

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

IN THE MATTER OF:)
) No. 2018-MLO-02-c
CHRIS R. SCHALLER)
License No. 031.0027442; NMLS ID 233271)
)
)

**ORDER REVOKING
MORTGAGE LOAN ORIGINATOR LICENSE AND ASSESSING FINE**

The DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, Division of Banking, (“Department”), having investigated the activities of CHRIS R. SCHALLER (“SCHALLER”) and documented violations of the Residential Mortgage License Act of 1987 (“Act”) [205 ILCS 635] and the rules promulgated thereunder (“Rules”) [38 Ill. Adm. Code 1050], hereby issues this ORDER REVOKING MORTGAGE LOAN ORIGINATOR LICENSE AND ASSESSING FINE..

STATUTORY PROVISIONS

1. Section 7-11 of the Act authorizes the Director of the Department (“Director”) to revoke and/or fine, or otherwise discipline, the license of a mortgage loan originator (“MLO”) if the Director finds that the MLO has violated the Act or any other applicable law or regulation. The Director may impose a fine of not more than \$1,000 or, for engaging in an act prohibited by item (1) of Section 7-13, not more than \$3,000 for each day for each violation of this Act or any other applicable law or regulation that is committed. If the Mortgage Loan Originator engages in a pattern of repeated violations, the Director may impose a fine of not more than \$2,000 or, for engaging in an act prohibited by item (1) of Section 7-13, not more than \$6,000 for each day for each violation committed.
2. Section 7-13 of the Act provides that it is a violation of the Act for a mortgage loan originator to: Subsection (1) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead borrowers or lenders or to defraud any person; Subsection (2) Engage in any unfair or deceptive practice toward any person; Subsection (3) Obtain property by fraud or misrepresentation; Subsection (7) Fail to make disclosures as required by this Act and any other applicable State or federal law, including regulations thereunder; Subsection (8) Fail to comply with this Act or rules or regulations under this Act, or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under this Act; Subsection (9) Make, in any manner, any false or deceptive statement or representation of a material fact, or any omission of a material fact, required on any document or application subject to this Act; Subsection (14) Fail to truthfully account for monies belonging to a party to a residential mortgage loan transaction; Subsection (15) Engage in conduct that constitutes dishonest dealings; and Subsection (21) Structure activities or contracts to evade provisions of this Act.

FACTUAL FINDINGS

COUNT I

3. On or around March 2, 2018, the Department received information that alleged SCHALLER was conducting a mortgage fraud scheme using his Mortgage Loan Originator (“MLO”) License under the sponsorship of Diamond Residential Mortgage Corporation (MB.6760694; NMLS ID 186805 “DRMC”) and in connection with his activities from DRMC’s Springfield, Illinois branch office (“DRMC Branch”). The Department commenced an investigation of said information.
4. On April 19, 2018, SCHALLER was issued an Emergency Suspension pending investigation.
5. The Department has now concluded its investigation of SCHALLER. At least ten (10) loans originated by SCHALLER were found to have evidence of fraudulent loan origination activities.
6. Loan 1 was a Fannie Mae foreclosure purchased by SCHALLER. A fraudulent Verification of Funds Letter (“Letter”) from a local bank dated January 28, 2013 was used in the origination process. The Letter states that SCHALLER has an account at the bank with available funds of \$30,000. The letter was verified later by the bank to be fraudulent and that SCHALLER has never had a relationship with said bank.
7. Loan 2 was a property owned by SCHALLER and sold to CJS, a 22 year old who was earning \$9.00 an hour and who had been employed for two months. Falsified rent payments were found in the loan file which were used in granting the loan. CJS stated to the investigators that he never made the statement in his original application that he paid rent or provided any support regarding the rent payments.
8. Loan 3 involved a fraudulent Verification of Employment, fraudulent Employee Quick Reports stating salary, fraudulent corporate checks, and a fraudulent W2 that were created at SCHALLER’S instruction and used to create the appearance that the borrower, DG, was employed by a local bar. DG was in fact never employed by the bar.
9. Loan 4 was a Veterans Administration (“VA”) loan for borrower JV. At SCHALLER’S direction, a false 401(k) account statement was created that reflected reserves of \$13,267 which was the amount of capital requested by underwriting. The 401(k) belonged to someone other than JV. Documentation was obtained through the true account holder’s mortgage file.
10. Loan 5 was a Federal Housing Authority (“FHA”) loan for borrowers TS & AS. AS’s income was manipulated on a document to appear lower than her actual income in order to gain an Illinois Housing Development Association grant of \$5,000 to use towards the purchase of TS’s & AS’s home. Numerous documents were falsified at SCHALLER’S direction, to demonstrate the lower income including a fabricated tax return transcript.
11. Loan 6 was an United States Department of Agriculture (“USDA”) Rural Development loan for borrower CC. At SCHALLER’S direction, fraudulent documents were created. Personal rent checks were used to create false income by making them appear to be child support payments. A child support letter was fraudulently prepared stating that CC would be receiving \$850.00 monthly,

the exact amount needed to secure the loan. CC, in fact, only received \$200.00 a week on an inconsistent basis without documentation.

