

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO C-09-063**

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ARKANSAS SECURITIES DEPT.

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**IN THE MATTER OF:**

**ORDER NO C-09-063-10-CO01**

**DISCOUNT MORTGAGE RELIEF**

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**RESPONDENT**

**CONSENT ORDER**

This Consent Order is entered pursuant to the Arkansas Fair Mortgage Lending Act ("FMLA"), Ark. Code Ann. §§ 23-39-501 through 23-39-518, the Rules of the Fair Mortgage Lending Act 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 Respondent, Discount Mortgage Relief ("Discount Mortgage"), in full and final settlement of all claims that could be brought against Discount Mortgage by the Staff on the basis of the facts set forth herein.

Discount Mortgage has fully cooperated with the Staff during its investigation of the matters detailed in this Consent Order. Further, Discount Mortgage admits the jurisdiction of the FMLA and the Arkansas Securities Commissioner ("Commissioner"), waives its 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. Discount Mortgage is believed to be a business entity located in Scottsdale, Arizona. Discount Mortgage has never been licensed by the Arkansas Securities Department ("Department") in any capacity under the FMLA.

2. On or about August 7, 2009, AR1 called and had a telephone conversation with an employee of Discount Mortgage, Angie, concerning a modification of the payment terms of AR1's residential mortgage loan. AR1's residence is located in Pettigrew, Arkansas. AR1 and Angie discussed the amount of AR1's existing mortgage loan as well as AR1's current monthly mortgage payments. Sometime after the telephone conversation between AR1 and Angie, Discount Mortgage sent AR1 packet of forms for AR1 to complete and return. Included in this packet of forms was a form letter from Discount Mortgage. This letter listed the forms and financial documents AR1 would need to provide to Discount Mortgage. Also included in the packet were forms titled Authorization to Represent, Client Fee Contract, Income and Expense Worksheet, Client Interview, and a form Hardship Letter. The Authorization to Represent form states that the designated agent, defined in the same form as Discount Mortgage, is authorized to work out the terms of AR1's payment agreement with the holder of AR1's mortgage loan. In addition, the Client Fee Contract states that AR1 agreed that Discount Mortgage would provide loan mitigation services to AR1. Later in the same contract Discount Mortgage agreed to prepare a mortgage loan modification application for AR1. The contract also states that for these services AR1 agrees to pay a services fee in the amount of \$1,395.00 to Discount Mortgage. In August 2009, AR1 made two payments to Discount Mortgage in the total amount of \$1,097.50. Also, AR1 completed and returned the packet of forms to Discount Mortgage. In September 2009, AR1 made an additional \$200.00 fee payment to Discount Mortgage.

3. In September 2009, AR2 called and had a telephone conversation with an employee of Discount Mortgage, Cody, concerning a modification of the payment terms of AR2's residential mortgage loan. AR2's residence is located in Clarksville, Arkansas. AR2 and Cody discussed the amount of AR2's existing mortgage loan as well as AR2's current monthly mortgage

payments. Sometime after the telephone conversation between AR2 and Cody, Discount Mortgage sent AR2 packet of forms for AR2 to complete and return. Included in this packet of forms was a form letter from Discount Mortgage. This letter listed the forms and financial documents AR2 would need to provide to Discount Mortgage. Also included in the packet were forms titled Authorization to Represent, Client Fee Contract, Income and Expense Worksheet, Client Interview, and a form Hardship Letter. The Authorization to Represent form states that the designated agent, defined in the same form as Discount Mortgage, is authorized to work out the terms of AR2's payment agreement with the holder of AR2's mortgage loan. In addition, the Client Fee Contract states that AR2 agreed that Discount Mortgage would provide loan mitigation services to AR2. Later in the same contract Discount Mortgage agreed to prepare a mortgage loan modification application for AR2. The contract also states that for these services AR2 agreed to pay a services fee in the amount of \$995.00 to Discount Mortgage. AR2 did as the employees of Discount Mortgage instructed, and AR2 sent Discount Mortgage a post dated check in the amount of \$500.00 as a partial payment of said fee. However, due to concerning AR2 had concerning Discount Mortgage, AR2 closed AR2's checking account before Discount Mortgage negotiated this check. In addition, AR2 never completed and returned the packet of forms to Discount Mortgage.

