR1 made an additional \$200.00 fee payment to Discount Mortgage. To date, Discount Mortgage has failed to either successfully renegotiate AR1's mortgage loan or refund any fees to AR1.

3. In September 2009, AR2 had a telephone conversation with an employee of Discount Mortgage, Cody, concerning a renegotiation of the terms of AR2's residential mortgage loan. AR2's residence is located in Clarksville, Arkansas. AR2 and Cody discussed the amount of AR2's existing mortgage loan as well as AR2's current monthly mortgage payments. Sometime after the telephone conversation between AR2 and Cody, Discount Mortgage sent AR2 packet of forms for AR2 to complete and return. Included in this packet of forms was a form letter from Discount Mortgage. This letter listed the forms and financial documents AR2 would need to provide to Discount Mortgage. Also included in the packet were forms titled Authorization to Represent, Client Fee Contract, Income and Expense Worksheet, Client Interview, and a form Hardship Letter. The Authorization to Represent form, attached hereto as Exhibit "3", states that the designated agent, defined in the same form as Discount Mortgage, is authorized to work out the terms of AR2's payment agreement with the holder of AR2's mortgage loan. The information required from AR2 to complete the forms provided by Discount Mortgage is all of the standard personal financial information required from a borrower, like AR2, by a mortgage broker or lender during the mortgage loan application process. In addition, the Client Fee Contract, attached hereto as Exhibit "4", states that AR2 agreed that Discount Mortgage would provide loan mitigation services to AR2. Later in the same contract Discount Mortgage agreed to prepare a mortgage loan modification application for AR2. The contract also states that for these services AR2 agreed to make a Pre-Paid Legal Services Fee in the amount of \$995.00 to Discount Mortgage. AR2 did as the employees of Discount Mortgage instructed, and AR2 sent Discount Mortgage a post dated check in the amount of \$500.00 as a partial payment of said fee. However, due to concerns AR2 had about Discount Mortgage, AR2 closed AR2's checking account before Discount Mortgage negotiated this check. In addition, AR2 never completed and

returned the packet of forms to Discount Mortgage. To date, Discount Mortgage has failed to either successfully renegotiate AR2's mortgage loan or refund any fees to AR2.

4. In April 2009, an employee of Discount Mortgage, Corina, contacted AR3 by telephone concerning a renegotiation of the terms of AR3's residential mortgage loan. AR3's residence is located in Mountain Home, Arkansas. AR3 and Corina discussed the amount of AR3's existing mortgage loan as well as AR3's current monthly mortgage payments. Corina indicated that Discount Mortgage had contacts with AR3's mortgage loan servicer. In addition, Corina told AR3 that Discount Mortgage could get the interest rate for AR3's existing mortgage loan modified to 4% or 4.5%. On May 5, 2009, AR3 used AR3's credit card to pay an advanced fee of \$1,000.00 to Discount Mortgage. On May 26, 2009, AR3 again used AR3's credit card to make an additional fee payment of \$995.00 to Discount mortgage. Employees of Discount Mortgage sent AR3 a packet of forms to complete and return to Discount Mortgage. As instructed AR3 completed and returned the forms to Discount Mortgage. Unfortunately for AR3, Discount Mortgage failed to get AR3's mortgage loan modified as Corina had promised. In October 2009, AR3 cancelled his contract with Discount Mortgage and demanded a refund of his fee.

5. Discount Mortgage has admitted that Discount Mortgage and its employees solicited and accepted three additional mortgage loan modification applications from three other Arkansas residents.

6. Discount Mortgage has never been licensed by the Department as a mortgage broker. Nevertheless, Discount Mortgage solicited and accepted mortgage loan modification applications from AR1 through AR3, as well as three other Arkansas residents, without first being licensed by the Department under the FMLA.

7. No Discount Mortgage employee has ever been licensed by the Department as a mortgage loan officer. Nevertheless, employees of Discount Mortgage solicited and accepted mortgage loan modification applications from AR1 through AR3, as well as three other Arkansas residents, without first being licensed by the Department under the FMLA.

### **Applicable Law**

8. Ark. Code Ann. § 23-39-503(b) states it is unlawful for any person to act or attempt to act, directly or indirectly, as a mortgage broker or loan officer with any person located in Arkansas without first obtaining a license from the Commissioner under the FMLA.

9. Ark. Code Ann. § 23-39-503(c) states that it is unlawful for any person to employ, to compensate, or to appoint as its agent any person to act as a loan officer, unless the loan officer is licensed as a loan officer with the Department under the FMLA.

