STATE OF NEVADA

DEPARTMENT OF BUSINESS AND INDUSTRY

DIVISION OF MORTGAGE LENDING

In re:

Hotpoint Financial, LLC,

Respondent.

NOTICE OF INTENT TO IMPOSE FINE AND NOTICE OF RIGHT TO REQUEST HEARING

The licensing and regulation of mortgage brokers and mortgage agents in the State of Nevada is governed by Chapter 645B of the Nevada Revised Statutes ("NRS") and Chapter 645B of the Nevada Administrative Code ("NAC"). The State of Nevada, Department of Business and Industry, Division of Mortgage Lending ("the Division") has the general duty to exercise supervision and control over mortgage brokers and mortgage agents, as well as mortgage broker and mortgage agent activity. *See*, NRS 645B.060(1), NRS 645B.670 and NRS 645B.690. Pursuant to that authority, the Division makes the following Factual Allegations, Violations of Law, and Order:

FACTUAL ALLEGATIONS

1. Based upon information and belief, Respondent, Hotpoint Financial, LLC ("Respondent") is a limited liability company organized and existing under the laws of the State of Nevada since approximately October 28, 2004.

2. Based upon information and belief, from the date of its organization on approximately October 28, 2004, to date, Bie Shia Kathy Chu ("Chu") has been the manager and sole shareholder of Respondent.

3. Based on information and belief, on approximately April 19, 2005, Respondent was issued a mortgage broker license (No. 3903) by the Division pursuant to Chapter 645B of NRS.

4. Based upon information and belief, from approximately April 19, 2005, to date:

a. Respondent has been operating within the State of Nevada as a licensed mortgage broker; and

b. Chu has been the qualified employee of Respondent.

5. Presently, the Division classifies Respondent's license as "active licensed."

6. Based upon information and belief, on approximately June 6, 2003, Minelli McDougall ("McDougall") was registered with, and issued a mortgage agent license (No. 11510) by, the Financial Institutions Division, Department of Business and Industry, State of Nevada ("FID") pursuant to Chapter 645B of NRS.

7. On approximately July 1, 2004, the Division commenced licensing and supervising mortgage brokers and mortgage agents pursuant to Chapter 645B of NRS.

8. Based upon information and belief, from approximately May 30, 2008, until approximately February 2009, McDougall was affiliated with, or employed by, Respondent as a licensed mortgage agent and conducted mortgage lending in the State of Nevada on behalf of Respondent.

9. On approximately May 31, 2009, McDougall's mortgage agent license was cancelled for failure to renew. *See*, NRS 645B.430(1). Presently, the status of McDougall's mortgage agent license is "cancelled."

10. Based upon information and belief, on approximately November 22, 2006, Irene Madali Zafra ("Zafra") was issued a mortgage agent license (No. 41361) by the Division pursuant to Chapter 645B of NRS.

11. Based upon information and belief, commencing on approximately November 27, 2006, Zafra conducted mortgage lending activity as a licensed mortgage agent until her license was cancelled on November 23, 2008, for failure to renew. *See*, NRS 645B.430(1). Presently, the status of Zafra's mortgage agent license is "cancelled."

12. Pursuant to NRS 645B.060, the Division is charged with conducting "...an annual examination of each mortgage broker doing business in this State...." *See*, NRS 645B.060(2)(d).

13. Pursuant to NRS 645B.060, the Division conducted a regularly scheduled examination of Respondent's books and records which commenced on March 24, 2009. The relevant findings of the examination were that:

a. Based upon Respondent's employee list, Zafra was employed by Respondent as a loan processor from approximately September 15, 2008, until approximately January 11, 2009;

b. In or around October 10, 2008, McDougall made application to Respondent for a refinance loan;

c. The McDougall refinance loan transaction closed on approximately November 18, 2008;

d. The McDougall refinance loan file was missing from Respondent's office;

e. In a copy of the loan file obtained from the lender, Paramount Residential Mortgage, Inc.:

(i) Zafra is identified as the mortgage agent on the loan application, disclosures and verification of employment; and

(ii) The pay stubs provided by the borrower's employer did not match the pay stubs in the McDougall loan file;

f. Zafra confirmed that she took the loan application, prepared the disclosures, processed the file and was the primary contact on the McDougall loan file;

g. At no time was Zafra affiliated with, or employed by, Respondent and authorized to conduct mortgage agent activity in the State of Nevada on behalf of Respondent as a licensed mortgage agent pursuant to Chapter 645B of NRS; and

h. Zafra was affiliated with, or employed by, All Western Mortgage, Inc. ("All Western") as a licensed mortgage agent from approximately August 28, 2007, until approximately October 15, 2008.

