

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER

Rev. 6.30.08

<p>STATE OF COLORADO ATTORNEY GENERAL'S OFFICE CONSUMER PROTECTION SECTION</p>	
<p>In re: Investigation of Encore Lending LLC</p> <p>Respondents: ENCORE LENDING LLC and PAUL ANTHONY BAKER, individually and as former Chief Executive Officer of Encore Lending LLC.</p>	
<p>JOHN W. SUTHERS, Attorney General JAN MICHAEL ZAVISLAN, Deputy Attorney General ANDREW P. McCALLIN, First Assistant Attorney General JENNIFER MINER DETHMERS, Assistant Attorney General</p> <p>1525 Sherman Street, 7th Floor Denver, CO 80203 (303) 866-5079 Fax: (303) 866-4916 Email: jennifer.dethmers@state.co.us</p>	
<p>ASSURANCE OF VOLUNTARY COMPLIANCE AND DISCONTINUANCE WITH PAUL ANTHONY BAKER AND ENCORE LENDING LLC</p>	

This Assurance of Voluntary Compliance and Discontinuance ("Assurance") is entered into between the State of Colorado, ex rel. John W. Suthers, Attorney General, and Respondents Encore Lending LLC ("Encore Lending") and Paul Anthony Baker (collectively, "Respondents"). This Assurance is entered into pursuant to the Attorney General's powers under § 6-1-110(2), C.R.S. (2007), and is being agreed to by the parties in lieu of the Attorney General filing a complaint against the Respondents for the conduct described below.

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER
Rev. 6.30.08

I. PARTIES

1. John W. Suthers is the duly elected Attorney General for the State of Colorado and has express jurisdiction to investigate and prosecute violations of the Colorado Consumer Protection Act ("CCPA"), §§ 6-1-101, *et seq.*, C.R.S. (2007).

2. Respondent Encore Lending was a limited liability company organized under the laws of Colorado with its most recent principal place of business located at 13509 East 6th Place, Aurora, Colorado 80011. Encore Lending was formed on May 17, 2004, and voluntarily dissolved on January 11, 2008. Encore Lending was a mortgage brokerage firm or mortgage originator. Encore Lending understands and agrees that this Assurance shall apply to Encore Lending, as well as any principals, officers, directors, agents, employees, representatives, loan officers, successors, affiliates, subsidiaries, assigns, and any person acting on behalf of Encore Lending.

3. Respondent Paul Anthony Baker holds an inactive mortgage broker license with the State of Colorado. Baker is the former Chief Executive Officer, co-founder, and registered agent of Encore Lending. Baker also formed and served as the registered agent of Ascent National Mortgage, LLC ("Ascent"), which voluntarily dissolved on December 27, 2007. Ascent was a limited liability company organized under the laws of Colorado with its principal place of business at 9233 Park Meadows Drive, Suite 213, Lone Tree, Colorado 80124. Baker understands and agrees that this Assurance also applies to him personally.

II. FACTUAL BACKGROUND

4. Pursuant to the CCPA, the Attorney General has conducted an investigation into the mortgage origination, brokering, and processing activities of Encore Lending.

5. Baker and Bennett Phelps were the initial managers of Encore Lending. Steven Phelps, the brother of Bennett Phelps, was also an owner of Encore Lending.

6. During its existence, Encore Lending originated, brokered, processed, and closed residential mortgage loans through its loan officers, mortgage brokers, and other employees or independent contractors. Various individuals closed loans through Encore Lending, including Baker, Bennett Phelps, Miranda Aikman, Sonjia Romero, Jim Ruth, and Kamal Sabeh.

7. As Chief Executive Officer of Encore Lending, Baker also developed business relationships with real estate agents, marketed Encore Lending to real estate agents and potential borrowers, and trained loan officers and mortgage brokers.

8. The Attorney General contends that, on average, loan officers, mortgage brokers, or others affiliated with Encore Lending closed a total of between ten (10) and twelve (12) loans per month in 2005 and in 2006 through Encore Lending.

9. Baker estimates that he closed between forty (40) and sixty (60) loans while at Encore Lending. The Attorney General contends that the majority of the loans closed through Encore Lending were subprime loans, which included stated income loans, option adjustable rate mortgages ("option ARMs"), and non-traditional or hybrid loan products.

