

**STATE OF ARKANSAS  
SECURITIES DEPARTMENT**

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**IN THE MATTER OF**

**ORDER NO. C-07-012-07-CO01**

**REALTY MORTGAGE CORPORATION  
And TODD REYNOLDS, individually**

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**RESPONDENT**

**CONSENT ORDER**

This Consent Order is entered pursuant to the Arkansas Fair Mortgage Lending Act, codified at Ark. Code Ann. § 23-39-501, *et seq.* (“the Act”), and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201, *et seq.* in accordance with an agreement by and between the Staff of the Arkansas Securities Department (“the Staff”), REALTY MORTGAGE CORPORATION (“REALTY”) and TODD REYNOLDS (“REYNOLDS”) in full settlement of all matters and claims arising in the above referenced matter and as set forth in Investigation No. C-07-012. REALTY AND REYNOLDS enter into this Consent Order for the purpose of resolving allegations by the Staff of unlicensed mortgage loan activity, consents to the entry of this order and agrees to abide by its terms.

**FINDINGS OF FACT**

1. REALTY, at the time of all actions, was a licensed mortgage banker with the Arkansas Securities Department (“Department”), Arkansas license number 11237.
2. REYNOLDS, at the time of all actions, is an employee of REALTY, and has a loan officer license with the Department, Arkansas license number 24413.

3. The Department received information from Betty Kitchen, a former employee of REALTY, that she was a loan officer for REALTY, and solicited, accepted Uniform Residential Loan Applications (“loan applications”) from Arkansas consumers for REALTY through a REALTY branch office. She states REALTY provided her with branch office license number RN130 at 1407 Belfaire Lake Trail, Dacula, Georgia, 30019.
4. Betty Kitchen states once the loan applications were submitted to REALTY, REYNOLDS name was placed on the loan applications and his Arkansas loan officer license was placed on subsequent documentation for closings.
5. REYNOLDS was a licensed loan officer in the State of Arkansas during this period and authorized to conduct mortgage loan activity in the State. Betty Kitchen was not.
6. There are seven (7) Arkansas loans where the initial loan applications were solicited and accepted by Betty Kitchen, an unlicensed REALTY loan officer.
7. REYNOLDS is listed as the loan officer/interviewer on the final loan applications for all seven (7) of the subject loans.
8. Betty Kitchen was compensated by REALTY for these seven (7) loans.

#### **APPLICABLE CODE PROVISIONS**

9. Ark. Code Ann. § 23-39-502 (2) (A) – (C) defines a branch office as a location that is separate and distinct from the licensee’s principal place of business: the address of which appears on business cards, stationary, or advertising used by the licensee in connection with business conducted under this subchapter at the

branch office; at which the licensee's name, advertising, promotional materials, or signage suggests that mortgage loans are originated, solicited, accepted, negotiated, funded or serviced or from which mortgage loan commitments or interest rate guarantee agreements are issued; or which, due to the actions of any employee, associate, or loan officer of the licensee, may be construed by the public as a branch office of the licensee where mortgage loans are originated, solicited, accepted, negotiated, funded, or serviced or from which mortgage loan commitments or interest rate guarantee agreements are issued.

10. § 23-39-502 (8) defines a loan officer as any individual other than an exempt person who in exchange for compensation as an employee of a mortgage broker or a mortgage banker licensed under this subchapter solicits or offers to solicit an application for a mortgage loan; accepts or offers to accept an application for a mortgage loan; negotiates or offers to negotiate the terms or conditions of a mortgage loan; or issues or offers to issue a mortgage loan commitment or interest rate guarantee agreement.
11. Ark. Code Ann. § 23-39-503 (a) (1) provides that it is unlawful for a person to conduct mortgage loan business without a loan officer license.
12. Ark. Code Ann. § 23-39-503 (c) of the Act, it is unlawful to employ, to compensate, or to appoint as an agent any person to act as a loan officer, unless the loan officer is licensed as a loan officer under the Act.
13. Ark. Code Ann. § 23-39-505 (i) (1) provides that each branch office of a mortgage broker licensed under this subchapter shall obtain a separate license.

