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**BEFORE THE ARKANSAS SECURITIES COMMISSIONER**

**ASD CASE NO. C-08-034**

ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:**

**U.S. MORTGAGE AND INVESTMENTS, INC.  
(a/k/a PROPERTY FINANCIAL SERVICES)  
LICENSE NO. 19919**

**Order No. C-08-034-OR01**

**JOSEPH BOWERS AMBERG (a/k/a JAY AMBERG)  
LICENSE NO. 19921**

**STEPHANIE MICHELLE STALBAUM  
LICENSE NO. 25983**

**RESPONDENTS**

**CONSENT ORDER FOR STEPHANIE MICHELLE STALBAUM**

This Consent Order is entered pursuant to the Arkansas Fair Mortgage Lending Act ("Act"), Ark. Code Ann. §§ 23-39-501 through 23-39-518, the Rules of the Fair Mortgage Lending Act ("Rules") promulgated under the Act and the Arkansas Administrative Procedures Act, Ark. Code Ann. §§ 25-15-101 through 25-15-219 in accordance with an agreement between the Staff of the Arkansas Securities Department ("Department"), and Stephanie Michelle Stalbaum ("Stalbaum") in full and final settlement of all claims that could be brought against Stalbaum by the Department on the basis of the facts set forth herein.

Stalbaum admits the jurisdiction of the Act and the Arkansas Securities Commissioner ("Commissioner"), waives her right to a formal hearing, and without admitting or denying the findings of facts made herein, consents to the entry of this order and agrees to abide by its terms.

## **FINDINGS OF FACT**

1. Stalbaum was licensed as a mortgage loan officer under the Act with U.S. Mortgage and Investments (“U.S. Mortgage”) from July 25, 2005, through May 30, 2008. Stalbaum was the designated branch manager of a Fayetteville, Arkansas branch office of U.S. Mortgage during all times relevant to the entry of this order.

2. On or about February 6, 2008, the Department conducted an examination of the Fayetteville branch office of U.S. Mortgage in response to information received from a previous employee regarding potential fraudulent and unethical mortgage loan activity at U.S. Mortgage. During the examination, the Department met with Stalbaum and reviewed various mortgage loan files on loans U.S. Mortgage brokered for Arkansas residents.

3. After a thorough review of several of the mortgage loan files, several discrepancies were noted as detailed below.

4. AR1 submitted a Uniform Residential Loan Application to U.S. Mortgage through its Fayetteville branch office. At the time of the acceptance of the initial loan application, the borrower’s employers were identified and monthly incomes were determined. The initial loan application reflects Stalbaum as the loan officer taking the loan application from the borrower. The final loan application reflects a different loan officer of U.S. Mortgage as the loan officer taking the loan application from the borrower.

5. The Department found that prior to the submission of the loan package for funding, a loan document had been altered by someone at U.S. Mortgage. The loan

document is required by national lenders and was AR1's W-2. The alterations are reflected below:

	<u>Original W-2</u>	<u>Altered W-2</u>
Box 1	\$86,545.27	\$136,545.27
Box 2	\$6,460.06	\$10,460.06
Box 3	\$91,361.53	\$141,361.53
Box 4	\$5,664.41	\$8,664.41
Box 5	\$91,361.53	\$141,361.53
Box 6	\$1,324.74	\$2,324.74
Box 16	\$86,545.27	\$136,545.27
Box 17	\$4043.99	\$6043.99

The difference in the amount of wages is \$50,000.00.

6. In connection with the altered loan document of AR1, U.S. Mortgage caused or contributed to, the submission of an altered and fraudulent document to a national lender from its Fayetteville branch office. As branch manager of the U.S. Mortgage Fayetteville branch office, Stalbaum was in charge of and responsible for the business operations of the branch office. The submission of this altered loan document was the result of Stalbaum's failure to be responsible in operating the business of U.S. Mortgage's Fayetteville branch office.

7. AR2 and AR3 submitted a Uniform Residential Loan Application to U.S. Mortgage through its Fayetteville branch office. At the time of the acceptance of the initial loan application, the borrower's employers were identified and monthly incomes were determined. The loan was stated income without documents being required by the lender to verify income. An initial loan application reflects that AR2 made the majority of the monthly income at approximately \$20,000.00 and AR3's income was listed as \$5,000.00 per month in AR2's office. Subsequent loan applications remove AR2 but

retained the full income level of \$25,000.00 attributing it all to AR3. The national lender has submitted a request to U.S. Mortgage to buy back the loan of AR3.