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER
Rev. 6.30.08

10. Baker admits that he deposited money into borrowers' bank accounts – or otherwise provided funds to borrowers – in order to enable borrowers to have sufficient assets and qualify for a loan.
11. Baker also admits that, regardless of the borrower's actual income, he stated a borrower's income for a stated income loan as whatever the borrower's income needed to be to reach the necessary debt-to-income ratio and qualify the borrower for a loan. The Attorney General contends that other loan officers and mortgage brokers who closed loans through Encore Lending similarly stated a borrower's income to meet underwriting guidelines instead of representing the borrower's actual income.
12. The Attorney General contends that Baker falsified employment records of borrowers, such as paystubs and Form W-2s, and submitted the falsified documents to mortgage lenders. Moreover, the Attorney General contends that Baker assisted unemployed borrowers in obtaining employment in order to qualify those borrowers for loans.
13. The Attorney General also contends that Baker, as well as other loan originators and mortgage brokers who closed loans through Encore Lending, knowingly provided false or incorrect information on loan applications that were presented to mortgage lenders.
14. Some of the houses purchased with loans originated or brokered by Baker and Encore Lending went into foreclosure or resulted in a short sale to avoid foreclosure.

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER
Rev. 6.30.08

15. As such, the Attorney General contends that these actions may have caused significant financial harm to Colorado consumers and have the potential to continue. Baker lives and works in Colorado and has an inactive mortgage broker license that will not expire until January 9, 2010.

16. The Attorney General contends that the practices described above violate the CCPA, including § 6-1-105(1), C.R.S. (2007) and § 38-40-105, C.R.S. (2007).

III. CONSIDERATION

17. Respondents enter this Assurance as a compromise and settlement of the Attorney General's allegations herein. This Assurance shall not be considered an admission of violation for any purpose. Respondents expressly deny liability under the CCPA and are entering into this Assurance to avoid further costs and litigation.

18. The Attorney General intends that this Assurance will finally and fully resolve all of the disputes between the Attorney General and Respondents arising out of the conduct alleged in Section II, Factual Background, of this Assurance.

IV. ASSURANCES BY RESPONDENTS

19. Baker agrees to voluntarily surrender his mortgage broker license in the State of Colorado immediately. Baker agrees that, if he decides to apply for a mortgage broker license, real estate broker license, appraiser license, or any equivalent license in any state, he will notify the licensing body of that state of the existence and terms of this Assurance. Additionally, Baker agrees to notify the Attorney General if he intends to or applies for a

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER

Rev. 6.30.08

mortgage broker license, real estate broker license, appraiser license, or any equivalent license in any state.

20. Baker must provide notice to the Attorney General if he intends to operate, incorporate, or form in Colorado any mortgage-related business, including but not limited to, real estate, title services, underwriting mortgages, lending, or appraisals. Additionally, Baker must notify the Attorney General if he intends to recommence operation of Encore Lending or Ascent.

21. Baker must provide notice to the Attorney General if he intends to work in a mortgage-related field, including but not limited to, real estate, title services, underwriting mortgages, lending, or appraisals.

22. Within twenty (20) months of signing this Assurance, Respondents agree to pay \$2,000.00 to the Attorney General to cover the costs of the Attorney General's investigation. Respondents shall pay \$100.00 no later than 5:00 p.m. on the fifteenth (15th) day of each month, beginning on July 15, 2008. Should Respondents timely make the first eighteen (18) payments, for a total of \$1,800.00, then the Attorney General will waive the remaining two (2) payments, or the remaining \$200.00. Such funds shall be held by the Attorney General in trust to be used, first, for actual costs and attorney fees incurred by the Attorney General in this matter and, second, for consumer education and for consumer fraud enforcement efforts. Such payment shall include a reference to "Encore Lending/Paul Baker Settlement" and shall be delivered to:

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER

Rev. 6.30.08

Jennifer Miner Dethmers
Assistant Attorney General
Colorado Department of Law
Consumer Protection Section
1525 Sherman Street, 7th Floor
Denver, CO 80203

23. Respondents may increase payment amounts at any time to pay off these amounts. If there is a failure to make a payment pursuant to this Assurance, the Attorney General may accelerate all payments due and collect the entire amounts due hereunder. In such event, the Attorney General shall be entitled to recover its costs and attorney fees in collecting such amounts.

24. Respondents assure the Attorney General that they shall comply with the CCPA as now constituted or as may hereafter be amended in conducting business in the State of Colorado.

