COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
OFFICE OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2007-AH-495
ADMINISTRATIVE ACTION NO. 07-PPC-0421

OFFICE OF FINANCIAL INSTITUTIONS COMPLAINANT

vs. **FINAL ORDER REVOKING REGISTRATION**

LORETTA ANN COFFEY RESPONDENT

Statement of Facts and Statutory Authority

1. On February 13, 2008, the parties reached a settlement in this matter. A settlement agreement was subsequently executed by the parties, is attached hereto, and is incorporated herein by reference.
2. In the settlement agreement, Ms. Coffey agrees that there is sufficient evidence from which the executive director could conclude that she violated the provisions of KRS 286.8 and thus, her registration as a loan officer is subject to revocation pursuant to KRS 286.8-090.
3. In the settlement agreement, Ms. Coffey waives her right to a hearing, acknowledges the jurisdiction of OFI over this matter, and further consents to the entry of a final order revoking her registration as a mortgage broker originator.
4. On February 26, 2008, the hearing officer assigned to this matter reviewed the settlement agreement and determined that it was reasonable. Accordingly, the hearing officer entered a Recommended Order to Adopt the Settlement Agreement and Revoke Ms. Coffey's Registration as a Mortgage Broker Originator.

Conclusions

Based on the foregoing, the executive director determines as follows:

1. The executive director hereby adopts, realleges, and incorporates by reference the findings and conclusions set forth in the Settlement Agreement referenced above.
2. With the parties' agreement, the executive director finds there is sufficient evidence to conclude that Loretta Ann Coffey violated the provisions of KRS 286.8 set forth in the Settlement Agreement, and thus, Ms. Coffey's registration is subject to revocation pursuant to KRS 286.8-090.

Order

THEREFORE, based upon the foregoing statement of facts, statutory authority, and conclusions, the executive director **HEREBY ORDERS** as follows:

1. The registration of Loretta Ann Coffey as a mortgage broker - originator is hereby **REVOKED.**
2. This is a **FINAL ORDER.**

This **ORDER** shall become effective upon the affixation of a signature by the executive director.

IT IS SO ORDERED on this the 3rd day of March, 2008.

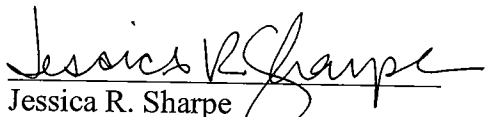
Cordell G. Lawrence
Executive Director
Office of Financial Institutions
1025 Capital Center Drive, Ste. 200
Frankfort, Kentucky 40601

Certificate of Service

This is to certify that a copy of the foregoing **Final Order Revoking Registration** was served by mailing a true and correct copy of same on this 4th day of March, 2008 to the following:

Joseph E. Blandford, Jr.
Attorney at Law
The Landward House
1387 S. Fourth Street
Louisville, KY 40208
VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED
Counsel for Loretta Ann Coffey

Stephen B. Humphress
Hearing Officer
Division of Administrative Hearings
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601
VIA MESSENGER MAIL



Jessica R. Sharpe
Counsel for Complainant

COMMONWEALTH OF KENTUCKY
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OFFICE OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2007-AH-495
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OFFICE OF FINANCIAL INSTITUTIONS COMPLAINANT

vs. **SETTLEMENT AGREEMENT**

LORETTA ANN COFFEY RESPONDENT

Statement of Facts

1. The Office of Financial Institutions ("OFI") is responsible for regulating, licensing, and registering mortgage loan companies, mortgage loan brokers, and loan originators in accordance with the provisions of KRS Chapter 286.8, the Mortgage Loan Company and Mortgage Loan Broker Act.

2. Ms. Coffey was registered with OFI as a mortgage broker-originator pursuant to KRS 286.8-255. Said registration expired on June 30, 2007 and has not been renewed.

3. Ms. Coffey is a former employee of a mortgage loan broker in Elizabethtown, Kentucky. Ms. Coffey resigned in March 2007. After she left employment, her supervisor was alerted to possible misconduct by Ms. Coffey pertaining to the file of a particular borrower.

4. Ms. Coffey closed a loan with that borrower in November 2006 that was funded by First Franklin Loan Services. In April 2007, the borrower returned to the mortgage loan broker to refinance his loan. At that time, the borrower produced a document that was signed and notarized by Ms. Coffey.

5. The document in question was addressed to the borrower and stated, in pertinent part, as follows: "As long as First Franklin is servicing your loan we will waive the prepayment penalty." The document ends with the typed name of the loan account manager with First Franklin; however, there is no signature from the loan account manager. The document is signed and notarized by Ms. Coffey.

