

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER**

**CASE NO. C-10-115**  
**ORDER NO. C-10-115-10-OR01**

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ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:**

**UNITED FIDELITY FUNDING CORPORATION, NMLS&R NO. 34381**  
**LUTHER A. REED, NMLS&R NO. 135645**  
**MARTHA Y. EHLEN, NMLS&R NO. 146640**

**RESPONDENTS**

**CONSENT ORDER**

This Consent Order is entered pursuant to the Arkansas Fair Mortgage Lending Act ("FMLA"), codified at Ark. Code Ann. §§ 23-39-501 through 23-39-518, the Rules of the Arkansas Fair Mortgage Lending Act ("Rules") and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-101 through 25-15-219, in accordance with an agreement by and between the Staff of the Arkansas Securities Department ("Staff") and the Respondents, United Fidelity Funding Corporation ("United Fidelity"), Luther A. Reed ("Reed"), and Martha Y. Ehlen ("Ehlen"), in full and final settlement of all claims that could be brought against United Fidelity, Reed, and Ehlen by the Staff on the basis of the facts set forth herein.

United Fidelity, Reed, and Ehlen admit the jurisdiction of the FMLA and the Arkansas Securities Commissioner ("Commissioner"), waive its and their right to a formal hearing and appeal, admit the findings of facts made herein, consent to the entry of this Order, and agree to abide by its terms.

**FINDINGS OF FACT**

1. United Fidelity is a mortgage banker and mortgage broker located in Kansas City, Missouri, Nationwide Mortgage Licensing System Registry ("NMLS&R") number 34381.

United Fidelity is currently licensed as a mortgage banker and mortgage broker by the Arkansas Securities Department ("Department"). United Fidelity's license as a mortgage banker and mortgage broker is scheduled to expire on December 31, 2010.

2. During all relevant times for the matters involved in this order, Reed was employed as a loan officer for and manager of United Fidelity's Ft. Smith, Arkansas, branch office. Further, during all relevant times for the matters involved in this order, Ehlen was employed as a loan officer for United Fidelity. During the time period covered by this order, Reed and Ehlen were not licensed by the Department under the FMLA in any capacity. Neither Reed nor Ehlen are currently employed by and licensed as loan officers with United Fidelity. Reed's and Ehlen's Arkansas mortgage loan officer's licenses with another mortgage broker, NMLS&R number 135645 and 146640, will expire on December 31, 2010.

3. The Staff has determined that between July and October 2008, while employed as a loan officer for United Fidelity, Reed was involved in accepting mortgage loan applications from eight Arkansas residents without being properly licensed under the FMLA. The unlicensed mortgage loan officer activity of Reed constitutes eight violations of Ark. Code Ann. § 23-39-503(a) by Reed in 2008.

4. The Staff has determined that between August and November 2008, while employed as a loan officer for United Fidelity, Ehlen was involved in accepting mortgage loan applications from four Arkansas residents without being properly licensed under the FMLA. The unlicensed mortgage loan officer activity of Ehlen constitutes four separate violations of Ark. Code Ann. § 23-39-503(a) by Ehlen in 2008.

5. The Staff has also determined that in 2008 the following loan officers employed by United Fidelity engaged in mortgage loan activity without being licensed under the FMLA:

a. Between June and July 2008, while employed as a loan officer for United Fidelity, Ron Gruenberg (“Gruenberg”) was involved in accepting mortgage loan applications from two Arkansas residents without being properly licensed under the FMLA.

b. In June 2008, while employed as a loan officer for United Fidelity, Jeff Naylor (“Naylor”) was involved in accepting mortgage loan applications from three Arkansas residents without being properly licensed under the FMLA.

c. Between June and August 2008, while employed as a loan officer for United Fidelity, Adriana Frankly-Rusch (“Rusch”) was involved in accepting mortgage loan applications from three Arkansas residents without being properly licensed under the FMLA.

d. In July 2008, while employed as a loan officer for United Fidelity, Jeff Sullivan (“Sullivan”) was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

e. In August 2008, while employed as a loan officer for United Fidelity, Arnold Pytcher (“Pytcher”) was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed.

f. Between July and September 2008, while employed as a loan officer for United Fidelity, Dustin Satterly (“Satterly”) was involved in accepting mortgage loan applications from ten Arkansas residents without being properly licensed under the FMLA.

g. In August and November 2008, while employed as a loan officer for United Fidelity, Marisela Whitelaw (“Whitelaw”) was involved in accepting mortgage loan applications from three Arkansas residents without being properly licensed under the FMLA.

