Department of Real Estate 320 West 4th Street, Ste. 350 Los Angeles, California 90013-1105

OLD CITY MORTGAGE, a corporate

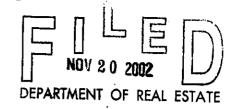
individually and as designated

officer of Old City Mortgage.

real estate broker; and

HOWARD LOUIS BIGLOW,

Telephone: (213) 576-6982



By K. Widerholt

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

To:

No. H-29790 LA
ORDER TO DESIST

AND REFRAIN

The Real Estate Commissioner of the State of California (hereinafter "Commissioner") has caused an investigation to be made of you, OLD CITY MORTGAGE ("OCM"), and you, HOWARD LOUIS BIGLOW ("BIGLOW"), and based upon the findings of that investigation, as set forth below, is of the opinion that you violated Section 10235 of the California Business and Professions Code (hereinafter "Code") and Sections 2847(3), 2848, 2848(5) and 2848(16) of Title 10, Chapter 6, California Code of Regulations (hereinafter "Regulations").

Furthermore, you, BIGLOW have violated Code Section 10159.2.

1.

At all times material herein, you, OCM, were and now are licensed by the Department of Real Estate of the State of California (hereinafter "Department") as a corporate real estate broker through BIGLOW as the designated officer and broker responsible, pursuant to the provisions of Code Section 10159.2, for supervising the activities requiring a real estate license conducted on behalf of OCM by OCM's officers, agents and employees.

2.

At all times mentioned herein, you, BIGLOW, were and now are licensed by the Department as a real estate broker, individually and as the designated officer of OCM. As the designated broker-officer, you, BIGLOW, are and at all times material herein were responsible for the supervision of the activities of the officers, agents and employees of OCM for which a license is required pursuant to Code Section 10159.2.

3.

All further references to "you" include the parties identified in Paragraphs 1 and 2 above, and also include the officers, directors, employees, agents and real estate licensees employed by or associated with said parties and who at all times herein mentioned were engaged in the furtherance of the business

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or operations of said parties and who were acting within the course and scope of their authority and employment.

4.

At all times herein mentioned, you, OCM, engaged in the business of, acted in the capacity of, advertised or assumed to act as a real estate broker in the State of California, within the meaning of Code Section 10131(d) as a mortgage and loan broker.

5.

A departmental investigation revealed that you, OCM, disseminated a one-page advertising Flyer ("Flyer"). The Flyer, among other things, states that OCM was "established" in 1965, namely "EST. 1965". OCM was established on its original license date of June 6, 1988. OCM's corporate license expired on June 5, 1992. OCM was again licensed as a corporate real estate broker on July 23, 1993. Your conduct in representing "EST. 1965" as the date OCM was "established" constitutes misleading advertising, in violation of Code Section 10235 and Regulation 2848.

6.

The Flyer advertises a "COFI ARM". "COFI" indicates

"Cost of Funds Index", a technical industry term. "ARM"

indicates "Adjustable Rate Mortgage". The claim "Take Cash Out

To Consolidate Your Bills Compare The Payments And Enjoy The

Savings" is false, misleading or deceptive in itself or through

the omission of information necessary to make the representation

not misleading in the context in which it is used. Your claim is misleading because any potential initial savings in payments may be offset by future interest rate increases and possible loss of equity due to negative amortization caused by deferred interest. As such, by including this representation in the Flyer, you have violated Code Section 10235 and Regulation 2848.

7.

Also in the Flyer, you represent a specific payment under the category "NEW PAYMENT" on its right-hand side. This representation requires an equally prominent disclosure of the following information about the loan:

- (a) Principal Amount
- (b) Simple annual interest rate
- (c) Annual percentage rate
- (d) Number, amount and period of payments scheduled to the date of maturity; and
- (e) Balance due at maturity (balloon payment) if not fully amortized.

Additionally, the Flyer advertises an adjustable rate loan. Accordingly, you are required to disclose the period of time the initial interest rate will be in effect for the adjustable rate loan, the maximum interest rate, maturity, frequency and amount of the interest rate increases, periodicity and amount of payments. Moreover, you are required to disclose if a borrower is exposed to potential negative amortization of

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deferred interest in the form of a balloon payment. Your conduct in failing to disclose any of these terms for adjustable rate mortgage advertised by the Flyer is in violation of Code Section 10235 and Regulation 2848(5).

8.

The Flyer also represented that you had a "2.950% 30 Year COFI ARM", to wit, a Cost of Funds Indexed Adjustable Rate Mortgage. This constitutes a representation of a simple annual interest rate without an equally prominent statement of the Annual Percentage Rate ("APR") in violation of Regulation 2848(16). This violation is not cured by your setting out the APR in the bottom left hand corner of the Flyer because it fails to meet the prominency disclosure requirements, in violation of Code Section 10235 and Regulation 2848(16).

9.

In the bottom right hand corner of the Flyer you include the following information "CA LIC RE BKR #011606664". As set forth, this information is insufficient to satisfy disclosures requirements of Regulation 2847.3. Moreover, the Flyer recites an incorrect license number for OCM.

10.

Your conduct, acts and/or omissions, BIGLOW, as described herein above, constitutes a failure on your part, as the officer designated by a corporate broker licensee, to

exercise the supervision and control over the licensed activities of OCM in violation of Code Section 10159.2.

NOW, THEREFORE, YOU, OLD CITY MORTGAGE, AND YOU, HOWARD LOUIS BIGLOW, ARE ORDERED TO DESIST AND REFRAIN from performing any of the acts for which a real estate license is required unless and until you are in compliance with Code Sections 10235 and Sections 2847.3, 2848, 2848(5) and 2848(16) of the Regulations.

AND FURTHER, YOU, HOWARD LOUIS BIGLOW, ARE ORDERED TO DESIST AND REFRAIN from performing any of the acts for which a real estate license is required as the designated officer of a corporation, unless and until you are in compliance with Code Section 10159.2.

DATED: November 15, 2002.

PAULA REDDISH ZINNEMANN
Real Estate Commissioner

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cc: Howard Louis Biglow c/o Old City Mortgage 3124 W. Beverly Blvd. Montebello, CA 90640

EM: EC