6. The testimony anticipated at hearing would reveal that the document was not located in the borrower's file and that the pre-payment penalty on the borrower's November 2006 loan was not waived by First Franklin Loan Services. The loan account manager testified by deposition. She denied typing the document or ever having a conversation with Ms. Coffey regarding a waiver of the pre-payment penalty attached to the borrower's loan. She stated that as a matter of policy, she relays all such requests to her operations manager who is responsible for requesting such waivers from the corporate office.

7. The borrower would testify that he talked with Ms. Coffey regarding pre-payment penalties, and Ms. Coffey told him that he would not be subject to such a penalty. There was a pre-payment penalty on the documents associated with the borrower's loan at closing and the borrower would further testify that he refused to sign the documents. The borrower then agreed to sign the documents when Ms. Coffey assured him that she would get the penalty waived. It was several days later when Ms. Coffey gave the borrower the document in question.

8. On August 28, 2007, OFI filed an administrative complaint, which was amended on October 30, 2007, to revoke Ms. Coffey's registration as a loan originator and to impose a fine for violating several provisions of Chapter 286.8 of the Kentucky

Revised Statutes. In its administrative complaint, OFI alleges that Ms. Coffey created the document in question and falsely told the borrower that the document was an email from the loan account manager with First Franklin for the purpose of inducing the borrower to enter into the loan contract.

9. OFI received a response to its complaint on September 26, 2007 in which Ms. Coffey denied all allegations of misconduct. OFI received Ms. Coffey's request for hearing on October 8, 2007. An administrative hearing was set for December 27, 2007, but was subsequently continued to February 14, 2008.

Statutory Authority

1. Pursuant to KRS 286.8-255(6), all mortgage loan brokers and loan officers originating loans in Kentucky shall be subject to KRS 286.8-090(1)(a),(g) and (n), KRS 286.8-220(2), and KRS 286.8-990.

2. Pursuant to KRS 286.8-220(2)(a) and (b), it is unlawful for any regulated person, in connection with the operation of a mortgage loan business or the management or servicing of mortgage contracts, directly or indirectly, to employ a device, scheme, or artifice to defraud, or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

3. Pursuant to KRS 286.8-090(1)(a),(g) and (n), if the executive director finds that a mortgage loan broker or loan originator has failed to comply with the requirements of KRS 286.8, has made any misrepresentations or false statements to, or concealed any essential or material fact from, any person in the course of acting as a mortgage loan broker or engaged in a course of business which has worked or tended to work a fraud upon any person, or has demonstrated incompetence or untrustworthiness to act as a

licensee or registrant, the executive director may revoke the registration of the broker or loan originator.

4. Pursuant to KRS 286.8-990(5), the executive director may assess a fine of not less than one thousand dollars ($1,000) nor more than five thousand dollars ($5,000) against any regulated person that violates any provision of KRS Chapter 286.8.

Agreement and Conclusions

The Office of Financial Institutions and Loretta Ann Coffey, through counsel, in the interest of economically and efficiently resolving the issues raised in the foregoing Background and Factual Findings, agree as follows:

1. While Loretta Ann Coffey denies all allegations of misconduct set forth in this Agreement, both parties agree that there is sufficient evidence from which the executive director could conclude that Loretta Ann Coffey violated the provisions of KRS 286.8 set forth herein, and thus her registration would be subject to revocation pursuant to KRS 286.8-090.
2. Although denying all allegations of misconduct, Loretta Ann Coffey consents to the entry of a final order revoking her registration as a loan originator.
3. OFI shall waive the fine associated with the violations of KRS 286.8 set forth herein.
4. In regard to this matter, Loretta Ann Coffey waives her right to a hearing, where she would be entitled to confront and cross examine witnesses for the Office of Financial Institutions, and to present evidence on her own behalf. Further, Loretta Ann Coffey consents to and acknowledges the jurisdiction of the Office of Financial Institutions over this matter and that this Settlement

Agreement and any Final Order Revoking Registration is a matter of public record and may be disseminated as such.

5. In regard to this matter, Loretta Ann Coffey acknowledges the finality of this Settlement Agreement and any Final Order Revoking Registration entered in this matter and waives any and all rights to appeal or set aside the Agreement or Final Order.

AGREED TO:

This 21st day of February, 2008.

David Coyle, Director
Division of Financial Institutions
Office of Financial Institutions

This 13th day of February, 2008.

Loretta Ann Coffey, Respondent

This 13 day of February, 2008.

Joseph E. Blandford, Jr.
Attorney for Ms. Coffey