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**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, DEPARTMENT
OF FINANCE, CONSUMER
FINANCE BUREAU,

Complainant,

vs.

GARY JAMES SROKA and JOSEPH
TERRAZAS,

Respondents.

Docket No. 2007-16-61

ORDER TO CEASE AND DESIST

Gavin M. Gee, Director of the Idaho Department of Finance (Director), being authorized and directed to administer and enforce the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 *et seq.* (the Act) and the Idaho Financial Fraud Prevention Act, Idaho Code § 76-2750 *et seq.* (the IFFPA), hereby alleges the following facts that constitute a basis for the issuance of an ORDER TO CEASE AND DESIST (Order) pursuant to Idaho Code §§ 26-3106(2) and 67-2755(1), requiring Respondents GARY JAMES SROKA and JOSEPH TERRAZAS to cease and desist from violating the Act by disseminating information to Idaho consumers that is confusing,

misleading, deceptive and which violates the federal Truth In Lending Act (TILA) and the Idaho Financial Fraud Prevention Act (IFFPA).

RESPONDENTS

1. GARY JAMES SROKA. Gary James Sroka (Sroka) is a real estate broker licensed by the state of California. Sroka's principal place of business is 91 Avenida La Pata, San Clemente, California 92673. During the period of December 27, 2000 through September 1, 2001, Sroka's company, LM Investments, Inc., dba Sterling Investment Group (LM Investments) was licensed by the Idaho Department of Finance (the Department) as a mortgage broker/lender. At that time, Sroka was the qualified-person-in-charge of LM Investments. Neither Sroka nor his company currently hold a mortgage broker, mortgage lender, or loan originator's license issued by the Department.

2. JOSEPH TERRAZAS. Joseph Terrazas (Terrazas) holds an Idaho loan originator's license which was issued by the Department on October 12, 2006. Terrazas' Idaho loan originator's license is currently "unassigned," due to the fact that he is not currently employed by a mortgage lender or broker with an office licensed by the Department. Terrazas originates mortgage loans in association with Sroka. Terrazas' current place of business is believed to be 91 Avenida La Pata, San Clemente, California 92673. Terrazas' current e-mail address is believed to be jterrazas@mysagedirect.com. Mysagedirect.com is a web address registered by Sroka.

FINDINGS OF FACT

3. On May 25, 2005, Sroka entered into an Independent Contractor Agreement (the Agreement) with N A Nationwide Mortgage (Nationwide). Under the terms of the Agreement, Sroka was identified as the "loan consultant" and Nationwide as the "broker." Sroka's duties

under the terms of the Agreement were to “Generate and process loans in accordance with Broker’s general plans and policies and in compliance with Broker’s guidelines.” Under the terms of the Agreement, Sroka also agreed to comply with all laws and regulations applicable to the Broker (Nationwide). Among the laws listed to which Sroka’s compliance obligation applied were the Truth-In-Lending Act and the Lender’s (Broker’s) own guidelines. A copy of the Agreement is attached to this Order as Exhibit “A.”

4. In or about July of 2007, Respondents contacted Nationwide for the purpose of obtaining Nationwide’s approval to produce and disseminate a marketing piece. The marketing piece was intended to generate new mortgage loan business for the Respondents and Nationwide.

5. Between July 11, 2007 and July 16, 2007, Terrazas submitted drafts of the marketing piece to Nationwide’s president, Noelle Wheeler, for review. In his dealings with Ms. Wheeler, Terrazas identified himself as the “team leader” for Sroka. Ms. Wheeler had a number of concerns regarding each draft of the marketing piece Terrazas submitted to her and she communicated her concerns to Terrazas via e-mail. In addition to violating governing laws, Ms. Wheeler noted that the drafts of the marketing piece violated Nationwide’s marketing policy.

6. Without having received Ms. Wheeler’s approval of the final draft of the marketing piece, Respondents mailed or caused the marketing piece to be mailed to residents of the state of Idaho in the latter part of July of 2007.

7. Between July 19, 2007, and August 8, 2007, the Department received complaints from three Idaho residents, R.B., H.M., and K.S. (the Recipients). The Recipients had each received written advertisements in the mail from the Respondents. The advertisements the recipients received were the marketing piece produced by the Respondents.

8. On August 6, 2007, Nationwide’s president learned from the Department that the

marketing piece had been received by Idaho Residents.

9. On August 7, 2007, Nationwide's president wrote a letter to Sroka, terminating Sroka's relationship with Nationwide, based on the fact that Sroka violated the provision of the Independent Contractor Agreement pertaining to compliance with governing laws, rules, and regulations in his production and dissemination of the marketing piece.

10. When they initially read the marketing piece, the Recipients believed the marketing piece was actually a check that had been sent to them by their mortgage lenders. A copy of the marketing piece received by R.B. is attached to this Order as Exhibit "B." A copy of the marketing piece received by H.M. is attached to this order as Exhibit "C." A copy of the mailing envelope received by H.M., with the marketing piece in it is attached to this Order as Exhibit "D." A copy of the marketing piece received by K.S. is attached to this Order as Exhibit "E." The recipients' names have been redacted from the attachments, in order to protect their privacy.

11. Upon closer examination, the Recipients determined that the marketing piece was not a check but in fact was an invitation to apply for a mortgage loan and that the mortgage lender appeared to be N A Nationwide. The marketing piece directed the Recipients to call the phone number 1-866-668-3863(FUND) or to apply on-line at www.mysagedirect.com. In fine print at the bottom of the marketing piece, it was stated that N A Nationwide is not sponsored by or affiliated with the Recipient's mortgage lender. Despite this fact, the names of the Recipients' mortgage lenders appeared prominently at the top of each document, followed by the phrases "Financial Management Service" and "Regional Financial Service." The mortgage lenders whose names appear prominently on each marketing piece have not authorized the marketing piece, nor do they have any affiliation with the Respondents.