### **Conclusions of Law**

10. Discount Mortgage violated Ark. Code Ann. § 23-39-503(b) six times when it acted as a mortgage broker with AR1 through AR3, as well as three other Arkansas residents, without first being licensed as a mortgage broker by the Department under the FMLA.

11. Discount Mortgage violated Ark. Code Ann. § 23-39-503(c) six times when it allowed its employees to act as loan officers with AR1 through AR3, as well as three other Arkansas residents, without first being licensed as loan officers by the Department under the FMLA.

12. The conduct, acts, and practices of Discount Mortgage and its employees threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-39-514(d).

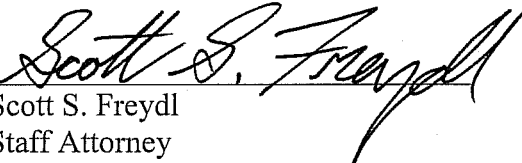
**Legal Authority to Issue Cease and Desist Order**

13. 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).

**Prayer for Relief**

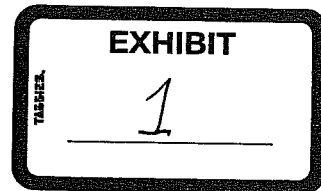
**WHEREFORE**, the Staff respectfully requests that the Commissioner order Discount Mortgage Relief to immediately CEASE AND DESIST from acting or attempting to act as a mortgage broker and/or allowing its employees to act as loan officers in the State of Arkansas until it and they are properly licensed by the Department under the FMLA; and, for all other relief to which the Staff may be entitled.

Respectfully submitted,

  
Scott S. Freydl  
Staff Attorney  
Arkansas Securities Department

1/8/10  
Date

# AUTHORIZATION TO REPRESENT



Date: 8/10/2009

To: [REDACTED]

Client 1: [REDACTED]

Client 1 SS #: \_\_\_\_\_

Client 2: [REDACTED]

Client 2 SS #: \_\_\_\_\_

Property Address: [REDACTED]

City: [REDACTED] State: Ar Zip: [REDACTED]

Loan Number: [REDACTED]

**If you have multiple loans, you must complete an Authorization To Represent for each loan.**

I hereby authorize [REDACTED] (hereafter referred to as "Lender") to discuss my request for payment with the individual(s) that I have identified below as my designated agent(s) (hereinafter the "Designated Agent"). Further, Lender is hereby authorized to workout the terms of a payment agreement with my Designated Agent and/or their assignees, to deliver documents to my Designated Agent, which concern my request for payment assistance.

I understand that I will be fully responsible for reviewing any information and all information that is sent by Lender to my Designated Agent. This authorization will remain effective until notification in writing has been received by me stating that the authorization is of no further force and effect.

Please note this in your system.



My Designated Agent(s) is: Discount Mortgage Relief  
Nationwide Foreclosure Intervention

[REDACTED]  
(Client 1 Signature)

Date: 8/10/2009

[REDACTED]  
Client 2 Signature

Date: 8/10/2009

MRLC-8-7-2009-10012950

**CLIENT FEE CONTRACT**

Discount Mortgage Relief ("DMR") and [REDACTED] /  
 [REDACTED] ("Client"), hereby agree that DMR will provide loan mitigation services to  
 Client on the terms set forth below.

**CONDITIONS.** This agreement will not take effect, and we will have no obligation to provide services, until you return a signed copy of this agreement and have paid any required retainer or minimum fee hereunder.

**SCOPE OF SERVICES.** You are hiring us, our agents and affiliates to represent you in the matter described above. We will review and analyze loan documentation to ensure compliance with RESPA, TILA, HOEPA, and other lending practices. Following this forensic loan document audit, we will prepare a mortgage loan modification application for Client's current home mortgage lender or mortgage loan servicer, as may be appropriate. We will also assist Client in having their property taxes reassessed.

We will provide those services reasonably required to represent you. We will take reasonable steps to keep you informed of progress and to respond to your inquiries. We shall not be required to represent you in any matter other than that described above unless a writing signed by us confirms such additional representation. We also do not calendar or otherwise keep track of dates in respect to any contracts, leases or other documents we negotiate or prepare for you, that being your sole responsibility.

