



NEWS RELEASE

For Immediate Release

May 10, 2007

CALIFORNIA MORTGAGE BROKER/LENDER ORDERED TO CEASE AND DESIST

Misleading and Deceptive Advertising Alleged by the Idaho Department of Finance

(Boise) – Gavin Gee, Director of the Idaho Department of Finance, announced today the issuance of an Order to Cease and Desist against Sage Credit Company, Inc., a California-based licensed mortgage broker/lender doing business in Idaho as Sage Credit. The Order to Cease and Desist finds that the company has disseminated to Idaho residents advertising that is misleading and deceptive, in violation of both Idaho and federal law. The deceptive or misleading advertising alleged in the Order included using the name of the recipient's mortgage lender in the return address on the envelope; misleading the recipient to believe that he or she was pre-qualified for credit; and including what appeared to be a legitimate check in the amount of \$44,000.35 made out to the recipient. Small print at the bottom of the "check" stated "Non-negotiable—This is not a check."

According to Gee, the Department became aware of the alleged misleading and deceptive advertising after receiving complaints from several individuals, including Department employees, who had received the company's advertisements, and also from financial institutions whose names had been deceptively used by Sage Credit Company, Inc. in its advertisements.

The Order to Cease and Desist requires that Sage Credit Company, Inc. immediately cease disseminating misleading and deceptive advertisements to Idaho residents.

The Department's investigation is continuing, and Gee encourages Idahoans who receive deceptive advertisements from Sage Credit Company, Inc. to contact the Idaho Department of Finance at 208-332-8002 or toll free in Idaho at 888-346-3378. A copy of the Cease and Desist Order is available on the Department's website at <http://finance.idaho.gov>.

Gee also reminds consumers to carefully read any solicitations or advertisements they receive offering credit to avoid falling prey to bait and switch advertising, and other forms of deceptive or misleading solicitations for credit.

* * * * *

Department of Finance Press Releases and other information can be found on the Internet via the worldwide web at <http://finance.idaho.gov> or may be obtained by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.

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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.)

SAGE CREDIT COMPANY, INC., dba)
SAGE CREDIT,)

Respondent.)
_____)

Docket No. 2007-8-45

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), 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) requiring SAGE CREDIT COMPANY, INC., dba SAGE CREDIT to cease and desist from violating the Act by disseminating information to the public that is confusing, misleading, and deceptive.

RESPONDENT

1. SAGE CREDIT COMPANY, INC., dba SAGE CREDIT (the Respondent) is a Delaware corporation that has been licensed with the State of Idaho, Department of Finance (Department) as a mortgage broker/lender, holding Idaho Mortgage Broker/Lender License No. 3979 since May 17, 2004. The Respondent conducts business in Idaho from its office at 8001 Irvine Center Drive #200, Irvine, California 92618.

FINDINGS OF FACT

2. Beginning on or about April 26, 2007 and continuing through at least May 4, 2007, the Department received numerous complaints both from individuals and from financial institutions concerning the Respondent's recent dissemination to Idaho residents of advertisements/solicitations concerning its business. Many of the complaints included a copy of the advertisements/solicitations sent by or on behalf of the Respondent. The complainants informed the Department that they found the Respondent's advertisements/solicitations misleading to the public.

3. On or about April 28, 2007, a Department investigator (the Investigator) received in the mail at her residence an advertisement/solicitation from the Respondent that was similar in character to those received from the complainants referenced in paragraph 2 above. Copies of the advertisement/solicitation from the Respondent received by the Investigator and the envelope it was contained in are attached hereto as Exhibits A and B, respectively. Certain information was redacted to protect the Investigator's personal privacy.

4. The envelope used by the Respondent in its mailing to the Investigator (Exhibit B) included a window for the return address, setting forth the name of the Investigator's mortgage lender, indicating that the letter was sent by the Investigator's mortgage lender.

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 Investigator to open the envelope, thinking it was from her mortgage lender, or that it involved a federal or state tax refund.

5. The following includes some of the characteristics of the Respondent's advertisement/solicitation that was directed to and received by the Investigator (Exhibit A):

- (a) The advertisement/solicitation included what appears to be a check made out to the Investigator, 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."
- (b) The Respondent's name appears on the advertisement/solicitation 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.
- (c) No annual percentage rates for mortgage loan amounts and payments are prominently referenced in the advertisement/solicitation or conspicuously included in the advertisement/solicitation.