12. In addition to the information discussed above, the marketing piece contained the

following:

a. The Recipient's current mortgage amount plus \$40,000.35 representing "Cash Out To You." Those two sums were combined to reflect a "New Loan Amount."

b. The phrases: "New **5 Year** fixed @1.50%; New **10 Year** fixed @3.20%; New **30 Year** fixed at 5.99%." Each of these phrases was followed by a corresponding "New Payment." No Annual Percentage Rate (APR) was disclosed with any of the interest rates appearing in the body of the marketing piece, nor was the "New Payment" disclosure qualified in any manner.

c. The marketing pieces included what appears to be a check made out to the Recipients, in the stated amount of \$44,000.35. The "check" has other indicia of an actual check, including a check number, "authorized signature," and a series of numbers on the bottom left of the small form. In small print, after the "authorized signature" on the "check," the following language appears: "Non-negotiable – this is not a check."

d. N A Nationwide's name appears on the marketing piece only in very small type at the bottom, while the name of the Recipient's mortgage lender is included prominently at least twice earlier in the form.

e. No legitimate product is available in today's mortgage market with fixed interest rates of 1.5% for a 5 year loan, 3.20% for a 10 year loan, or 5.99% for a 30 year loan.

f. The envelope used by the Respondents in mailing the marketing piece to the Recipients (Exhibit D) included a window for the return address, setting forth the name of the Recipient's mortgage lender, indicating that the letter was sent by the Recipient's mortgage lender when in fact the marketing pieces had been sent by the Respondents. Further, the envelope included, in bold type, the words "OPEN IMMEDIATELY – IMPORTANT FINANCIAL INFORMATION ENCLOSED." Also prominently displayed on the envelope was

the number “2007.” The envelope was made of gold paper, similar to the types of envelopes used by the federal government in mailing federal tax refunds. The type of envelope, the return address, and the bold print on the front of the envelope led the Recipients to open the envelope, thinking it was from their mortgage lender, or that it involved a federal or state tax refund.

CONCLUSIONS OF LAW

COUNTS ONE AND TWO: VIOLATIONS OF § 26-3114(5) OF THE ACT

13. The allegations set forth in paragraphs 1 through 12 above are fully incorporated herein by this reference.

14. Idaho Code § 26-3114(5) provides that no mortgage broker or mortgage lender licensee or person required to be licensed under the Act shall engage in any misrepresentation in connection with a residential mortgage loan.

15. The Respondents’ misleading and deceptive drafting and structure of the marketing piece constitutes a misrepresentation in connection with a residential mortgage loan, within the meaning of and in violation of Idaho Code § 26-3114(5).

16. The Respondents’ use of a form resembling a check in the amount of \$44,000.35 made out to the Recipient, which “check” includes an “authorized signature,” check number, and other indicia of an actual check, while including small print at the bottom of the check stating “non-negotiable – this is not a check,” constitutes a misrepresentation in connection with a residential mortgage loan, within the meaning of and in violation of Idaho Code § 26-3114(5).

COUNT THREE: VIOLATION OF IDAHO CODE § 26-3114(7)

17. The allegations set forth in paragraphs 1 through 16 above are fully incorporated by this reference.

18. Idaho Code § 26-3114(7) prohibits a licensee or person required to be licensed from making any false promises likely to influence or persuade, or pursue a course of misrepresentations and false promises...through advertising or otherwise.

19. Respondents' actions in advertising fixed interest rates that are not currently available in the mortgage lending market constitutes pursuing a course of misrepresentations or false promises in violation of Idaho Code § 26-3114(7).

COUNTS FOUR THROUGH SIX: VIOLATIONS OF RULE 60.01(e)

20. The allegations set forth in paragraphs 1 through 19 above are fully incorporated herein by this reference.

21. Rule 60.01(e) (of the Rules Pursuant to the Idaho Residential Mortgage Practices Act, located at IDAPA 12.01.10.040), prohibits any licensee or person required to be licensed under the Act from engaging in any deceptive advertising as set forth in Rule 40.

22. Rule 40 (of the Rules Pursuant to the Idaho Residential Mortgage Practices Act, located at IDAPA 12.01.10.040), provides as follows, in pertinent part:

040. DECEPTIVE ADVERTISING (Rule 40).

01. Advertising. Advertising means making or permitting to be made any oral, written, graphic or pictorial statements, in any manner, in the course of the solicitation of business. Deceptive advertising is defined to include the following practices by a licensee, or a person required to be licensed under the Act:

...
b. Advertising without clearly and conspicuously disclosing the licensee's business name.

c. Engaging in bait advertising or misrepresenting, directly or indirectly the terms, conditions or charges incident to the mortgage loan being advertised. Bait advertising, for these purposes, means an alluring, but insincere offer to procure, arrange, or otherwise assist a borrower in obtaining a mortgage loan on terms which the licensee cannot, does not intend, or want to provide, or which the licensee knows cannot be reasonably provided. Its purpose is to switch borrowers from obtaining the advertised mortgage loan product to obtaining a different mortgage loan product, usually at a higher rate or on a basis more advantageous to the licensee.

...

d. Advertising in a manner that has the effect of misleading a person to believe that the advertisement or solicitation is from a person's current mortgage holder, a government agency, or that an offer is a limited opportunity when such is not the case.

23. The Respondents' placing of N A Nationwide's business name on the marketing pieces sent to the Recipients only in very small type at the bottom of the form, particularly in view of its prominent use of the name of the Recipient's mortgage lender in at least two other places on the form constitutes a violation of Rules 40.01.b and 60.01(e).

24. The representation in the Respondents' marketing piece sent to the Recipients that fixed interest rate loans at 1.50%, 3.20%, and 5.99% were available, implying that such interest rates would not increase over the life of the loan, while in reality no legitimate product is available in today's mortgage market with fixed interest rates of 1.50%, 3.20%, and 5.99% over the life of a loan, constitutes bait and switch advertising, within the meaning of, and in violation of Rule 40.01.c and 60.01.e.

25. The Respondents' use of an envelope including a return address window displaying the name of the Recipient's mortgage lender which had no connection with the marketing piece, rather than the Respondents' name or N A Nationwide, constitutes a violation of Rule 40.01.d and 60.01.e.

COUNTS SEVEN AND EIGHT: VIOLATIONS OF REGULATION Z

26. The allegations set forth in paragraphs 1 through 25 above are fully incorporated herein by this reference.

27. Idaho Code § 26-3109(b) authorizes the Director to revoke or suspend a license if a licensee has violated any state or federal law, rule or regulation pertaining to mortgage brokering, mortgage lending, or loan origination activities.