14. Ark. Code Ann. § 23-39-513 (1) provides it is unlawful for any person other than an exempt person in the course of any mortgage loan transaction or activity to misrepresent or conceal any material fact or make any false promise likely to influence, persuade, or induce an applicant for a mortgage loan or a borrower to take a mortgage loan, or to pursue a course of misrepresentation through agents or otherwise.
15. Ark. Code Ann. § 23-39-513 (4) provides that it is unlawful for any person other than an exempt person in the course of any mortgage loan transaction or activity to pay, receive, or collect in whole or in part any commission, fee, or other compensation for brokering a mortgage loan in violation of this subchapter, including a mortgage loan brokered or solicited by any unlicensed person other than an exempt person.
16. Ark. Code Ann. § 23-39-514 (k) provides that this section does not prohibit or restrict the informal disposition of a proceeding or allegations that might give rise to a proceeding by stipulation, settlement, consent, or default in lieu of a formal or informal hearing on the allegations or in lieu of the sanctions authorized by this section.

### **CONCLUSIONS OF LAW**

17. REALTY employed Betty Kitchen as a loan officer at branch office RN130, located at 1407 Belfaire Lake Trail, Dacula, Georgia, 30019.
18. Betty Kitchen was not licensed as a loan officer in the State of Arkansas for REALTY.

19. The location of 1407 Belfaire Lake Trail, Dacula, Georgia, 30019 was not a licensed branch location of REALTY.
20. Betty Kitchen solicited and accepted loan applications of seven (7) Arkansas consumers for REALTY without an Arkansas loan officer license. This is a violation of Ark. Code Ann. §23-39-503(c) and Ark. Code Ann. §23-39-505(i)(1).
21. The seven (7) loan applications list REYNOLDS as the loan officer/interviewer. This is a violation of Ark. Code Ann. § 23-39-513 (1).
22. Betty Kitchen received compensation as the loan officer for the seven (7) Arkansas loans. This is a violation of Ark. Code Ann. § 23-39-503 (c) and Ark. Code Ann. § 23-39-513 (4).

### **ORDER**

IT IS HEREBY ORDERED, pursuant to the agreement of the Staff, REALTY, and REYNOLDS, that REALTY (a) shall pay a civil penalty in the sum of twenty five thousand seven hundred fifty eight dollars and fifty cents (\$25,758.50) (subject to the conditions set forth below for penalty's reduction); (b) provided that REALTY complies with the terms of the Consent Order, thirteen thousand two hundred fifty eight dollars and fifty cents (\$13,258.50) of the civil penalty shall be suspended and not payable; if however, REALTY violates or fails to comply with the terms of the Consent Order or otherwise fails to comply with the laws of the State of Arkansas with respect to the business it conducts here, the Commissioner may so advise REALTY and reinstate the suspended amount and take whatever other action he deems appropriate in the circumstances; (c) the total amount of civil penalty that is due at the time of the execution

of this Consent Order is twelve thousand five hundred dollars (\$12,500.00); and (d) REYNOLDS Arkansas loan officer license number 24413 will be suspended for a period of thirty (30) days, beginning on the date the Consent Order is executed by the Commissioner and if all future renewal paperwork is filed with the Department.

IT IS SO ORDERED:

  
\_\_\_\_\_  
Michael B. Johnson  
Arkansas Securities Commissioner  
  
May 3, 2007  
\_\_\_\_\_  
Date

I agree to, acknowledge, and shall be bound by the terms of this Consent Order and shall abide thereby.

  
\_\_\_\_\_  
REALTY MORTGAGE CORPORATION  
  
4/19/07  
\_\_\_\_\_  
Date

I agree to, acknowledge, and shall be bound by the terms of this Consent Order and shall abide thereby.

\_\_\_\_\_  
TODD REYNOLDS  
  
\_\_\_\_\_  
Date

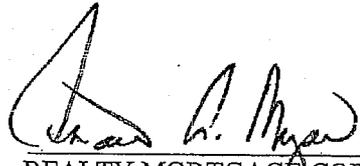
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Arkansas Securities Commissioner

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Date

I agree to, acknowledge, and shall be bound by the terms of this Consent Order and shall abide thereby.

  
\_\_\_\_\_  
REALTY MORTGAGE CORPORATION

\_\_\_\_\_  
Date

I agree to, acknowledge, and shall be bound by the terms of this Consent Order and shall abide thereby.

  
TODD REYNOLDS  
4/18/007  
\_\_\_\_\_  
Date