h. In July 2008, while employed as a loan officer for United Fidelity, William W. Fritts (“Fritts”) was involved in accepting mortgage loan applications from two Arkansas residents without being properly licensed under the FMLA.

i. In November 2008, while employed as a loan officer for United Fidelity, Eilene Broome (“Broome”) was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

j. In October 2008, while employed as a loan officer for United Fidelity, Jim Wise (“Wise”) was involved in accepting mortgage loan applications from two Arkansas residents without being properly licensed under the FMLA.

k. In December 2008, while employed as a loan officer for United Fidelity, Alex Reed was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

6. The unlicensed mortgage loan officer activity of Reed, Ehlen, Gruenberg, Naylor, Rusch, Sullivan, Pytcher, Satterly, Whitelaw, Fritts, Broome, Wise, and Alex Reed as detailed above, constitute 41 separate violations of Ark. Code Ann. § 23-39-503(c) by United Fidelity in 2008.

7. The Staff has determined that between January and June 2009, while employed as a loan officer for United Fidelity, Reed was involved in accepting mortgage loan applications from 25 Arkansas residents without being properly licensed under the FMLA. The unlicensed mortgage loan officer activity of Reed constitutes 25 violations of Ark. Code Ann. § 23-39-503(a) by Reed in 2009.

8. The Staff has also determined that between February and March 2009, while employed as a loan officer for United Fidelity, Ehlen was involved in accepting mortgage loan

applications from three Arkansas residents without being properly licensed under the FMLA. The unlicensed mortgage loan officer activity of Ehlen constitutes three separate violations of Ark. Code Ann. § 23-39-503(a) by Ehlen in 2009.

9. The Staff has also determined that in 2009 the following loan officers employed by United Fidelity engaged in mortgage loan activity without being licensed under the FMLA:

a. On or about January 2009, while employed as a loan officer for United Fidelity, Broome was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

b. On or about January 2009, while employed as a loan officer for United Fidelity, Josh Naylor was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

c. In February 2009, while employed as a loan officer for United Fidelity, Fritts was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

d. In March and April 2009, while employed as a loan officer for United Fidelity, Tomnthy P. Rodgers (Rodgers) was involved in accepting mortgage loan applications from two Arkansas residents without being properly licensed under the FMLA.

e. In July 2009, while employed as a loan officer for United Fidelity, Alex Reed was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

f. In October 2009, while employed as a loan officer for United Fidelity, Jon Mangles (Mangles) was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

g. In November 2009, while employed as a loan officer for United Fidelity, Sergio Cabrera (Cabrera) was involved in accepting a mortgage loan application from an Arkansas resident without being properly licensed under the FMLA.

10. The unlicensed mortgage loan officer activity of Reed, Ehlen, Broome, Josh Naylor, Fritts, Rodgers, Alex Reed, Mangles, and Cabrera as detailed above constitute 36 separate violations of Ark. Code Ann. § 23-39-503(c) by United Fidelity in 2009.

11. Between May and July of 2008, employees at the main office of United Fidelity accepted mortgage loan applications from Arkansas residents, while the main office was not properly licensed by the Commissioner in violation of Ark. Code Ann. § 23-39-505(i).

12. Between May and August 2008, United Fidelity operated four unlicensed branch offices conducting mortgage loan activities in Arkansas: one in Rogers, Arkansas; one at 6315 S. Memorial Drive, Suite A, Tulsa, Oklahoma; one at 4867 S. Sheridan, Suite 704-A, Tulsa, Oklahoma; one at 3820 E. 51<sup>st</sup> Street, Tulsa, Oklahoma. None of these branch offices were licensed by the Commissioner in violation of Ark. Code Ann. § 23-39-505(i) when loan applications were accepted from Arkansas residents. The mortgage loan activity of the unlicensed main and branch offices listed above constitute five separate violations of Ark. Code Ann. § 23-39-505(i) by United Fidelity in 2008.

13. In October 2009, United Fidelity operated one unlicensed branch office conducting mortgage loan activities in Arkansas. The United Fidelity branch office was located at 5415 S. 125<sup>th</sup> E Avenue, Tulsa, Oklahoma. The mortgage loan activity of this unlicensed branch office constitutes one violation of Ark. Code Ann. § 23-39-505(i) by United Fidelity in 2009.

14. United Fidelity fully cooperated with the Staff during the Staff's investigation of this matter. In addition, United Fidelity has shown the Staff that it has instituted significant internal

controls and supervisory changes in order to ensure that the above detailed violations will not occur in the future. Further, United Fidelity voluntarily instituted these significant internal controls and supervisory changes prior to the initiation of any investigation by the Staff.