28. Regulation Z, 12 C.F.R. § 226.01, *et seq.*, implements the Truth in Lending Act (TILA), which is contained in Title 1 of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*). Regulation Z sets forth federal requirements for advertising credit terms. 12 C.F.R. § 226.16 provides as follows, in pertinent part:

§ 226.16 Advertising.

(a) Actually available terms. If an advertisement for credit states specific credit terms, it shall state only those terms that actually are or will be arranged or offered by the creditor.

(b) Advertisement of terms that require additional disclosures. If any of the terms required to be disclosed under § 226.6 is set forth in an advertisement, the advertisement shall also clearly and conspicuously set forth the following:

(1) Any minimum, fixed, transaction, activity or similar charge that could be imposed.

(2) Any periodic rate that may be applied expressed as an annual percentage rate as determined under § 226.14(b).

(3) The Respondents' inability to offer fixed rate mortgage loans at 1.50%, 3.20%, and 5.99% constitutes a violation of Regulation Z, § 226.16(a).

29. Respondent's marketing piece failed to disclose the loan terms that were actually available from Respondents in violation of Regulation Z § 226.16(a). The Respondents' failure to include A.P.R.s corresponding to the interest rates quoted in the marketing pieces it sent to the Recipients constitutes a violation of Regulation Z, § 226.16(b)(2).

COUNT NINE – VIOLATION OF IDAHO FINANCIAL FRAUD PREVENTION ACT

30. The allegations set forth in paragraphs 1 through 29 above are fully incorporated herein by this reference.

31. Pursuant to Idaho Code § 67-2752(7), it is unlawful for any person to use in a manner likely to cause confusion or mistake or to deceive, the name, trademark, service mark, or logo of a financial institution in connection with the sale, offering for sale, distribution or advertising of any product or service without the consent of the financial institution.

32. As set forth above, the marketing piece disseminated by the Respondents used the names of the Recipients' financial institutions in the advertising of a product or service without the consent of those financial institutions. The names of the financial institutions were used in a manner that was likely to cause confusion or mistake or to deceive, in violation of the IFFPA.

REQUESTED RELIEF

33. Idaho Code §§ 26-3106(2) and 67-2755(1) provide that if the Director finds that a person has violated or is violating, or that there is reasonable cause to believe that a person is about to violate the provisions of the Act and the IFFPA and that it is necessary to protect any financial institution or the public, the Director may, in his discretion, order the person to cease and desist from the violations.

ORDER

The Director, having reviewed the foregoing, and good cause being shown therefor,

THE DIRECTOR HEREBY FINDS that the Respondents have violated the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 *et seq.* the federal Truth in Lending Act, and the Idaho Financial Fraud Prevention Act as alleged in Counts One through Nine above.

THE DIRECTOR FURTHER FINDS, pursuant to Idaho Code § 67-5247, that the Respondent's violations of the Act as set forth above involve an immediate danger to the public safety and welfare, requiring immediate agency action.

NOW, THEREFORE, IT IS HEREBY ORDERED:

Pursuant to § 26-3106(2) of the Act and § 67-2755(i) of the IFFPA, the Respondents shall CEASE AND DESIST from violations of the Idaho Residential Mortgage Practices Act, the rules promulgated thereunder the IFFPA , and applicable federal laws and regulations, to include

engaging in advertising that is misleading, confusing, and deceptive and in violation of the Truth-In-Lending Act and Regulation Z. Because of the danger to the public presented by the Respondent's violations of the Act, this action constitutes an emergency contested case, and this Order is effective upon its issuance.

NOTICE

The Respondents are hereby notified that the foregoing ORDER TO CEASE AND DESIST is a final order of the Director. Pursuant to Idaho Code § 67-5246, the Respondents may file a motion for reconsideration or request for a hearing of this Order within fourteen (14) days of the issuance of this Order. The motion for reconsideration or request for a hearing shall be served on:

Michael Larsen
Consumer Finance Bureau Chief
Idaho Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031

A copy of such motion for reconsideration or request for a hearing shall also be served on the Department's counsel, Joseph B. Jones, Deputy Attorney General at the same address.

Any hearing and subsequent proceedings in this matter will be conducted in accordance with the Idaho Administrative Procedure Act, Idaho Code § 67-5201 *et seq.*

If the Respondents timely file a motion for reconsideration, the Department will dispose of such motion within twenty-one (21) days of its receipt, or the motion will be considered denied by operation of law, pursuant to Idaho Code § 67-5246(4).

If the Respondents timely file a request for hearing, the Respondents will be notified of the date, time, and place of the hearing, as well as the name of the presiding officer. At the hearing, the Respondents will be entitled to enter an appearance, introduce evidence, examine

and cross-examine witnesses, make arguments, and generally participate in the conduct of the proceedings. The Respondents may also be represented by legal counsel at their own expense.

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal from such order to the district court by filing a petition in the district court of the county in which:

- a. a hearing was held;
- b. the final agency action was taken;
- c. the party seeking review of the order resides, or
- d. the real property or personal property that was the subject of the agency action is located.

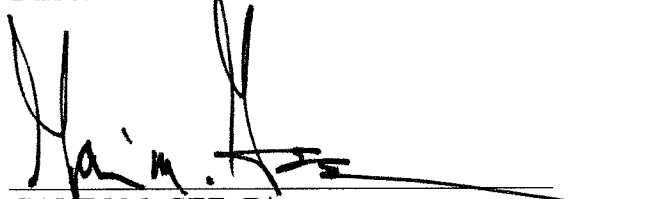
An appeal must be filed within twenty-eight (28) days: (a) of the issuance of this Order, (b) of the issuance of an order denying a motion for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. Idaho Code § 67-5273(2). The filing of an appeal to the district court does not itself stay the effectiveness of enforcement of the order being appealed.

IT IS SO ORDERED.

DATED this 14th day of September, 2007.