**CLIENT DUTIES.** Client agrees to be truthful with DMR, its Agents and Affiliates, to cooperate, to keep DMR, its Agents and Affiliates informed of any information or developments which may come to Client's attention, to abide by this Agreement, to pay DMR bills on time, and to keep DMR, its Agents and Affiliates, advised of Client's address, telephone number and whereabouts. Client will assist DMR, its Agents and Affiliates in providing necessary information and documents and will appear when necessary at legal proceedings.

**FEES.** It is our policy, before undertaking any services of this type, to require the payment of a Pre-Paid Legal Service Fee of \$ 1,395.00 which shall be refundable under the terms of the **Non Performance** clause and shall be deemed earned upon receipt in consideration of our agreement to be available to handle your matters. Moreover, DMR, its Agents and Affiliates invest time and money preparing Client's case against their respective home mortgage lender or mortgage loan servicer and further incur various costs and expenses in performing such services under this Agreement, which commonly include, but not limited to, reproduction costs and services, messenger/courier deliveries, consultant fees, postage, long-distance phone costs, and other office clerical costs. Discount Mortgage Relief will offer a full refund within 3 business days (by midnight of the 3<sup>rd</sup> day) from that date this contract is signed; if your loan mitigation request does not meet our qualification criteria.

Client may make payment in the form of a credit card or debit card by filling out the Credit Card/Debit Authorization form.



**DISCHARGE AND WITHDRAWAL.** You may discharge us at any time. We may withdraw with your consent or for good cause. Good cause includes your breach of this agreement, your refusal to cooperate with us or to follow our advice on a material matter or any fact or circumstance that would render our continuing representation unlawful or unethical. When our services conclude, all unpaid charges will immediately become due and payable. After our services conclude, we will, upon your request, deliver your file to you, along with any funds or property of yours in our possession.

**NON PERFORMANCE.** If, we are unable to successfully negotiate a loan modification which is an improvement over your current mortgage loan terms, saving you a multiple of 15 (fifteen) times the service fee, provided you have made available all necessary documentation which we have requested, you are entitled to a full refund of any monies paid by you to us.

**DISCLAIMER OF GUARANTEE.** Nothing in this agreement and nothing in our statements to you will be construed as a promise or guarantee about the outcome of your matter. We make no such promises or guarantees. Our comments about the outcome of your matter are expressions of opinion only. Our entitlement to compensation is not dependent upon a successful outcome in the case.

**ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties. No other agreement, statement, or promise made on or before the effective date of this Agreement will be binding on the parties.

**SEVERABILITY IN EVENT OF PARTIAL INVALIDITY.** If any provision of this Agreement is held in whole or in part to be unenforceable for any reason, the remainder of that provision and of the entire Agreement will be severable and remain in effect.



**MODIFICATION BY SUBSEQUENT AGREEMENT.** This Agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them, or an oral agreement only to the extent that the parties carry it out.

**FILE STORAGE AND DESTRUCTION.** After your matter concludes, you may obtain your original materials upon your written request. In our discretion, we may offer in writing to return to you all or a portion of your file, and you agree to accept custody of the file if we so offer it. If your matter has been inactive for 3 (three) years or more, we may in our sole discretion destroy it on or after 30 days following the date we send you written notice of our intent to do so. You agree that such notice need only be sent to the most current address you have provided to us, and that the absence of a written response constitutes consent to such destruction.

**ARBITRATION.** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration pursuant to the Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. The prevailing party shall be additionally entitled to its reasonable attorney fees and costs.

*By agreeing to arbitration, you and we give up our rights to a trial by jury of all disputes arising from the attorney-client relationship, as stated above.*

**CHOICE OF LAW.** Any disputes over this Agreement are to be governed by Arizona law.

Initials    
Client 1 Client 2

**EFFECTIVE DATE.** This agreement will take effect when you have performed the conditions in Paragraph 1 and complied with the credit card provision set forth below, but its effective date will be retroactive to the date we first performed services. Even if this agreement does not take effect, you will be obligated to pay us the reasonable value of any services we may have performed for you.

**NOTICES.** Any notice to be given hereunder shall be delivered personally or by deposit in the United States mail, postage prepaid, certified or registered, and addressed to the party receiving notice at the address set forth below their respective signatures. Notice shall be deemed given on delivery or forty-eight (48) hours after mailing as provided herein.

**CREDIT CARD PAYMENTS.** We accept MasterCard, Visa, Discover, or American Express for payment of fees and costs hereunder.

