

STATE OF ARKANSAS  
SECURITIES DEPARTMENT

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IN THE MATTER OF

**KEITH W. THOMAS, individually and d/b/a  
FREEDOM NOTE LIQUIDATION,  
HARRY RANDOLPH (RANDY) CROW, individually  
AMERICAN FINANCIAL MORTGAGE, INC.**

**RESPONDENT**

**ORDER NO. C-05-037-06-CD01**

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**ORDER TO CEASE AND DESIST**

On or about August 4, 2005, the staff of the Arkansas Securities Department (hereinafter referred to "the Staff") commenced an investigation of Keith W. Thomas, individually and doing business as Freedom Note Liquidation (hereinafter referred to as "Thomas"), and, Harry Randolph "Randy" Crow (hereinafter referred to as "Crow") and American Financial Mortgage, Inc. (hereinafter referred to as "American"), after having received information alleging possible violations of the Arkansas Fair Mortgage Lending Act, Ark. Code Ann. § 23-39-501, *et. seq.*, (hereinafter referred to as "the Act").

The Staff has obtained evidence indicating that Respondents have engaged in business as loan brokers and loan officers without having been duly registered or otherwise authorized to do business in Arkansas, in violation of the Act.

This Order to Cease and Desist 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 Arkansas Securities Commissioner ("Commissioner")

summarily denies the application for licensure as a loan officer of Thomas, d/b/a Freedom Note Liquidation, and directs that Thomas, both individually and d/b/a Freedom Note Liquidation, immediately cease and desist from engaging in the business of a mortgage loan broker or loan officer in the State of Arkansas. The Order also directs that American and Crow immediately cease and desist from engaging in the business of a mortgage loan broker or loan officer in the State of Arkansas.

### **FINDINGS OF FACT**

1. Respondent Thomas is an individual residing in Austin, Arkansas and doing business as Freedom Note Liquidation in Cabot, Arkansas.
2. Respondent Crow is an individual residing in Wichita, Kansas.
3. Respondent American is organized and incorporated under the laws of the State of Kansas. American is an authorized lender under the laws of the State of Kansas under license number 2002-4339. American is not licensed to do business in Arkansas with the Secretary of State.
4. None of the above referenced Respondents are licensed with the Arkansas Securities Department.
5. On or about February 22, 2005, the Staff received an initial application for registration as a loan officer from Thomas, reflecting that Thomas was to be associated with American. American is not, nor has it ever been, licensed with the Department in any capacity.
6. Since American was not licensed, Thomas' application could not be processed until American obtained a license as a mortgage broker with the Department. As

of this date, neither American nor Thomas have received a license to conduct mortgage loan business from the State of Arkansas.

7. 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.
8. On or about August 5, 2005, the Staff met with Thomas, in Cabot, Arkansas. Thomas indicated that his understanding and belief from Crow 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 directed him to provide information to the Staff as soon as possible regarding any loans that he had solicited or brokered either individually or d/b/a Freedom Note Liquidation, including copies of documents relating to Arkansas transactions involving American.
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 alleging that Complainant #1 and her husband had contacted Thomas as a result of advertising for the purpose of securing a home loan. 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.
10. Complainant #1 alleged that on or about March 28, 2005, she paid to Thomas five hundred dollars (\$500.00) via a post dated personal check drawn on her personal

account and made payable to "Freedom Note Liquidation." By agreement, Thomas was to use these funds as a down payment for a house.

11. Complainant #1 further alleged that on or about April 22, 2005, she issued another personal check to Thomas for five hundred dollars (\$500.00), drawn on her personal account and made payable to "Freedom Note Liquidation." By agreement, Thomas was to also use these funds as a down payment for a house for Complainant #1 and her husband.
12. Complainant #1 further alleged that Thomas represented that the investor would require ten percent (10%) to be paid down, amounting to five thousand dollars, but that Thomas would loan them the five thousand dollars (\$5,000.00) that would be required, without interest. Complainant #1 and her husband executed a "Mortgage Note" representing this agreement, as well as a "Mortgage Note" for fifty-nine thousand dollars (\$59,000.00) representing the purchase price of the house to be paid to Thomas.
13. Complainant #1 further alleged that on or about May 17, 2005, Thomas advised her that homeowner's insurance was needed as the loan was ready to close. She purchased a homeowner's insurance policy and forwarded it to Thomas, whereupon Thomas advised her that the closing would occur in a few weeks.
14. After Thomas postponed the scheduled date due to receiving a low appraisal on the subject property, Complainant #1 on June 2, 2005 and her husband met with Thomas who advised he would have an investor and a closing date within two weeks, but that if a new investor was not acquired by that time, Thomas would refund their one thousand dollars (\$1,000.00) previously paid.

15. Complainant #1 further alleged on July 1, 2005, her husband discussed the subject property with Thomas and was advised there was still no investor and the funds were in escrow and unavailable.
16. Complainant #1 further alleged on July 9, 2005, she discussed the subject property with Thomas and was advised there was still no investor. 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. Complainant #1 stated that they did not back out, but since Thomas could not deliver the subject property, they wanted their money back. Thomas advised that he would see what he could do about getting their money back.
17. On or about August 8, 2005, the Staff met with Complainant #2 at the Department who filed another complaint against Thomas, alleging that she and her husband had contacted Thomas for the purpose of securing a home loan and that on or about July 28, 2005, her husband paid to Thomas 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.
18. Complainant #2 further alleged that on August 5, 2005, a request for a refund was made to Thomas but was ignored.
19. On or about August 10, 2005, the Staff met with a real estate agent who had shown a house to Complainant #1 and her husband, who subsequently provided the Staff with additional documentation regarding a separate loan transaction that initially involved Thomas, but ultimately closed without further involvement of Thomas. Crow closed the transaction.