- (d) The advertisement/solicitation states that it is a "special offer," while the referenced terms indicate that in reality it constitutes a solicitation for readily available debt consolidation refinance of a mortgage loan.
 - (e) The advertisement/solicitation states in bold print: "You already have what it takes to qualify." Also, in the "check" included at the top of the advertisement/solicitation, a number is shown, below which is included the language "credit approval n[umber]." Then in small print at the bottom, the form states that the terms are subject to approval.
 - (f) The advertisement/solicitation represents that an interest rate "as low as 1.75%" is available, implying that such interest rate is over the life of the loan with no reference to potential rate or payment increases.
 - (g) The negative amortization and/or increase in payment or interest rate after closing is not conspicuously displayed on the advertisement/solicitation.
 - (h) The envelope containing the advertisement/solicitation (Exhibit B) has a return address window showing the name of the recipient's mortgage lender, while in reality the advertisement/solicitation is from the Respondent.
6. No legitimate product is available in today's mortgage market with an interest rate "as low as 1.75%" over the life of a loan.

CONCLUSIONS OF LAW

COUNTS ONE THROUGH THREE: VIOLATIONS OF § 26-3114(5) OF THE ACT

7. The allegations set forth in paragraphs 1 through 6 above are fully incorporated herein by this reference.

8. Idaho Code § 26-3114(5) provides that no mortgage broker or mortgage lender licensee shall engage in any misrepresentation in connection with a residential mortgage loan.

9. The Respondent's representation to the Investigator in its advertisement/solicitation sent to her that it was a "special offer," while in reality it was a solicitation for a common debt consolidation refinance of a mortgage loan, as referenced in paragraph 5(d) above, constitutes a misrepresentation in connection with a residential mortgage loan, within the meaning of and in violation of Idaho Code § 26-3114(5).

10. The Respondent's representation to the Investigator in its advertisement/solicitation sent to her that "You already have what it takes to qualify," when it was later stated in the form that the terms were subject to approval, as referenced in paragraph 5(e) above, constitutes a misrepresentation in connection with a residential mortgage loan, within the meaning of and in violation of Idaho Code § 26-3114(5).

11. The Respondent's use of a form resembling a check in the amount of \$44,000.35 made out to the Investigator, 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).

COUNTS FOUR THROUGH SIX: VIOLATIONS OF RULE 40

12. The allegations set forth in paragraphs 1 through 6 above are fully incorporated herein by this reference.

13. 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.

14. The Respondent's placing of its business name on the advertisement/solicitation sent to the Investigator 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, as referenced in paragraph 5(b) above, constitutes a violation of Rule 40.b.

15. The representation in the Respondent's advertisement/solicitation sent to the Investigator that an interest rate "as low as 1.75%" is available, implying that such interest rate is over the life of the loan, while in reality no legitimate product is available in today's mortgage market with an interest rate "as low as 1.75%" over the life of a loan, as referenced in paragraph

6 above, constitutes bait and switch advertising, within the meaning of, and in violation of Rule 40.c.

16. The Respondent's use of an envelope including a return address window displaying the name of the Investigator's mortgage lender, rather than the Respondent, who actually sent the letter, as referenced in paragraph 5(h) above, constitutes a violation of Rule 40.d.

COUNTS SEVEN AND EIGHT: VIOLATIONS OF REGULATION Z

17. The allegations set forth in paragraphs 1 through 6 above are fully incorporated herein by this reference.

18. Idaho Code § 26-3109(1)(b) provides that the Director may suspend or revoke a license under the Act if he finds that the licensee or any partner, officer, director, manager, member, employee or agent of the licensee has violated any federal law, rule or regulation pertaining to mortgage lending.

19. Regulation Z § 226.16, 12 C.F.R. § 226.16 of 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.*), sets forth federal requirements for advertising for credit. That section provides as follows, in pertinent part:

§ 226.16 Advertising.

...

(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).

20. The Respondent's failure to include A.P.R.s of mortgage loans referenced in the advertisement/solicitation it sent to the Investigator constitutes a violation of Regulation Z, § 226.16(b)(2).

REQUESTED RELIEF

21. Idaho Code § 26-3106(2) provides 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, 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 Respondent has violated the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 *et seq.* and the federal Truth in Lending Act, as alleged in Counts One through Eight 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, the Respondent shall CEASE AND DESIST from violations of the Idaho Residential Mortgage Practices Act, rules promulgated thereunder, and applicable federal law, to include engaging in advertising that is misleading, confusing, and deceptive. 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

22. The Respondent is hereby notified that the foregoing ORDER TO CEASE AND DESIST is a final order of the Director. Pursuant to Idaho Code § 67-5246, the Respondent 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, A. René Martin, Deputy Attorney General at the same address.