**WITNESS** the signatures of the Parties hereto

*Discount Mortgage Relief*  
1-888-225-2899

**DISCOUNT MORTGAGE RELIEF**  
**(A Pre-paid Legal Services Company)**

By: \_\_\_\_\_  
John Common, Manager

**CLIENT**

I have read and understood the foregoing terms and agree to them, as of the date Discount Mortgage Relief first provided services. If more than one party signs below, we each agree to be liable, jointly and severally, for all obligations under this agreement. Client shall receive a fully executed duplicate of this agreement.

\_\_\_\_\_  
(Client 1 Signature)

Date: 8/10/2009

\_\_\_\_\_  
(Client 1 Printed Name)

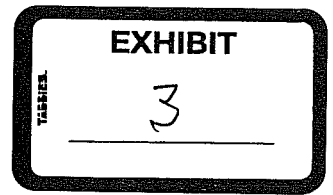
\_\_\_\_\_  
(Client 2 Signature)

Date: 8/10/09

\_\_\_\_\_  
Client 2 Printed Name)

*\_\_\_\_\_ called 10-13-09, they (being John) said there would be no refund-period-! no reason, no explanation.*

# AUTHORIZATION TO REPRESENT



Date: \_\_\_\_\_

To: \_\_\_\_\_

Client 1: \_\_\_\_\_

Client 1 SS #: \_\_\_\_\_

Client 2: \_\_\_\_\_

Client 2 SS #: \_\_\_\_\_

Property Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Loan Number: \_\_\_\_\_

If you have multiple loans, you must complete an Authorization To Represent for each loan.

I hereby authorize \_\_\_\_\_ (hereafter referred to as "Lender") to discuss my request for payment with the individual(s) that I have identified below as my designated agent(s) (hereinafter the "Designated Agent"). Further, Lender is hereby authorized to workout the terms of a payment agreement with my Designated Agent and/or their assignees, to deliver documents to my Designated Agent, which concern my request for payment assistance.

I understand that I will be fully responsible for reviewing any information and all information that is sent by Lender to my Designated Agent. This authorization will remain effective until notification in writing has been received by me stating that the authorization is of no further force and effect.

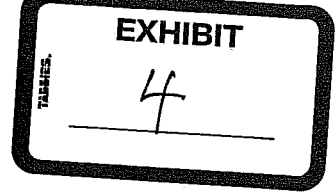
Please note this in your system.

My Designated Agent(s) is: Discount Mortgage Relief  
Nationwide Foreclosure Intervention

\_\_\_\_\_  
(Client 1 Signature) Date: \_\_\_\_\_

\_\_\_\_\_  
(Client 2 Signature) Date: \_\_\_\_\_

# CLIENT FEE CONTRACT



Discount Mortgage Relief ("DMR") and \_\_\_\_\_ / \_\_\_\_\_ ("Client"), hereby agree that DMR will provide loan mitigation services to Client on the terms set forth below.

**CONDITIONS.** This agreement will not take effect, and we will have no obligation to provide services, until you return a signed copy of this agreement and have paid any required retainer or minimum fee hereunder.

**SCOPE OF SERVICES.** You are hiring us, our agents and affiliates to represent you in the matter described above. We will review and analyze loan documentation to ensure compliance with RESPA, TILA, HOEPA, and other lending practices. Following this forensic loan document audit, we will prepare a mortgage loan modification application for Client's current home mortgage lender or mortgage loan servicer, as may be appropriate. We will also assist Client in having their property taxes reassessed.

We will provide those services reasonably required to represent you. We will take reasonable steps to keep you informed of progress and to respond to your inquiries. We shall not be required to represent you in any matter other than that described above unless a writing signed by us confirms such additional representation. We also do not calendar or otherwise keep track of dates in respect to any contracts, leases or other documents we negotiate or prepare for you, that being your sole responsibility.

**CLIENT DUTIES.** Client agrees to be truthful with DMR, its Agents and Affiliates, to cooperate, to keep DMR, its Agents and Affiliates informed of any information or developments which may come to Client's attention, to abide by this Agreement, to pay DMR bills on time, and to keep DMR, its Agents and Affiliates, advised of Client's address, telephone number and whereabouts. Client will assist DMR, its Agents and Affiliates in providing necessary information and documents and will appear when necessary at legal proceedings.