20. On or about August 16, 2005, the Staff sent by overnight mail a letter to Thomas regarding the request for information made to him on the August 5, 2005 visit.
21. 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 the August 16, 2005 letter.
22. 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 our office, although he later that day 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 provided any information or responded to the letter.
23. On or about September 13, 2005, the Staff received loan documentation from West Little Rock Title for a loan transaction in which Crow was involved on property located in Jacksonville, Arkansas 72076.
24. The documents supplied included a Uniform Residential Loan Application dated May 3, 2005, on which Crow is listed as being employed by First National Mortgage Sources, LLC, as well as correspondence between West Little Rock Title and Crow on American's letterhead regarding the loan transaction. First National Mortgage Sources, LLC, is listed as the loan originator on the HUD-1 for the closed loan.
25. On or about September 29, 2005, American provided to the Staff, in response to a subpoena duces tecum, a list of files on Arkansas real property that it had solicited, processed or closed, indicating that it closed and funded one loan through First National Mortgage Sources, Inc., participated in three loans that

were denied or cancelled, and responded to seven loan inquiries. American also confirms that Crow is a loan officer.

26. In its response, American asserted that First National Mortgage Sources, Inc. is an exempt subsidiary of First National Bank, and therefore that American is exempt from the Act because of the branch office affiliation of First National Mortgage Sources, Inc. with First National Bank.
27. On or about October 28, 2005, First National Mortgage Sources, LLC submitted a written statement to the Staff confirming that American is not a subsidiary of First National Mortgage Sources, LLC, nor is American authorized by First National Mortgage Sources, LLC to "do business as" First National Mortgage Sources, LLC.
28. Thomas has at all times involved herein held out his company to be in the business of buying and selling mortgage notes under the name of "Freedom Note Liquidation," located initially at 709 S. Pine Street, Cabot, Arkansas 72023 and currently at 1212 S. 2<sup>nd</sup> Street, Suite 2, Cabot, Arkansas 72023.
29. American has at all times involved herein held itself out as an exempt subsidiary of First National Mortgage Sources, Inc., located at 7701 E. Kellogg, Ste. #250, Wichita, Kansas 67207.
30. A thorough review of filings with the Department indicates that "Keith Thomas," "Freedom Note Liquidation," "Harry Randolph (Randy) Crow," and "American Financial Mortgage" are not and never have been registered or otherwise authorized by the Commissioner to engage in mortgage loan or loan brokering activities.

31. Thomas has failed and refused to furnish specific documents requested by the Staff, and both Thomas and American have failed and refused to provide information supporting their contention that they are exempt from registration under the Act.

#### **APPLICABLE CODE PROVISIONS**

32. The Commissioner is charged with the duty of issuing licenses for mortgage bankers, mortgage brokers, mortgage servicers and loan officers under the Act, and regulating the conduct of persons licensed thereunder or transacting mortgage loan activities.
33. 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 Act.
34. Ark. Code Ann. § 23-39-514 (a) (1) and (2) (B) provide that the Commissioner may deny, suspend, revoke, or refuse to issue or renew a license of a licensee or applicant under this subchapter if he finds that the Order is in the public's interest and the Respondent has failed to comply with all provisions of the Act.
35. Ark. Code Ann. § 23-39-514 (d) (1) provides that whenever it appears, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person or company has engaged in any act or practice in violation of the Act, the Commissioner may order such person or company to cease and desist from the act or practice.

### 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. The Staff has conducted an investigation of the alleged mortgage loan activities of Keith Thomas, Freedom Note Liquidation, Harry Randolph (Randy) Crow, and American Financial Mortgage. The Staff represents that Keith Thomas, Freedom Note Liquidation, Harry Randolph (Randy) Crow and American Financial Mortgage are not registered to transact mortgage loan business in Arkansas. The Staff reports that to the best of its knowledge, Keith Thomas, Freedom Note Liquidation, Harry Randolph (Randy) Crow, and American Financial Mortgage are not acting on the behalf of any duly registered mortgage banker, mortgage broker, or mortgage servicer, and are not otherwise exempt from the licensing provisions of the Act under Ark. Code Ann. § 23-39-502(6) or any other provision of the Act.
38. Keith Thomas, individually and d/b/a Freedom Note Liquidation, has not complied with the Fair Mortgage Lending Act in that he has failed to submit a complete and proper application for licensure and by the lack of affiliation with a licensed mortgage banker, mortgage broker, or mortgage servicer.
39. The Commissioner finds that satisfactory evidence exists that Keith Thomas, Harry Randolph (Randy) Crow, American Financial Mortgage have attempted to and have actually engaged in the business of a mortgage loan broker in Arkansas without a license.

40. Ark. Code Ann. § 23-39-514(d) authorizes the Commissioner to summarily order any person engaged in any act or practice in violation of the Act, to cease and desist from the unlawful activity.

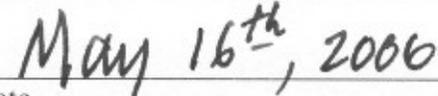
**ORDER**

IT IS HEREBY ORDERED that Keith Thomas, individually and d/b/a Freedom Note Liquidation, Harry Randolph (Randy) Crow, and American Financial Mortgage, Inc. immediately CEASE and DESIST from transacting the business of a mortgage broker and loan officer or otherwise engaging in mortgage loan or loan brokering activities in Arkansas.

The respondents 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 the order is sent by the Commissioner to the addresses mentioned above by first class mail, postage prepaid. If the respondents do not request a hearing and the Commissioner does not order a hearing, the order will remain in effect until it is modified or vacated by the Commissioner.

IT IS SO ORDERED:

  
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Michael B. Johnson  
Arkansas Securities Commissioner

  
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Date