14. Pursuant to NRS 645B.450, "(a) person licensed as a mortgage agent pursuant to the provisions of NRS 645B.410 may not be associated with or employed by more than one mortgage broker at the same time...." *See*, NRS 645B.450(1).

15. Pursuant to NRS 645B.460, "(a) mortgage broker shall exercise reasonable supervision over the activities of his mortgage agents...." *See*, NRS 645B.460(1).

16. Pursuant to NRS 645B.080, "(e)ach mortgage broker shall keep and maintain at all times at each location where the mortgage broker conducts business in this state complete and suitable records of all mortgage transactions made by the mortgage broker at that location...." *See*, NRS 645B.080(1).

17. Pursuant to NAC 645B.077, "(t)he mortgage broker shall retain records of all his completed mortgage transactions for a period of at least 4 years after the date of the last activity relating to the transaction...." *See*, NAC 645B.077(1).

18. Pursuant to NRS 645B.670, "(f)or each violation committed by a mortgage broker, the Commissioner may impose upon the mortgage broker an administrative fine of not more than $10,000, may suspend, revoke or place conditions upon his license, or may do both, if the mortgage broker, whether or not acting as such...(h)as violated any provision of this chapter, a regulation adopted pursuant to this chapter or an order of the

Commissioner...(h)as failed to exercise reasonable supervision over the activities of a mortgage agent as required by NRS 645B.460...." *See*, NRS 645B.670(2)(c), (q).

VIOLATIONS OF LAW

After investigating this matter, it has been determined that at relevant times herein mentioned, Respondent:

1. Failed to exercise reasonable supervision over the activities of his mortgage agents by:

(i) Allowing Zafra to be affiliated with, or employed by, Respondent, and to conduct mortgage lending activity in the State of Nevada on its behalf at the same time that Zafra was conducting mortgage lending activity in the State of Nevada on behalf of All Western; in violation of NRS 645B.460(1), NRS 645B.450(1) and NRS 645B.670(2)(c), (q);

(ii) Not establishing and implementing a system to review, oversee and inspect the activities of his mortgage agents, to ensure that the pay stubs provided by the borrower's employer matched the pay stubs in McDougall's loan file, in violation of NRS 645B.460(1)(b) and NRS 645B.670(2)(c), (q); and

2. Failed to keep and maintain complete and suitable records of the McDougall refinance loan transaction for a period of at least 4 years after the date of the last activity relating to the transaction, in violation of NRS 645B.080(1) and NAC 645B.077(1).

ORDER

NOW, THEREFORE, THE COMMISSIONER OF THE DIVISION HEREBY ORDERS, pursuant to NRS 645B.750, that upon written application to the Division within **twenty (20) days** of the date of this Order, Respondent shall be entitled to a hearing with regards to the contents of this Order referenced below. At that hearing the Division will seek to:

1. Impose an administrative fine against Respondent in the amount of Five Thousand Five and No Cents ($5,000.00) for Respondent's violations of Chapter 645B of

NRS, the Division's investigative costs in the amount of One Hundred Eighty Dollars and No Cents ($180.00) as well as the Division's attorney's fees, if any, incurred herein, to be proven at the hearing; and

2. Require Respondent's payment, in full, of the administrative fine, investigative costs and fees, if any, to the Division within **thirty (30) days** of entry of the Final Order.

Should Respondent not request a hearing within **twenty (20) days** of the date of this Order, the Division will enter a Final Order in this matter against Respondent, as required by NRS 645B.750(2).

Dated this 17th day of July, 2009.

State of Nevada
Department of Business and Industry
Division of Mortgage Lending

By: Joseph L. Waltuch
Joseph L. Waltuch, Commissioner

CERTIFICATE OF SERVICE

I certify that I am an employee of the State of Nevada, Department of Business and Industry, Division of Mortgage Lending, and that on July 21, 2009, I deposited in the U.S. mail, postage prepaid via First Class Mail and Certified Return Receipt Requested, a true and correct copy of the foregoing, NOTICE OF INTENT TO IMPOSE FINE AND NOTICE OF RIGHT TO REQUEST HEARING for HOTPOINT FINANCIAL LLC, addressed as follows:

Bie Shia Chu
Hotpoint Financial LLC
6280 W. Spring Mountain Rd, Ste. 110-A
Las Vegas, NV 89146

Certified Receipt Number: 7006 2760 0000 0875 9353

DATED this 20th day of July, 2009

By: _____
Employee of the Division