**FEES.** It is our policy, before undertaking any services of this type, to require the payment of a Pre-Paid Legal Service Fee of \$ 995.00 which shall be refundable under the terms of the **Non Performance** clause and shall be deemed earned upon receipt in consideration of our agreement to be available to handle your matters. Moreover, DMR, its Agents and Affiliates invest time and money preparing Client's case against their respective home mortgage lender or mortgage loan servicer and further incur various costs and expenses in performing such services under this Agreement, which commonly include, but not limited to, reproduction costs and services, messenger/courier deliveries, consultant fees, postage, long-distance phone costs, and other office clerical costs. Discount Mortgage Relief will offer a full refund within 3 business days (by midnight of the 3<sup>rd</sup> day) from that date this contract is signed; if your loan mitigation request does not meet our qualification criteria.

Client may make payment in the form of a credit card or debit card by filling out the Credit Card/Debit Authorization form.

Initials \_\_\_\_\_  
Client 1      Client 2

**DISCHARGE AND WITHDRAWAL.** You may discharge us at any time. We may withdraw with your consent or for good cause. Good cause includes your breach of this agreement, your refusal to cooperate with us or to follow our advice on a material matter or any fact or circumstance that would render our continuing representation unlawful or unethical. When our services conclude, all unpaid charges will immediately become due and payable. After our services conclude, we will, upon your request, deliver your file to you, along with any funds or property of yours in our possession.

**NON PERFORMANCE.** If, we are unable to successfully negotiate a loan modification which is an improvement over your current mortgage loan terms, saving you a multiple of 15 (fifteen) times the service fee, provided you have made available all necessary documentation which we have requested, you are entitled to a full refund of any monies paid by you to us.

**DISCLAIMER OF GUARANTEE.** Nothing in this agreement and nothing in our statements to you will be construed as a promise or guarantee about the outcome of your matter. We make no such promises or guarantees. Our comments about the outcome of your matter are expressions of opinion only. Our entitlement to compensation is not dependent upon a successful outcome in the case.

**ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties. No other agreement, statement, or promise made on or before the effective date of this Agreement will be binding on the parties.

**SEVERABILITY IN EVENT OF PARTIAL INVALIDITY.** If any provision of this Agreement is held in whole or in part to be unenforceable for any reason, the remainder of that provision and of the entire Agreement will be severable and remain in effect.

**MODIFICATION BY SUBSEQUENT AGREEMENT.** This Agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them, or an oral agreement only to the extent that the parties carry it out.

**FILE STORAGE AND DESTRUCTION.** After your matter concludes, you may obtain your original file materials upon your written request. In our discretion, we may offer in writing to return to you all or a portion of your file, and you agree to accept custody of the file if we so offer it. If your matter has been inactive for 3 (three) years or more, we may in our sole discretion destroy it on or after 30 days following the date we send you written notice of our intent to do so. You agree that such notice need only be sent to the most current address you have provided to us, and that the absence of a written response constitutes consent to such destruction.

**ARBITRATION.** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration pursuant to the Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. The prevailing party shall be additionally entitled to its reasonable attorney fees and costs.

*By agreeing to arbitration, you and we give up our rights to a trial by jury of all disputes arising from the attorney-client relationship, as stated above.*

**CHOICE OF LAW.** Any disputes over this Agreement are to be governed by Arizona law.

**EFFECTIVE DATE.** This agreement will take effect when you have performed the conditions stated in Paragraph 1 and complied with the credit card provision set forth below, but its effective date will be retroactive to the date we first performed services. Even if this agreement does not take effect, you will be obligated to pay us the reasonable value of any services we may have performed for you.

**NOTICES.** Any notice to be given hereunder shall be delivered personally or by deposit in the United States mail, postage prepaid, certified or registered, and addressed to the party receiving notice at the address set forth below their respective signatures. Notice shall be deemed given on delivery or forty-eight (48) hours after mailing as provided herein.

**CREDIT CARD PAYMENTS.** We accept MasterCard, Visa, Discover, or American Express for payment of fees and costs hereunder.

**WITNESS** the signatures of the Parties hereto

**DISCOUNT MORTGAGE RELIEF  
(A Pre-paid Legal Services Company)**

By: \_\_\_\_\_  
John Common, Manager

**CLIENT**

I have read and understood the foregoing terms and agree to them, as of the date Discount Mortgage Relief first provided services. If more than one party signs below, we each agree to be liable, jointly and severally, for all obligations under this agreement. Client shall receive a fully executed duplicate of this agreement.

\_\_\_\_\_  
(Client 1 Signature) Date: \_\_\_\_\_

\_\_\_\_\_  
(Client 1 Printed Name)

\_\_\_\_\_  
(Client 2 Signature) Date: \_\_\_\_\_

\_\_\_\_\_  
(Client 2 Printed Name)