

**STATE OF ARKANSAS**  
**SECURITIES DEPARTMENT**

---

IN THE MATTER OF

CEASE AND DESIST ORDER

ISSUED PURSUANT TO

ARK. CODE ANN.

§23-39-202(b)(1)

U. S. MORTGAGE, INC.

LITTLE ROCK, ARKANSAS

---

ORDER NO. 98-049-M

**SUMMARY ORDER**

Mac Dodson, the Arkansas Securities Commissioner, upon sufficient grounds and evidence presented to him by Charles F. Handley and David Jones, has reason to believe that U.S. Mortgage, Inc., Little Rock, Arkansas ("U.S. Mortgage"), has failed to comply with the provisions of the Arkansas Mortgage Loan Company and Loan Broker Act, Ark. Code Ann. § 23-39-101 et seq., (1997) ("Act").

**FINDINGS OF FACT**

1. The Commissioner is charged with the duty of the enforcement of the Act pursuant to its provisions.
2. U.S. Mortgage, a mortgage loan company which is subject to the Act, filed proof on April 1, 1997, that it was exempted from the net worth, surety bond and registration requirements of the Act pursuant to Ark. Code Ann. § 23-39-306(a)(4) because it was an U.S. Department of Housing and Urban Development ("HUD") approved lender.
3. U.S. Mortgage pursuant to HUD regulations was required to maintain a net worth of \$250,000.00 and a \$300,000.00 fidelity bond.
4. HUD regulations also required U.S. Mortgage to escrow loan commitment deposits given by loan applicants.
5. Because of inquiries and complaints received from loan applicants about not receiving a refund of their loan commitment deposits, the Commissioner directed Charles F. Handley and David Jones of his staff to conduct an examination of U.S. Mortgage.
6. The examination revealed the following:
  - A. U.S. Mortgage is insolvent. Its liabilities greatly exceed its assets.
  - B. Loan commitment deposits were not escrowed as required by HUD regulations but were deposited into corporate accounts and spent.
  - C. As of this date pursuant to attached Exhibit "A", there are 76 known loan applicants whose loan commitment deposits totaling \$25,863.46 were not escrowed and improperly spent by U.S. Mortgage.

**CONCLUSIONS OF LAW**

7. Ark Code Ann. § 23-39-202(a) states that:

"The commissioner may investigate, either upon complaint or otherwise, when it appears that a mortgage loan company is conducting its business in an unsafe and injurious manner..."

8. Ark Code Ann. § 23-39- 202(b)(1)(B) states that:

" Whenever it appears, upon sufficient grounds or evidence satisfactory to the commissioner, that any mortgage loan company has engaged in or is about to engage in any act or practice in violation of this chapter or any rule or regulation or order hereunder, or the assets or capital of any mortgage loan company is impaired or the mortgage loan company's affairs are in an unsafe condition, the commissioner may summarily order the mortgage loan company to cease and desist from the act or practice..."

**OPINION**

9. The entry of this Summary Order directing U.S. Mortgage to cease and desist from conducting any mortgage loan company or loan broker business in the State of Arkansas and to immediately refund the \$25,863.46 in loan commitment deposits listed in Exhibit"A", is in the public interest and is warranted based upon facts known by the Commissioner which indicate that (1) U.S. Mortgage is insolvent and thus, is financially unfit to conduct business as a mortgage loan company in the State of Arkansas, (2) has violated HUD regulations and (3) has failed to return loan commitment deposits which are due loan applicants.

**ORDER**

IT IS THEREFORE ORDERED that U.S. Mortgage immediately cease all mortgage loan company and loan brokering business in the State of Arkansas and within ten (10) days of the receipt of this Order file proof that it has refunded the \$25,863.46 in loan commitment deposits which are listed on Exhibit "A".

IT IS FURTHER ORDERED that this Summary Order shall be the final order issued by the Commissioner in this matter.

WITNESS MY HAND AND SEAL this \_\_\_ day of September, 1998.

---

MAC DODSON  
SECURITIES COMMISSIONER  
201 EAST MARKHAM, SUITE 300  
HERITAGE WEST BUILDING  
LITTLE ROCK, ARKANSAS 72201  
(501) 324-9260