4. In April 2009, an employee of Discount Mortgage, Corina, was contacted by AR3 by telephone concerning a modification of the payment terms of AR3's residential mortgage loan. AR3's residence is located in Mountain Home, Arkansas. AR3 and Corina discussed the amount of AR3's existing mortgage loan as well as AR3's current monthly mortgage payments. Corina indicated that Discount Mortgage had contacts with AR3's mortgage loan servicer. In addition, Corina told AR3 that Discount Mortgage could get the interest rate for AR3's existing mortgage

loan modified to 4% or 4.5%. On May 5, 2009, AR3 used AR3's credit card to pay an advanced fee of \$1,000.00 to Discount Mortgage. On May 26, 2009, AR3 again used AR3's credit card to make an additional fee payment of \$995.00 to Discount mortgage. Employees of Discount Mortgage sent AR3 a packet of forms to complete and return to Discount Mortgage. As instructed AR3 completed and returned the forms to Discount Mortgage.

5. Discount Mortgage has admitted that Discount Mortgage and its employees accepted three additional mortgage loan modification applications from three other Arkansas residents.

6. Discount Mortgage has never been licensed by the Department as a mortgage broker. Nevertheless, Discount Mortgage accepted mortgage loan modification applications from AR1 through AR3, as well as three other Arkansas residents, without first being licensed by the Department under the Arkansas FMLA.

7. No Discount Mortgage employee has ever been licensed by the Department as a mortgage loan officer. Nevertheless, employees of Discount Mortgage accepted mortgage loan modification applications from AR1 through AR3, as well as three other Arkansas residents, without first being licensed by the Department under the Arkansas FMLA.

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

8. Ark. Code Ann. § 23-39-503(b) states it is unlawful for any person to act or attempt to act, directly or indirectly, as a mortgage broker or loan officer with any person located in Arkansas without first obtaining a license from the Commissioner under the Arkansas FMLA. Discount Mortgage violated Ark. Code Ann. § 23-39-503(b) six times when it acted as a mortgage broker with AR1 through AR3, as well as three other Arkansas residents, without first being licensed as a mortgage broker by the Department under the Arkansas FMLA.

9. 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 this subchapter. Discount Mortgage violated Ark. Code Ann. § 23-39-503(c) six times when it allowed its employees to act as loan officers with AR1 through AR3, as well as three other Arkansas residents, without first being licensed as loan officers by the Department under the Arkansas FMLA.

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

11. 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 Discount Mortgage as detailed in ¶¶ 2-5 warrant the entry of a consent order.

### **UNDERTAKING**

In settlement of the above detailed violations, Discount Mortgage agrees to take the following actions: One, Discount Mortgage shall immediately refund any and all fees collected from all Arkansas residents. Discount Mortgage will supply proof to the Staff of the complete refund of these fees. Two, Discount Mortgage and its employee will immediately cease and desist from any mortgage lending activity in Arkansas until it and/or they are properly licensed by the Department under the FMLA.

### **ORDER**

By agreement and with the consent of the Staff and the authorized representative of Discount Mortgage, it is hereby ordered that: One, Discount Mortgage shall immediately refund

any and all fees collected from all Arkansas residents. Discount Mortgage will supply proof to the Staff of the refund of these fees. Two, Discount Mortgage and its employees will immediately cease and desist from any mortgage lending activity in Arkansas until it and/or they are properly licensed by the Department under the FMLA.

IT IS SO ORDERED.



A. Heath Abshure  
Arkansas Securities Commissioner

January 26, 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.

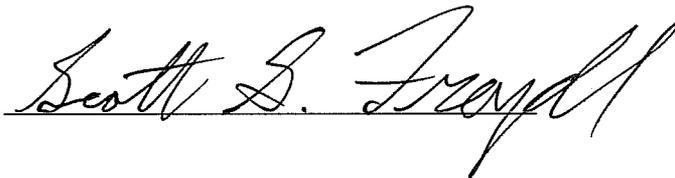


Bruce M. Spurluck, President

For Discount Mortgage Relief

1-22-2010

Date



Scott S. Freydl  
Staff Attorney, Arkansas Securities Department

1/26/10

Date