23. 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.*

24. If the Respondent timely files 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).

25. If the Respondent timely files a request for hearing, the Respondent 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 Respondent 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 Respondent may also be represented by legal counsel at its own expense.

26. 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.

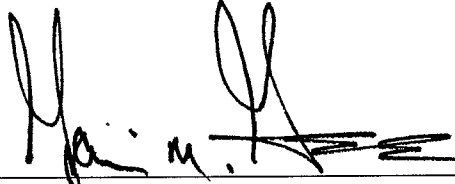
27. An appeal must be filed within twenty-eight (28) days: (a) of the issuance of this Order, (b) of the issuance of an order denying a motion for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. Idaho Code § 67-5273(2). 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 9TH day of MAY, 2007.



STATE OF IDAHO
DEPARTMENT OF FINANCE


GAVIN M. GEE, Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 10 day of May, 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:

Quenton Caruana, President
SAGE CREDIT COMPANY, INC.
8001 Irvine Center Drive, #200
Irvine, California 92618

- U.S. mail, postage prepaid
- Certified mail
- Facsimile

Renea Ridgeway

7005 1160 0000 1545 7037

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Total Postage & F

Sent To

Street, Apt. No.,
or PO Box No.
City, State, ZIP+4

Postmark Here

Quenton Caruana, President
SAGE CREDIT COMPANY, INC.
8001 Irvine Center Drive, #200
Irvine, CA 92618

PS Form 3800, June 2002 See Reverse for Instructions

RE: HOUSEHOLD FIN CORP
FINANCIAL MANAGEMENT SERVICE
REGIONAL FINANCIAL CENTER

216505
CREDIT APPROVAL NO

DATE April 20, 2007

CHECK NO: 161161

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

DOLLARS
AMOUNT:

\$44,000.35

Pay to
the order of

[REDACTED]

2007

Boise, ID [REDACTED]



John Kelly

AUTHORIZED SIGNATURE

⑆0061322⑆ ⑆100146315⑆ 000040600 - ⑆01⑆
78 30510 *****AUTO**5-DIGIT 83703

NON-NEGOTIABLE THIS IS NOT A CHECK

Ask Us About Our FlexPoint Payment Program With Rates As Low As 1.75%

➔ CURRENT MORTGAGE AMOUNT	\$ [REDACTED]	NEW 5 YEAR FIXED @ 1.75%	\$841.98
➔ CASH OUT TO YOU	\$40,000.35	NEW 10 YEAR FIXED @ 3.2%	\$1,019.27
➔ NEW LOAN AMOUNT	\$ [REDACTED]	NEW 30 YEAR FIXED @ 5.625%	\$1,356.76

Dear [REDACTED]

I have good news! Home values in your area have increased dramatically in the past couple years. 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. You already have what it takes to qualify.

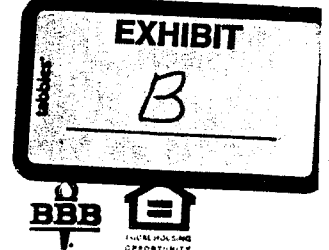
In addition to the mortgage obtained from HOUSEHOLD FIN CORP III, you may qualify for this unique opportunity. Here is our simple offer: combine your mortgage and other debts PLUS get an additional \$44,000.35 cash in hand for a new payment of just \$841.98 per month at 1.75%.* If this amount is lower 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, 1-866-688-3863 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 Sage Credit Company, Inc. Based on an Annual Percentage Rate of 2.76%. Program including interest rate may change or may be unavailable after commitment or at closing. Licensed by the Department of Corporations under the California Residential Mortgage Lending Act, License No. H30695 CT Department of Banking Licenses 13715 and 13767, FL Florida Correspondent Mortgage Lender License 362732, ID Mortgage Banker License 3979 and Regulated Lender License 5164, MA Licensed by the Massachusetts Commissioner of Banks Broker License MB3977, MD Mortgage Lenders License 10890, NC Mortgage Lender L-127895, NH Licensed by the New Hampshire Banking Department License MB-10369, RI Loan Broker License 200417201B, VA Mortgage Lender and Broker MLB-1174. Sage Credit is not sponsored by, affiliated with, nor was this solicitation authorized by HOUSEHOLD FIN CORP III. Rates and programs subject to subject to change. Not available in all states. All loans subject to credit approval and verification of equity. Sage Credit is a full service mortgage company, helping hard-working families lower their monthly payments nationwide. Please call a Sage Credit representative for more details.