STATE OF IDAHO
DEPARTMENT OF FINANCE


GAVIN M. GEE, Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 17 day of September 2007, I caused a true and correct copy of the foregoing ORDER TO CEASE AND DESIST to be served on the following by the designated means:

Gary James Sroka
91 Avenida La Pata
San Clemente, CA 92673

- U.S. mail, postage prepaid
- Certified mail
- Overnight mail
- Hand delivery

Joseph Terrazas
91 Avenida La Pata
San Clemente, CA 92673

- U.S. mail, postage prepaid
- Certified mail
- Overnight mail
- Hand delivery



Renea Ridgeway

INDEPENDENT CONTRACTOR AGREEMENT

This Agreement made and entered into this 25th day of MAY, 2007, by and between NA Nationwide Mortgage, herein referred to as Broker and GARY J. SROKA herein referred to as Loan Consultant.

RECITAL

- A. Broker is a California corporation which provides loan brokering services.
- B. Broker and Loan Consultant desire to enter into this Agreement to establish the terms and conditions of Loan Consultant performance as a loan officer as set forth below.

AGREEMENT

Now, therefore, in consideration of the foregoing premise, as well as the promises, covenants and conditions set forth herein, the parties agree as follows:

1. **Performance.** Loan Consultant's duties under this agreement, to be performed with the approval and concurrence of the President of Broker are as follows:

Generate and process loans in accordance with Broker's general plans and policies and in compliance with Broker's guidelines.

Such duties may be curtailed, augmented or modified from time to time as deemed mutually agreeable to Broker and Loan Consultant. Loan Consultant will at all times perform in an honest and ethical manner. Loan Consultant acknowledges and agrees that he/she will devote his/her utmost knowledge and best skills to the performance under this Agreement and will devote his/her full business time to the rendition of such services

2. **Compliance.** During the course of this agreement Loan Consultant will comply and incur compliance with any and all state or federal statutes, laws, rules or regulations applicable to Broker, including, but without limitation, the following:

- Truth-In-Lending Act
- Equal Credit Opportunity Act
- Real Estate Settlement Procedures Act
- Fair Lending
- Consumer Protection Act
- Fair Credit Reporting Act
- Federal & State Usury Laws
- All applicable regulations of the California Department of Real Estate
- California Business & Professions Code
- Lender's own lending guidelines
- Rules and Regulations of the Department of Housing & Urban Development

3. **Broker's Policies and Regulations.** Loan Consultant agrees to comply with Broker's policies and regulations, including those set forth in Broker's policies and procedures manual, if any, and any subsequent amendments or additions thereto. In the event of any conflict between those policies and regulations and this Agreement, the terms of this Agreement govern.

4. **Independent Contractor Relationship.** This agreement does not constitute a hiring by either party. It is the intention, that so far as shall conform to the law, that Loan Consultant is an independent contractor and not the Broker's employee. This agreement shall not be construed as a joint venture or partnership and neither party shall be held liable for the obligations incurred by the other.



5. Limitations on Authority. Loan Consultant shall have no authority to bind Broker to contract or otherwise, or to make any representation or warranty on behalf of Broker, unless authorized in writing by the President.
6. Compensation. As compensation for the services to be rendered by Loan Consultant hereunder, Broker will pay Loan Consultant pursuant to the schedule attached hereto as Exhibit "A". Fees shall be due and payable to Loan Consultant only after Broker has collected payment to which Loan Consultant is entitled to for the related transaction.
- 6.1 Timing of Payment. Fees shall be paid to Loan Consultant for each transaction only after Broker has received copies of all documentation in connection with that transaction. This includes but is not limited to all the documents itemized on the Funding File Review form.
- 6.2 Liability for Loan Expenses. In the event that a transaction is canceled or not completed for any reason, Loan Consultant is liable to pay any outstanding fees incurred by them on behalf of their borrower. This includes but is not limited to appraisals, credit reports, lender cancellation fees or mandatory lock penalty.
- 6.3 Non-Liability for Uncollected Commissions. In no event will Broker be liable to Loan Consultant for Loan Consultant's share of commissions not collected, nor is Loan Consultant entitled to any advance or payment from Broker upon future commissions.
7. Dispute Resolution. In the event of a disagreement or dispute between Broker and Loan Consultant or with other people within the organization, arising out of or connected with this agreement which cannot be resolved by and between the parties concerned, the disputed agreement shall be submitted to the American Arbitration Association and Mediation Center in Orange County and if not successful, small claims court.
8. Indemnification. Loan Consultant shall be solely responsible for his/her conduct hereunder and Loan Consultant hereby agrees to indemnify and hold Broker harmless from all costs, liability and expenses, including attorney's fees and legal costs, which Broker incurs by reason of any act or omission of Loan Consultant contrary to the terms and conditions hereof, for any reason including negligent acts, errors or omissions, and false or fraudulent acts or statements or any act or omission contrary to the laws of the State of California or any other law or regulation to which Broker is subject.
9. Liability for Fraud. Loan Consultant's commissions will be denied or charged back (if previously paid) to the Loan Consultant against future Commissions and/or Commissions on any loan determined by Broker to be fraudulent, whether the fraud is committed by the Loan Consultant or by the borrower, where Loan Consultant knew or should have known of the borrower's fraud. Broker further reserves the right to deny or charge back all or any part of any Commission on a loan that has pre or post closing deficiencies which, in the opinion of the Broker, based upon its policies and procedures, qualifies as a 'Charge Back Item' to Loan Consultant.
10. Reimbursement. If reimbursement is required from a lender pertaining to a loan that the Loan Consultant was paid a commission for, or the Loan Consultant was the loan officer for as per the 3rd page of the loan application, the Loan Consultant will be required to reimburse Broker immediately for those costs.
11. Licensing. Loan Consultant agrees to present a valid and in good-standing California Department of Real Estate Salesperson or Broker license to Broker and to maintain that license in good standing throughout the term of this Agreement.
12. Advertising. All marketing material must be approved by broker prior to distribution.

13. **Termination.** Either party may terminate this agreement, with or without cause, with written notice. Notice is to be delivered to NA Nationwide Mortgage, 26361 Crown Valley Parkway Suite 200, Mission Viejo, CA 92691 Attention: Brad Holt

14. **Solicitation of Employees or Customers.**

14.1 **Information About Other Employees and Independent Contractors.** Loan Consultant will be called upon to work closely with employees and independent contractors of Broker in performing services under this Agreement. All information about such employees and/or independent contractors which becomes known to Loan Consultant during the course of his/her performance under this Agreement, and which is not otherwise known to the public, including compensation or commission structure, is a Trade Secret of Broker, as defined below, and will not be used by Loan Consultant in soliciting employees and/or independent contractors of Broker at any time during or after termination of his/her employment with Employer.