### **LEGAL AUTHORITY AND CONCLUSIONS OF LAW**

15. Pursuant to Ark. Code Ann. § 23-39-503(a), it is unlawful for any person located in Arkansas other than an exempt person to act or attempt to act, directly or indirectly, as a loan officer without first obtaining a license under the FMLA. The acts of Reed as detailed in ¶¶ 3 and 7 constitute 33 violations of Code Ann. § 23-39-503(a) by Reed.

16. Pursuant to Ark. Code Ann. § 23-39-503(a), it is unlawful for any person located in Arkansas other than an exempt person to act or attempt to act, directly or indirectly, as a loan officer without first obtaining a license under the FMLA. The acts of Ehlen as detailed in ¶¶ 4 and 8 constitute 7 violations of Code Ann. § 23-39-503(a) by Ehlen.

17. Pursuant to Ark. Code Ann. § 23-39-503(c), it is unlawful for any person other than an exempt 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 under the FMLA. The acts of United Fidelity and the unlicensed loan officers employed by United Fidelity as detailed in ¶¶ 3-9 constitute 77 violations of Ark. Code Ann. § 23-39-503(c) by United Fidelity.

18. Pursuant to Ark. Code Ann. § 23-39-505(i), the main and each branch office of a mortgage broker or banker licensed under this subchapter shall obtain a separate license. The failure of United Fidelity to obtain a license under the FMLA for the main or any of the branch offices of United Fidelity conducting mortgage loan activity in Arkansas as detailed in ¶¶ 11-13 constitutes 6 violations of Ark. Code Ann. § 23-39-505(i) by United Fidelity.

19. Pursuant to Ark. Code Ann. § 23-39-514(a)(1), the entry of this order is in the public interest.

20. The Commissioner by order may impose a civil penalty that shall not exceed \$10,000.00 for each violation by a mortgage broker, banker or loan officer upon a licensee or any partner, officer, director, member, manager, or other person occupying a similar status or performing a similar function on behalf of a licensee for any violation of the FMLA. Ark. Code Ann. § 23-39-514(b)(1) and (2). The acts and violations of the FMLA and Rules by United Fidelity, Reed, and Ehlen as detailed in ¶¶ 3-13 warrant the entry of appropriate civil penalties against United Fidelity, Reed, and Ehlen as authorized by Ark. Code Ann. § 23-39-514(b)(1) and (2).

21. Pursuant to Ark. Code Ann. § 23-39-514(k), the FMLA permits the informal disposition of an allegation by a consent order. The acts and violations of the FMLA by United Fidelity, Reed, and Ehlen as detailed in ¶¶ 3-13 warrant the entry of this Consent Order.


### **ORDER**

By agreement and with the consent of the Staff, the authorized representative of United Fidelity, Reed, and Ehlen, it is hereby ordered that: One, United Fidelity shall be responsible for the payment of a civil penalty in the amount of \$12,500.00 to the Arkansas Securities Department. Two, Reed shall be responsible for the payment of a civil penalty in the amount of \$1,500.00 to the Arkansas Securities Department. Three, Ehlen shall be responsible for the payment of a civil penalty in the amount of \$500.00 to the Arkansas Securities Department. Four, the payment of said civil penalty by United Fidelity shall be made to the Arkansas Securities Department as follows; \$5,000.00 due at the time of the entry of this Consent Order




with the balance of \$7,500.00 due within forty-five (45) calendar days of the entry of this Consent Order. Five, the payment of said civil penalties by Reed and Ehlen shall be made to the Arkansas Securities Department within ninety (90) calendar days of the entry of this Consent Order.

IT IS SO ORDERED.


  
A. Heath Abshure  
Arkansas Securities Commissioner

September 3, 2010  
Date

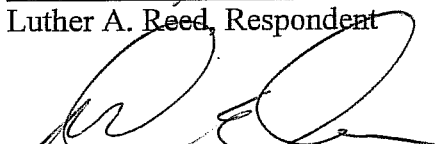
Approved as to Content and Form:

  
Neal Alaiwat, President  
United Fidelity Funding Corporation  
Respondent

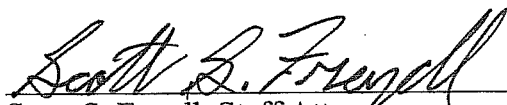
8/23/2010  
Date

  
Luther A. Reed, Respondent

8/25/10  
Date

  
Martha Y. Ehlen, Respondent

8-27-2010  
Date

  
Scott S. Freydl, Staff Attorney  
Arkansas Securities Department

9/3/10  
Date