

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Revocation of the Mortgage
3 Broker License of:

No. 07F-BD064-BNK

4 **SJJ CORPORATION, INC. DBA HOME**
5 **ONE MORTGAGE SERVICES**
6 1007 E. Warner Road, Suite 10
7 Tempe, AZ 85284

CONSENT ORDER

Respondent.

8 On March 29, 2007, the Arizona Department of Financial Institutions ("Department") issued
9 a Notice of Hearing, alleging that Respondent had violated Arizona law. Wishing to resolve this
10 matter in lieu of an administrative hearing, Respondent consents to the following Findings of Fact
11 and Conclusions of Law, and consents to the entry of the following Order.

12 **FINDINGS OF FACT**

13 1. Respondent SJJ Corporation, Inc. dba Home One Mortgage Services ("Home One") is an
14 Arizona corporation authorized to transact business in Arizona as a mortgage broker, license number
15 MB 0905686, within the meaning of A.R.S. §§ 6-901, *et seq.* The nature of Home One's business is
16 that of making, negotiating, or offering to make or negotiate loans secured by Arizona real property,
17 within the meaning of A.R.S. § 6-901(6).

18 2. Steven P. Smith ("Mr. Smith") is the President and fifty percent (50%) Co-Owner of Home
19 One. Jerry J. Tuzil is also a fifty percent (50%) Co-Owner of Home One.

20 3. Beginning on November 14, 2006 through February 23, 2007, the Department conducted an
21 examination of the mortgage broker business of Home One, which revealed that Respondent:

22 a. Failed to ensure that its Responsible Individual maintained a position of active
23 management and failed to ensure that its Responsible Individual was knowledgeable about Arizona
24 activities; supervised compliance with A.R.S. Title 6, Chapter 9 and other applicable laws and rules;
25 and has sufficient authority to ensure compliance; specifically:

26 i. The Responsible Individual has not ensured compliance with all Arizona laws
and all rules as evidenced by the multiple violations and repeat exam violations;

- 1 b. Failed to conduct the minimum elements of reasonable employee investigations
2 before hiring employees; specifically:
- 3 i. Failed to collect and review all of the documents authorized by the Immigration
4 and Control Act of 1986 before hiring at least one (1) employee;
- 5 ii. Failed to obtain a completed, signed, and/or dated "I9" (Employment Eligibility
6 Verification Form) before hiring at least four (4) employees;
- 7 iii. Failed to consult with the applicant's most recent or next most recent employer
8 or failed to date said inquiry before hiring at least four (4) employees;
- 9 iv. Failed to inquire regarding an applicant's qualifications and competence or failed
10 to date said inquiry for the position before hiring at least four (4) employees;
- 11 v. Failed to obtain a signed statement attesting to all of an applicant's felony
12 convictions, including detailed information regarding each conviction before
13 hiring at least one (1) employee;
- 14 vi. Failed to obtain a signed and dated credit report before hiring at least one (1)
15 employee;
- 16 vii. Failed to conduct a further investigation of at least one (1) employee with
17 derogatory credit reports; and
- 18 viii. Respondent failed to correct these violations from their previous examination;
- 19 c. Allowed borrowers to sign regulated documents containing blank spaces; specifically:
- 20 i. Twenty four (24) initial Truth in Lending ("TIL") disclosures were incomplete;
- 21 ii. Six (6) Good Faith Estimate ("GFE") disclosures were incomplete;
- 22 iii. Four (4) appraisal notices were incomplete; and
- 23 iv. Four (4) 4506-T IRS forms were incomplete;
- 24 d. Failed to use a statutorily correct written fee agreement; specifically:
- 25 i. Respondent's fee agreement failed to contain a provision involving the term for
26 which the agreement shall remain in force;