14.2 **Solicitation of Employees and Independent Contractors Prohibited.** During the term of this Agreement and for two years following its termination, Loan Consultant will not, directly or indirectly ask or encourage any employee(s) and/or independent contractor(s) of Broker to leave their employment or to terminate their contract with Broker, solicit any employee(s) and/or independent contractor(s) of Broker for employment, make any offer to compensate any employee or independent contractor of Broker as an employee, independent contractor or otherwise, or retain any employee or independent contractor of Broker as an employee, independent contractor or otherwise.

14.3 **Solicitation of Customers Prohibited.** For a period of two years following the termination of this Agreement, Loan Consultant will not, directly or indirectly, solicit the business of any of Broker's customers, other than those borrowers whose loans were closed by Loan Consultant.

15. **Trade Secrets.** During the course of this Agreement, Loan Consultant will have access to various trade secrets of Broker. A "Trade Secret" is information which is not generally known to the public and, as a result, is of economic benefit to Broker in the conduct of its business. Loan Consultant and Broker agree that Trade Secrets include, but are not limited to, all information developed or obtained by Broker and comprising the following items, whether or not such items have been reduced to tangible form (e.g. physical writing) all methods, techniques, processes, ideas, research and development, trade names, service marks, slogans, forms, customer lists, pricing structures, menus, business forms, marketing programs and plans, layouts and designs, financial structures, operational methods and tactics, cost information, the identity of or contractual arrangements with suppliers, the identity or buying habits of customers, accounting procedures, and any document, record or other information of Broker relating to the above. Trade Secrets include not only information belonging to Broker which existed before the date of this Agreement, but also information developed by Loan Consultant for Broker or its employees during the term of this Agreement and thereafter.

15.1 **Restriction on Use of Trade Secrets.** Loan Consultant agrees that his/her use of Trade Secrets is subject to the following restrictions during the term of the Agreement and for an indefinite period thereafter so long as the Trade Secrets have not become generally known to the public:

15.1.1 **Non-Disclosure.** Loan Consultant will not publish or disclose, or allow to be published or disclosed, Trade Secrets to any person who is not an employee of Broker unless such disclosure is necessary for the performance of Loan Consultant's obligations under this Agreement. Disclosure to someone who is not an employee of Broker must first be authorized in writing by the President.

15.1.2 **Use Restriction.** Loan Consultant will use Trade Secrets only for the limited purpose for which they were disclosed. Loan Consultant will not disclose any Trade Secrets to any third party (including

21.3 Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing or implied in fact, between the parties hereto with respect to the performance by Loan Consultant and Broker, and contains all of the covenants and agreements between the parties with respect to that performance. Each party to this Agreement acknowledges that, with respect to the Agreement, no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

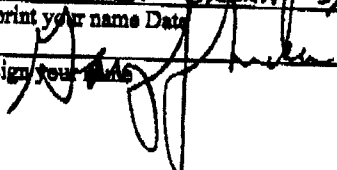
21.4 Modifications. Any modification of this Agreement will be effective only if it is in a writing that (i) is signed by both parties; (ii) specifically references this Agreement and (iii) specifically expresses an intent by both parties to modify this Agreement.

21.5 Effect of Waiver. The failure of either party to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by the other party shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

21.6 Partial Invalidation. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

21.7 Law Governing Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

22. Acknowledgement. Loan Consultant acknowledges that he/she has had the opportunity to consult with independent counsel of his/her own choice concerning this Agreement, and that he/she has taken advantage of that opportunity to the extent that he/she desires. Loan Consultant further acknowledges that he/she has read and understands this Agreement, is fully aware of its legal effect, and has entered into it voluntarily based on his/her own judgment.

CORRY J. SARKA 5/25/05
Please print your name Date
X
Please sign your name 

subcontractors) without first obtaining Broker's written consent and will disclose Trade Secrets only to Broker's own employees having a need to know. Loan Consultant will promptly notify Broker of any Trade Secrets improperly or prematurely disclosed.

15.1.3 Non-Removal. Loan Consultant will not remove any Trade Secrets from the offices of Broker or the premises of any facility in which Broker is performing services, or allow such removal, unless permitted in writing by the President.

15.1.4 Surrender Upon Termination. Upon termination of this Agreement for any reason, Loan Consultant will surrender to Broker all documents and materials in his/her possession or control which contain Trade Secrets.

16. Unfair Competition, Misappropriation of Trade Secrets and Violation of Solicitation Clauses. Loan Consultant and Broker acknowledge that unfair competition, misappropriation of Trade Secrets or violation of any of the provisions contained in this Agreement would cause irreparable injury, that the remedy at law for any violation or threatened violation thereof would be inadequate, and that Broker will be entitled to temporary and permanent injunctive or other equitable relief without the necessity of proving actual damages. Loan Consultant and Broker agree that such relief will be available in a court of law regardless of the arbitration provision set forth in this Agreement.

17. Conflict of Interest. Loan Consultant acknowledges that the obligations of the Loan Consultant are special and unique. Loan Consultant agrees that he/she will not at any time during the term of this Agreement serve as an officer, director, employee, or otherwise have an interest in any entity that engages in business similar to that of Broker. This provision does not apply to stock ownership in a publicly traded company.

18. Automobile. Loan Consultant will, at his/her own expense, procure an automobile for any use in traveling and making calls on clients and prospective clients. Loan Consultant agrees to indemnify and hold Broker harmless from any claims arising out of or relating in any way to the operation or use of that automobile by Loan Consultant. Furthermore, Loan Consultant will at all times during the term of this Agreement keep in full force and effect, at his/her sole expense, a policy of automobile insurance on each automobile used by him/her at any time to carry out any of the duties under this Agreement.

19. Loan Processing. All FHA loans must be processed in Broker's main office location only.

20. Accounts. No savings, checking, investment or other accounts may be established by Loan Consultant in the name of Broker or in any name similar to that of Broker. The determination as to similarity of names is within the sole discretion of Broker.