12. Loan 7 was a VA loan for borrower KK. At SCHALLER'S direction, Sangamon County Judgment documents relating to the KK's dissolution of marriage were altered to remove child support statements reflecting payment of child support. KK confirmed that he was in fact paying child support and had no knowledge of the statement being removed from his court documents. The removal of the child support was intended to meet an underwriting condition.
13. Loan 8 was a USDA Rural Development loan for borrower BH. Fraudulent documents were created using a letter from a heating and air conditioning company to reflect plumbing repairs. The investigators found the original document which contained SCHALLER's handwriting and notes. This fraudulent document was created for the purpose of providing proof of an inspection which was pertinent to obtaining the USDA loan. The letter was confirmed to be fraudulent by the heating and air conditioning company.
14. Loan 9 was a VA loan for MC & TC. A fraudulent letter, apparently signed by a doctor, described approved disability benefits for MC. The investigators obtained the original letter that was utilized in another borrower's loan file. The doctor whose signature appears on the letter confirms that MC was never one of his patients.
15. Loan 10 was a conventional loan for borrower JD. JD, with the assistance of SCHALLER, used his mother as a straw buyer. JD's mother, in an interview, stated that the affidavit, found in the loan file, from July 18, 2017 stating that she was selling her house in Jacksonville, Illinois and moving to Springfield, Illinois was fraudulent.

COUNT II

16. SCHALLER was also involved in another scheme that harmed at least six consumers in which he convinced borrowers that they were obtaining a mortgage from DRMC, when they were actually signing a contract for deed. These consumers unknowingly transferred ownership interest in their property to SCHALLER.
17. In furtherance of his scheme, SCHALLER created an account at a bank designated as "Bank and Trust #186" to hold ownership interest and control of the consumers' property. SCHALLER was the sole beneficiary of the trust.
18. In furtherance of his scheme, SCHALLER did not provide proper details or documentation to the consumers.
19. The consumers made payments to Bank and Trust #186 at the DRMC branch office address, believing they were making mortgage payments.

LEGAL CONCLUSIONS

20. SCHALLER is in violation of Section 7-13(1),(2),(3),(7),(8),(9),(14),(15) and (21) of the Act.

NOW IT IS HEREBY ORDERED THAT,

1. The Department **REVOKES** CHRIS R. SCHALLER'S Mortgage Loan Originator License No. 031.0015334 pursuant to Section 7-11(a)(1) of the Act.
2. The Department assesses a FINE against CHRIS R. SCHALLER in the amount of \$128,000 pursuant to Sections 7-11(a)(2) of the Act. The fine is payable by certified check or money order within thirty (30) days of the effective date of this Order to the:

**Department of Financial and Professional Regulation, Division of Banking
ATTN: Loan Originator Section
320 W. Washington, 5th Floor
Springfield, Illinois, 62786.**

ORDERED THIS ____ DAY OF _____, 2018

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
BRYAN A. SCHNEIDER, SECRETARY

KERRI A. DOLL, DIRECTOR
DIVISION OF BANKING

You are hereby notified that this Order is an administrative decision. Pursuant to 205 ILCS 635/4-12 and 38 Ill. Adm. Code, 1050.1510 et seq. any party may file a request for a hearing on an administrative decision. The request for a hearing and \$250 hearing fee by certified check or money order shall be filed with the Department at 320 West Washington Street, 5th floor Springfield, IL 62786, ATTN: Loan Originator Section within 10 days after the receipt of an administrative decision. The request for hearing must include an explicit admission, denial, or appropriate response to each allegation or issue contained in the administrative decision pursuant to 38 Ill. Adm. Code 1050.1570. A hearing shall be held on the administrative decision, by the Department of Financial and Professional Regulation, Division of Banking. Absent a request for a hearing, this Order shall constitute a final administrative Order subject to the Administrative Review Law [735 ILCS 5/3-101 et seq.].