- 1 e. Unlawfully transferred or assigned their license; specifically:
- 2 i. Respondent allowed Residential Asset Management (“RAM”), among others, to
- 3 use their mortgage broker license to process mortgage loans;
- 4 f. Failed to prominently display their mortgage broker license;
- 5 g. Failed to obtain branch office license from the Superintendent; specifically:
- 6 i. Respondent unlawfully processed mortgage loans at:
- 7 1. 5050 N. 8th Place, Suite 5, Phoenix, AZ 85028;
- 8 h. Made a false promise or misrepresentation or concealed an essential or material fact
- 9 in the course of the mortgage broker business; specifically:
- 10 i. Numerous mortgage loan files contained material misrepresentations;
- 11 ii. Respondent concealed material facts involving numerous mortgage loan files;
- 12 iii. Respondent brokered multiple mortgage loans on multiple properties, using the
- 13 same buyer, and submitted the loans to various lenders simultaneously. Each
- 14 property was purchased with a mortgage loan funded by a different lender. This
- 15 deception prevented the lenders from knowing how much loan debt each
- 16 borrower was taking on at the time;
- 17 iv. Respondent engaged in the falsification of borrowers’ incomes by originating
- 18 mortgage loans using a “no income verification” program or a “no debt to
- 19 income ratio” program, which enabled buyers’ incomes to be over-stated, which
- 20 was not reasonable given the borrowers’ occupation, title, and tenure; and
- 21 v. Respondent engaged in the falsification of the borrowers’ asset verification or
- 22 deposit verifications by using the same bank account numbers for several
- 23 mortgage loan file verifications. RAM funded said bank accounts with the
- 24 necessary amount of money to qualify and close the loan. Respondent fabricated
- 25 rental verifications. Respondent also manufactured false loan documentation to
- 26 deceive lenders involving mortgage transactions.

- 1 i. Cherie Harbaugh was a co-employee of RAM and Respondent, and closed loans that
2 are the subject of this matter.

3 **CONCLUSIONS OF LAW**

4 1. Pursuant to A.R.S. §§ 6-901, *et seq.*, the Superintendent has the authority and duty to
5 regulate all persons engaged in the mortgage broker business and with the enforcement of statutes,
6 rules and regulations relating to mortgage brokers.

7 2. By the conduct set forth in the Complaint, Home One has violated the mortgage
8 broker statutes and rules as follows:

- 9 a. A.R.S. § 6-903(E) and A.A.C. R20-4-102 by failing to ensure that the responsible
10 individual maintains a position of active management and failing to ensure that the
11 responsible individual is knowledgeable about all Arizona activities;
- 12 b. A.R.S. § 6-903(N) and A.A.C. R20-4-102 by failing to conduct the minimum
13 elements of reasonable employee investigations before hiring employees;
- 14 c. A.R.S. § 6-909(A) and A.A.C. R20-4-921 by permitting borrowers to sign regulated
15 documents containing certain blank spaces without first obtaining the proper written
16 authorization from the borrowers to complete the blank spaces;
- 17 d. A.R.S. § 6-906(C) by failing to use a statutorily correct written fee agreement;
- 18 e. A.R.S. § 6-903(O) by transferring or assigning their mortgage broker license;
- 19 f. A.R.S. § 6-904(E) by failing to prominently display their mortgage broker license;
- 20 g. A.R.S. § 6-904(F) by failing to obtain a branch office license from the
21 Superintendent; and
- 22 h. A.R.S. § 6-909(L) by making a false promise or misrepresentation or concealing an
23 essential or material fact in the course of the mortgage broker business.

24 3. The violations of applicable laws, set forth above, constitute grounds to suspend or
25 revoke Home One's mortgage broker license, number MB 0905686, pursuant to A.R.S. § 6-905(A).

26 . . .

1 4. The violations, set forth above, constitute grounds for the pursuit of any other remedy
2 necessary or proper for the enforcement of statutes and rules regulating mortgage brokers in Arizona
3 pursuant to A.R.S. §§ 6-123 and 6-131.

4 5. Pursuant to A.R.S. § 6-132, Respondent's violations of the aforementioned statutes
5 are grounds for a civil penalty of not more than five thousand dollars (\$5,000.00) for each violation
6 for each day.

7 **ORDER**

8 1. Mortgage Broker License, Number MB 0905686, issued in the name of SJJ Corporation,
9 Inc. dba Home One Mortgage Services, is hereby immediately revoked, and shall immediately be
10 surrendered to the Department upon execution of this Consent Order.

11 2. At the time of execution of this Order, Respondent shall:

12 a. Submit a report of the winding down and closure of all loan files showing that all files
13 have been closed or transferred to a mortgage broker or mortgage banker licensed by
14 the Department or exempt from licensure; and

15 b. Provide to the Department a report of the arrangements made for storage of the closed
16 loan files, including a list of all files placed in storage, the location of the files, and
17 the name of the person to contact for retrieval.