21. General Provisions.

21.1 Continuing Obligations. The termination of this Agreement shall not affect any rights or obligations accruing prior thereto or any continuing obligations of the parties hereunder.

21.2 Notice. Any notice, request, instruction or other document to be given hereunder shall be in writing and shall be deemed to have been given when delivered personally, or when mailed, postage prepaid, addressed to the party to be given notice as follows:

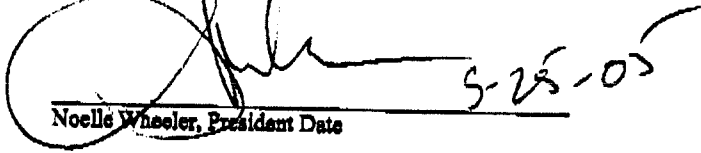
To Broker: 26361 Crown Valley Pkwy, Suite 200
Mission Viejo, CA 92691

To Loan Consultant: 91 AVENIDA LA PATA
SAN CLEMENTE, CA 92673

NA Nationwide/Ind Cont Agent

Address 91 Avenida La Rata, San Clemente, CA. 92673
 Res: () _____ Cellular: (714) 271-7000
 Fax: (949) 325-2001 Email: gary@sterlingetc.com
 Social security number _____
 DRE License number _____ Expiry date _____

- Please attach copy of:
- Original signed W9
 - Copy of license
 - Loan Fraud Statement
 - Release Authorization

 5-25-05

 Noelle Wheeler, President Date

EXHIBIT A

Commission

For all loans closed, Loan Consultant will be compensated according to the following schedule:

Commission Structure Residential:

Loan Consultant will retain 100% of all points, rebate, and service release premium (SRP applies to FHA loans only) per funded transaction.

Broker will retain the \$695.00 supervisory fee per funded transaction.

Commission Structure Commercial or Construction:

Loan Consultant will retain 85% of all points, rebate, and service release premium (SRP applies to FHA loans only) per funded transaction.

Broker will retain the 15% supervisory fee per funded transaction.

Notwithstanding the above, for each loan originated on behalf of borrowers outside the state of California, Broker will additionally retain the greater of 15% of all points, rebate and service release premiums and a \$595 supervisory fee, which amount will be deducted from Loan Consultant's compensation on particular loans that require at W2 status.

GARY J. SAKKA

Print Name

Gary J. Sakka

Sign and Date

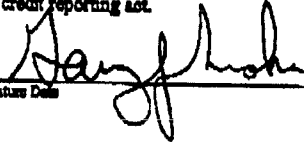
5/24/05

Home phone: 714 271 7060 Email: GARY@sterlingetc.com
 Office Address (if applicable): 91 AVENIDA LA HABRA SAN CLEMENTE CA 92673
 Office Phone: 949 325 2000 Fax: 949 325 2000
 Processor's Name: MARCO CAUTERANO Phone: 949 325 2000
 Please attached Resume and any Licenses that you hold

PROFESSIONAL REFERENCES

Company Name: TICOR TITLE
 Address: 1440 N. HARBOUR BLVD #108 FULLERTON, CA 92631
 Contact Name: DOREEN HOFFMAN Phone: 714 675 0011
 Company Name: INDY MAC
 Address: 1 BARTING IRVINE, CA 92618
 Contact Name: LENN CLARK Phone: 949 500 0457
 Company Name: ALLBANK
 Address: 1751 IRVINE BLVD #206 TUSTIN CA 92780
 Contact Name: JAY BEAL Phone: 714-614-0922

Signature Required: Please sign the following certification, authorization & Agreement
 The undersigned acknowledges that the information contained herein and attached is true and correct to the best of his/her knowledge. Contractor authorizes lender to verify the information and to conduct personal and business credit and public information source inquiries regarding contractor. Contractor authorizes Lender to obtain a personal credit report for business purposes in accordance with section 604 (3) (E) of the fair credit reporting act.


 Signature Date _____

GARY J. SHUKA
 Print Name

LOAN FRAUD STATEMENT

It is NA NationWide Mortgage company policy to support the elimination of loan fraud within the Mortgage Lending Industry. All approved Brokers, Loan Officers, Processors and/or Employee, should be advised that they would bear the responsibility for all of their actions performed in the course of business.

Examples for Loan Fraud

The following examples include acts or omissions that constitute loan fraud, however, this list is not exhaustive of all factors to be considered in determining the existence of loan fraud.

- a) Submission of inaccurate information, including false statements on loan applications and falsification of documents purporting to substantiate credit, employment, deposit and asset information or personal information including identity, ownership of real property.
- b) Inaccurate representations of current occupancy or intent to maintain required occupancy as agreed in the security instrument.
- c) Lack of due diligence or concern by Broker, Loan Officer, Interviewer or Processor, including failure to obtain or divulge all information required by the application and failure to request information as dictated by Borrower's response to other questions.
- d) Forgery or misrepresentation of partially or predominantly accurate information.
- e) Acceptance of information or documentation, which is known or suspected to be inaccurate or acceptance of information, which should be known to be or suspected to be inaccurate. This includes simultaneous or consecutive process of multiple owner-occupied loans from a single applicant where information differs on each application, and permitting an applicant or interested third party to assist with the processing of the loan.
- f) Failure of broker, Loan Officer, Processor and/or Employee to disclose any relevant or pertinent information.

Consequences of Loan Fraud

The consequences of loan fraud are far-reaching and expensive. NA NationWide Mortgage stands behind the quality of its loan productions. Fraudulent loan may not be sold in the secondary market and if sold, will be required to be repurchased. Fraudulent loans would harm our reputation and strain our relationship with investors.

The consequences to those who participate in loan fraud are severe.