8. In connection with the revised loan application of AR2 and AR3, U.S. Mortgage caused or contributed to, the submission of a fraudulent document to a national lender from its Fayetteville branch office. As branch manager of the U.S. Mortgage Fayetteville branch office, Stalbaum was in charge of and responsible for the business operations of the branch office and supervision of its employees. The submission of this revised loan application was the result of Stalbaum's failure to exercise reasonable skill, care, and diligence in the supervision of the employees directly under her control at U.S. Mortgage's Fayetteville branch office.

9. AR4 submitted numerous Uniform Residential Loan Applications for various properties to U.S. Mortgage through its Fayetteville branch office. At the time of the acceptance of the initial loan application by Stalbaum, the borrower's monthly income was determined and AR4's other real estate owned was identified and rental income amounts confirmed. There are several inconsistencies between AR4's loan applications with respect to AR4's monthly income and real estate properties owned. Due to the short span of time between submissions of loan applications by AR4, the monthly income and real estate owned should have remained consistent or the status of ownership confirmed.

10. In connection with the inconsistencies in AR4's loan applications, U.S. Mortgage caused or contributed to, the submission of misleading documents to a national lender from its Fayetteville branch office. As branch manager of the U.S. Mortgage Fayetteville branch office, Stalbaum was in charge of and responsible for the business

operations of the branch office. The submission of AR4's inconsistent loan applications was the result of Stalbaum's failure to exercise reasonable skill, care, and diligence in her duties as a loan officer at U.S. Mortgage's Fayetteville branch office.

11. As of July 9, 2009, Stalbaum surrendered her loan officer license.

### **LEGAL AUTHORITY**

12. The Commissioner may by order deny, suspend, revoke, or refuse to issue or renew a license of a licensee or applicant if the Commissioner finds that the order is in the public interest and the licensee, or any loan officer or managing principal has violated or failed to comply with any provision of the Act. Ark. Code Ann. § 23-39-514(a)(1) and (a)(2)(B).

13. The Act states that a branch manager is in charge of and is responsible for the business operations of a branch office. Each mortgage broker shall file a form designating the branch manager and is signed by the designated individual indicating their acceptance of the responsibility as branch manager. Ark. Code Ann. § 23-39-508(d)(1) and (e).

14. The Act states it is unlawful for any person in the course of any mortgage loan transaction or activity in connection with the brokering, making, purchase, or sale of any mortgage loan, to engage in any transaction, practice, or course of business that is not in good faith or fair dealing; is misleading or deceptive; or constitutes a fraud upon any person. Ark. Code Ann. § 23-39-513(7).

15. The Act states it is unlawful for any person in the course of any mortgage loan transaction or activity to engage in practices that are dishonest or unethical in the mortgage industry. Ark. Code Ann. § 23-39-513(12).

16. The Act states it is unlawful for any person in the course of any mortgage loan transaction or activity to unreasonably fail to supervise the loan officers and employees of the mortgage broker. Ark. Code Ann. § 23-39-513(14).

17. The Act permits the informal disposition of an allegation by Consent Order. Ark. Code Ann. § 23-39-514(k).

### **CONCLUSIONS OF LAW**

18. The acts of Stalbaum described in ¶¶ 4-10 constitute a violation of Ark. Code Ann. §§ 23-39-510(3), 23-39-513(7), (12), and (14). In addition, said acts warrant disciplinary action in the form of revocation of her Arkansas loan officer license, as authorized by Ark. Code Ann. §§ 23-39-514(a)(1) and (a)(2)(B), and 23-39-505(n)(3)(A) through (B).

19. The entry of this order is in the public interest.

### **UNDERTAKING**

In settlement of this matter, but without admitting or denying the findings of fact made above, Stalbaum agrees to a revocation of her mortgage loan officer license as of July 9, 2009.

Additionally, Stalbaum agrees that she may not be designated as a branch manager in Arkansas for a period of five years.

### **ORDER**

IT IS THEREFORE ORDERED that the loan officer license of Stephanie Michelle Stalbaum is revoked as of July 9, 2009.

WITNESS MY HAND AND SEAL on this 12<sup>th</sup> day of January, 2009.

  
A. HEATH ABSHURE

Arkansas Securities Commissioner

January 12, 2010  
DATE

I hereby agree to the entry of this Consent Order, and consent to all terms, conditions, and orders contained therein, and waive any right to an appeal from this order.

Stephanie Michelle Stalbaum Blair Brady  
Stephanie Michelle Stalbaum Blair Brady  
Attorney for Stalbaum

12/15/09  
Date

1/5/10  
Date

Alexandra N. Stephens  
Alexandra N. Stephens  
Staff Attorney  
Arkansas Securities Department

January 12, 2010  
Date