V. ENFORCEMENT

25. The obligations set forth in this Assurance are continuing and apply jointly to Encore Lending and Baker, who is held personally liable under this Assurance.

26. Violation of any of the terms of this Assurance shall constitute a prima facie violation of the CCPA in accordance with § 6-1-110(2), C.R.S. (2007). Upon any violation of this Assurance by a Respondent, the Attorney General shall be entitled to file a civil action under the CCPA in any court of competent jurisdiction and to seek an injunction or other appropriate order from such court to enforce the provisions of this Assurance.

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER
Rev. 6.30.08

27. If Respondents make only a partial payment under this Assurance, the Attorney General's acceptance of any partial payment does not prevent it from declaring that Respondents violated the Assurance, accelerating all payments due, and collecting the entire amounts due hereunder.

28. In addition to any remedies provided under the CCPA, the Attorney General will also be entitled to apply for and seek from a court of competent jurisdiction an order converting this Assurance into a permanent injunction against a Respondent as if the parties had fully litigated all issues contained herein, upon a showing by the Attorney General's Office of a violation of this Assurance by a Respondent. In such event, Respondents agree to waive any and all defenses and counterclaims they may have had to such an action, except as to claims or defenses related to the alleged violation of this Assurance or as to the need for injunctive relief.

29. Respondents and Encore Lending's principals, officers, directors, agents, employees, representatives, successors, affiliates, subsidiaries, assigns, loan officers, contractors, and any person acting on behalf of Respondents agree to cooperate with all investigations and other proceedings that the Attorney General may bring to enforce the terms of this Assurance or to enforce the CCPA against any other entity. Included within this cooperation agreement are the obligations to:

- (a) Appear for hearings, depositions or provide testimony in any form (including affidavits). All such testimony shall be truthful;

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER
Rev. 6.30.08

- (b) Produce documents, records, electronic records or any other tangible things in response to a subpoena or other written request issued by the Attorney General; or
- (c) Accept a subpoena from the Attorney General without need for service of process.

30. Any notices, complaints or other documents required by this Assurance (including any request or subpoena) shall be sent to the following individuals at the addresses, emails, or fax numbers set forth below:

To Respondents Encore Lending LLC
and Paul Anthony Baker at:
13509 E 6th Pl
 Aurora, CO 80011

Email: _____
Phone: 303.378.1525
Fax: _____

To the Attorney General at:
Jennifer Miner Dethmers
Assistant Attorney General
Antitrust, Tobacco, & Consumer Protection Unit
Consumer Protection Section
1525 Sherman Street – 7th Floor
Denver, CO 80203
Email: jennifer.dethmers@state.co.us
Phone: (303) 866-5079
Fax: (303) 866-4916

VI. GENERAL PROVISIONS

31. The person who signs this Assurance in a representative capacity for Encore Lending warrants that he is duly authorized to do so. Respondents each acknowledge that they have had a full opportunity to review this Assurance and consult with legal counsel regarding same. Respondents agree and represent that they have read and understand this Assurance, that they accept the legal consequences involved in signing it, and that there are

ASSURANCE OF DISCONTINUANCE
ENCORE LENDING LLC and PAUL ANTHONY BAKER
Rev. 6.30.08

no other representations, agreements or understandings between Respondents and the Attorney General that are not stated in writing herein.

32. This Assurance may be executed in one or more counterparts, each of which shall be deemed to be an original, but which together shall constitute the Assurance.

33. Pursuant to § 6-1-110(2), C.R.S. (2007), this Assurance shall be a matter of public record.

34. This Assurance shall not be construed to affect the rights of any private party to pursue remedies pursuant to § 6-1-113, C.R.S. (2007), or under any other statutes through claims or actions in common law.

35. Nothing in this Assurance shall be construed to release claims held by any other government authority.

Dated: 7-11-08

Respondent Encore Lending LLC

By: Paul Anthony Baker
PAUL ANTHONY BAKER
Chief Executive Officer
Encore Lending LLC

Dated: 7-11-08

Respondent Paul Anthony Baker

By: Paul Anthony Baker
PAUL ANTHONY BAKER
Individually

Dated: 7.21.08

JOHN W. SUTHERS
Attorney General

Jennifer Miner Dethmers
JENNIFER MINER DETHMERS
Assistant Attorney General
Consumer Protection Section