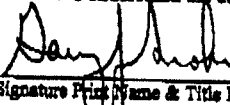
Consequences to the Broker, Loan Officer, Processor and/or Employee include:

- a) Criminal prosecution, which may result in possible fines and imprisonment
- b) Loss of Broker and/or Salesperson license
- c) Inability to access lenders caused by the exchange of legally permissible information between lenders, Mortgage Insurance Companies, FHLMC, FNAM, Police Agencies and Federal Regulatory Agencies, including the Department of Real Estate and Department of Corporations
- d) Civil Action by NA NationWide Mortgage
- e) Civil Action by the Borrower and/or parties to the transaction
- f) Loss of approval status with NA NationWide Mortgage
- g) Adverse, long-term effect on credit history

Consequences to the Borrower include:

- a) Acceleration of debt as mandated in the Security Instrument
- b) Criminal prosecution, which may result in fines and imprisonment
- c) Civil action by NA NationWide Mortgage and/or other parties to the transaction
- d) Immediate Termination of contract with NA NationWide Mortgage
- e) Forfeiture of any professional licenses
- f) Adverse, long-term effect on credit history

I have read the foregoing and understand NA NationWide Mortgage position on Loan Fraud. I am also aware and understand the consequences to myself if I am involved in loan fraud in any way whatsoever.


 Signature Print Name & Title Date GARY J. SAURA 5/25/05
BROKER/PMES

PERSONAL INFORMATION

Name: GARY J. SAURA
 Address: 314 VIA PADRESA SAN CLEMENTE CA 92673

NA Nationwide/Ind Cont Agent

RELEASE AUTHORIZATION

APPLICANT TO COMPLETE THE FOLLOWING

1. In connection with my application for the position of Independent Contractor, I understand that a consumer report or an investigative consumer report may be requested that will include information as to my character, work habits, performance, and experience, along with reasons for termination of past employment. I understand that as directed by company policy and consistent with the job described, you may be requesting information from public and private sources about my: workers' compensation injuries, driving record, court record, education, credentials, credit, and references.
2. If company policy requires, I am willing to submit to drug testing to detect the use of illegal drugs prior to and during employment.
3. I acknowledge that a fax or photographic copy shall be as valid as the original. This release is valid for most federal, state and county agencies including the Minnesota Department of Labor.
4. Minnesota, Oklahoma and California applicants only. If you want a copy of the report(s) ordered, Check here _____. The report(s) will be sent to you upon receipt.
5. I hereby authorize, without reservation, any law enforcement agency, institution, information service bureau, school, employer, reference or insurance company contacted by NA Nationwide Mortgage or its agent, to furnish the information described in Section 1. The following information is required by law enforcement agencies and other entities for positive identification purposes when checking public records. It is confidential and will not be used for any other purposes. I hereby release the employer and agents and all persons, agencies, and entities providing information or reports about me from any and all liability arising out of the requests for or release of any of the above mentioned information or reports.

Print your full name Last First Middle

SIROKA, GARY JAMES

Print other names that you have used

Home Address

324 VIA PROMESA

City State Zip

SAN CLEMENTE, CA 92673

Social Security Number Date of Birth

DOB 2-6-61

The following States require sex and race to obtain information:

AL, AR, FL, GA, IA, IL, IN, MI, OR, TX, WI

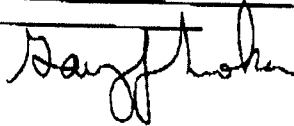
Sex: Male Female

Race: Asian Black Hispanic White Other

Drivers License Number State Issuing License Name as it appears on License

CG825034 CA

Signature Date



RE: IDAHO INDEPENDENT BK
 FINANCIAL MANAGEMENT SERVICE
 REGIONAL FINANCIAL CENTER

524998
 CREDIT APPROVAL NO

DA July 19, 2007 Check No 161161
 197 3178
 1108

THE SUM OF **44,000 Dollars 35 Cents**

DOLLARS **\$44,000.35**
 AMOUNT:

Pay to
 the order of

2007



John Kelly

AUTHORIZED SIGNATURE

⑆ 0061322 ⑆ :100146315 ⑆ 000040600 - ⑆ 01:
 18 7537 *****AUTO**5-DIGIT 83616

NON-NEGOTIABLE - THIS IS NOT A CHECK

**Ask Us About Our FlexPoint Payment Program
 With Rates As Low As 1.50%**

			New Payment
➔ CURRENT MORTGAGE AMOUNT	\$207,000.00	NEW 5 YEAR FIXED @ 1.50%	\$852.45
➔ CASH OUT TO YOU	\$40,000.35	NEW 10 YEAR FIXED @ 3.20%	\$1,068.19
➔ NEW LOAN AMOUNT	\$247,000.35	NEW 30 YEAR FIXED @ 5.99%	\$1,479.30

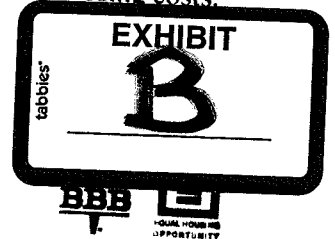
Dear Robert,
 I have good news! Now is your chance to use the equity you have built up during the real estate boom. This is YOUR money, and it means you can WIPE OUT stressful bills or just GET AHEAD with cash in hand!

We've done our homework. It's definitely worth five minutes of your time. Our no cost, no obligation consultation will put you on the path to lower payments and increased peace of mind.

In addition to the mortgage obtained from IDAHO INDEPENDENT BK, you may qualify for this unique opportunity. Combine your mortgage and other debts PLUS get an additional \$44,000.35 cash in hand for a new payment of just \$852.45 per month at 1.50%.* If this amount is lower than your current COMBINED payments, call us immediately! This special offer allows you to skip a mortgage payment and have no out of pocket closing costs. Remember, there's no obligation. So call toll free, 1-866-668-3863 today!

1 (866) 668-FUND (3863)

Se Habla Español



APPLY ON-LINE VIA OUR SECURE SITE: www.mysagedirect.com

P.S. Our programs also cover people with a wide range of credit scores and special situations, such as late payments, bankruptcy, over extended credit and employment issues, just to name a few. Home equity line of credit also an option.