18 3. Home One, Steven P. Smith, and Jerry J. Tuzil shall immediately pay the Department the
19 examination fee in the sum of Thirty Thousand Dollars (\$30,000.00). Home One, Steven P. Smith,
20 and Jerry J. Tuzil shall be jointly and severally liable for the payment of the examination fee.

21 4. The provisions of this Order shall be binding upon Respondent, its employees, agents,
22 and other persons participating in the conduct of the affairs of Respondent.

23 5. This Order shall become effective upon service, and shall remain effective and
24 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated,
25 or set aside.

26 ...

1 SO ORDERED this 16th day of October, 2007.

2
3 By: Felecia Rotellini
4 Felecia A. Rotellini
Superintendent of Financial Institutions

5 **CONSENT TO ENTRY OF ORDER**

6 1. Respondent acknowledges that it has been served with a copy of the foregoing Findings
7 of Fact, Conclusions of Law, and Order in the above-referenced matter, has read the same, is aware
8 of its right to an administrative hearing in this matter, and has waived the same.

9 2. Respondent admits the jurisdiction of the Superintendent and consents to the entry of the
10 foregoing Findings of Fact, Conclusions of Law, and Order.

11 3. Respondent states that no promise of any kind or nature has been made to induce it to
12 consent to the entry of this Order, and that it has done so voluntarily.

13 4. Respondent agrees to cease from engaging in the violative conduct set forth above in the
14 Findings of Fact and Conclusions of Law.

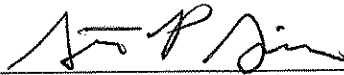
15 5. Respondent acknowledges that the acceptance of this Agreement by the Superintendent is
16 solely to settle this matter and does not preclude this Department, any other agency or officer of this
17 state or subdivision thereof from instituting other proceedings as may be appropriate now or in the
18 future.

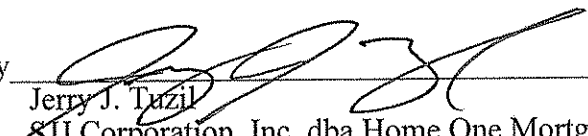
19 6. Steven P. Smith, on behalf of SJJ Corporation, Inc. dba Home One Mortgage Services
20 and himself represents that he is the President, and that, as such, has been authorized by SJJ
21 Corporation, Inc. dba Home One Mortgage Services to consent to the entry of this Order on its
22 behalf.

23 7. Jerry J. Tuzil, on behalf of SJJ Corporation, Inc. dba Home One Mortgage Services and
24 himself represent that he is the Responsible Individual, and that, as such, has been authorized by SJJ
25 Corporation, Inc. dba Home One Mortgage Services to consent to the entry of this Order on its
26 behalf.

1 8. Respondent waives all rights to seek judicial review or otherwise to challenge or contest
2 the validity of this Order.

3 DATED this 11 day of October, 2007.

4
5 By 
6 Steven P. Smith, President
7 SJJ Corporation, Inc. dba Home One Mortgage Services
8 and Individually

9 By 
10 Jerry J. Tuzil
11 SJJ Corporation, Inc. dba Home One Mortgage Services
12 and Individually

13 ORIGINAL of the foregoing filed this 16th
14 day of Oct, 2007, in the office of:

15 Felecia A. Rotellini
16 Superintendent of Financial Institutions
17 Arizona Department of Financial Institutions
18 ATTN: June Beckwith
19 2910 N. 44th Street, Suite 310
20 Phoenix, AZ 85018

21 COPY mailed same date to:

22 Daniel Martin
23 Administrative Law Judge
24 Office of the Administrative Hearings
25 1400 West Washington, Suite 101
26 Phoenix, AZ 85007

Craig A. Raby
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Robert D. Charlton, Assistant Superintendent
John Pettet, Senior Examiner
Arizona Department of Financial Institutions
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

1 AND COPY MAILED SAME DATE by
2 Certified Mail, Return Receipt Requested, to:

3 Steven P. Smith, President
4 SJJ Corporation, Inc. dba
5 Home One Mortgage Services
6 1007 E. Warner Road, Suite 10
7 Tempe, AZ 85284

8 Jerry J. Tuzil
9 SJJ Corporation dba
10 Home One Mortgage Services
11 1007 E. Warner Road, Suite 10
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16 Scottsdale, AZ 85254
17 Attorney for Respondent

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