Equal Housing Lender © 2007 Na NationWide Mortgage, Inc. 1st payment is based on an Annual Percentage Rate of 6.25%. 2nd payment is based on an Annual Percentage Rate 6.25%. 3rd payment is based on Annual Percentage Rate 6.5%. Program including interest rate may change or may be unavailable after commitment or at closing. CA Mortgage License #1217594. AZ Mortgage License # 0907370. ID Mortgage Lender License MLB-3840, and RMD-3777. Florida Mortgage Banker License CL0703134. MA Licensed MC5013. MD Mortgage Lenders License 12682. Na NationWide Mortgage is not sponsored by, affiliated with, nor was this solicitation authorized by IDAHO INDEPENDENT BK. Rates and programs subject to change. Not available in all states. All loans subject to credit approval and verification of equity. Please call Na NationWide Mortgage representative for more details.

RE: WELLS FARGO BK NA
FINANCIAL MANAGEMENT SERVICE
REGIONAL FINANCIAL CENTER

524998
CREDIT APPROVAL NO

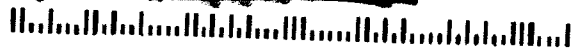
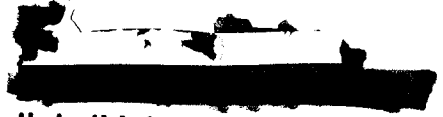
DATE July 19, 2007 Check No 161161
187-3178
1008

THE SUM OF: **44,000 Dollars 35 Cents**

DOLLARS **\$44,000.35**
AMOUNT:

Pay to
the order of

2007



John Kelly

AUTHORIZED SIGNATURE

⑆ 0061322 ⑆ 100146315 ⑆ 000040600 - ⑆ 01:
55 24240 *****AUTO**SCH 5-DIGIT 83814

NON-NEGOTIABLE - THIS IS NOT A CHECK

Ask Us About Our FlexPoint Payment Program With Rates As Low As 1.50%

208-332-8096

			New Payment
➔ CURRENT MORTGAGE AMOUNT	\$359,500.00	NEW 5 YEAR FIXED @ 1.50%	\$1,378.76
➔ CASH OUT TO YOU	\$40,000.35	NEW 10 YEAR FIXED @ 3.20%	\$1,727.71
➔ NEW LOAN AMOUNT	\$399,500.35	NEW 30 YEAR FIXED @ 5.99%	\$2,392.64

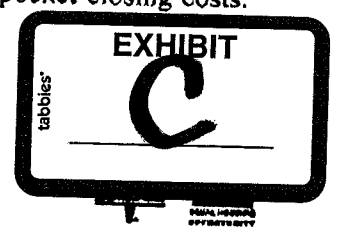
Dear Hugh,
I have good news! Now is your chance to use the equity you have built up during the real estate boom. This is YOUR money, and it means you can WIPE OUT stressful bills or just GET AHEAD with cash in hand!

We've done our homework. It's definitely worth five minutes of your time. Our no cost, no obligation consultation will put you on the path to lower payments and increased peace of mind.

In addition to the mortgage obtained from WELLS FARGO BK NA, you may qualify for this unique opportunity. Combine your mortgage and other debts PLUS get an additional \$44,000.35 cash in hand for a new payment of just \$1,378.76 per month at 1.50%.* If this amount is lower than your current COMBINED payments, call us immediately! This special offer allows you to skip a mortgage payment and have no out of pocket closing costs. Remember, there's no obligation. So call toll free, 1-866-668-3863 today!

1 (866) 668-FUND (3863)

Se Habla Español



APPLY ON-LINE VIA OUR SECURE SITE: www.mysagedirect.com

P.S. Our programs also cover people with a wide range of credit scores and special situations, such as late payments, bankruptcy, over extended credit and employment issues, just to name a few. Home equity line of credit also an option.

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RE: WELLS FARGO BK NA
FINANCIAL MANAGEMENT SERVICE
REGIONAL FINANCIAL CENTER

PRSRT STD
U.S. POSTAGE PAID
SANTA ANA, CA
PERMIT NO. 4619

OPEN IMMEDIATELY
IMPORTANT FINANCIAL INFORMATION ENCLOSED



1

tabbles®
EXHIBIT
D

RE: HOUSEHOLD FIN CORP III
FINANCIAL MANAGEMENT SERVICE
REGIONAL FINANCIAL CENTER

524998
CREDIT APPROVAL NO.

DATE July 19, 2007 Check No 161161
187-3178
1008

THE SUM OF: **44,000 Dollars 35 Cents**

DOLLARS
AMOUNT:

\$44,000.35

Pay to
the order of

2007



John Kelly

AUTHORIZED SIGNATURE

⑆0061322⑆ ⑆100146315⑆ 000040600 - ⑆01⑆
34 14623 *****AUTO**5-DIGIT 83703

NON-NEGOTIABLE - THIS IS NOT A CHECK

Ask Us About Our FlexPoint Payment Program With Rates As Low As 1.50%

			New Payment
➔ CURRENT MORTGAGE AMOUNT	\$195,688.00	NEW 5 YEAR FIXED @ 1.50%	\$813.41
➔ CASH OUT TO YOU	\$40,000.35	NEW 10 YEAR FIXED @ 3.20%	\$1,019.27
➔ NEW LOAN AMOUNT	\$235,688.35	NEW 30 YEAR FIXED @ 5.99%	\$1,411.56

Dear

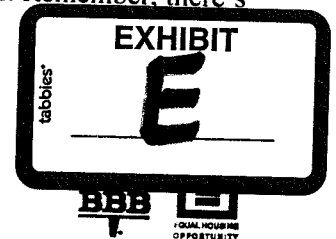
I have good news! Now is your chance to use the equity you have built up during the real estate boom. This is YOUR money, and it means you can WIPE OUT stressful bills or just GET AHEAD with cash in hand!

We've done our homework. It's definitely worth five minutes of your time. Our no cost, no obligation consultation will put you on the path to lower payments and increased peace of mind.

In addition to the mortgage obtained from HOUSEHOLD FIN CORP III, you may qualify for this unique opportunity. Combine your mortgage and other debts PLUS get an additional \$44,000.35 cash in hand for a new payment of just \$813.41 per month at 1.50%.* If this amount is lower than your current COMBINED payments, call us immediately! This special offer allows you to skip a mortgage payment and have no out of pocket closing costs. Remember, there's no obligation. **So call toll free, 1-866-668-3863 today!**

1 (866) 668-FUND (3863)

Se Habla Español



APPLY ON-LINE VIA OUR SECURE SITE: www.mysagedirect.com

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