

Cease and Desist dated September 4, 2015 disposing of all claims under that previous investigation.

2.3 Since the issuance of the Agreed Order to Cease and Desist issued on September 4, 2015, the Department received multiple consumer complaints alleging that Respondents are still engaging in unlicensed activities and that the Respondents were engaging in unregistered mortgage loan servicing.

2.4 The Respondents have never been registered with the Department of Savings and Mortgage Lending as residential mortgage loan servicers under Chapter 158 of the Texas Finance Code.

2.5 Respondents contend that all loan origination activity was lawful pursuant to Texas Finance Code sections 156.202 and 157.0121, which exempts unlicensed loan origination by any owner of residential real estate who in any 12-consecutive-month period makes no more than five residential mortgage loans to purchasers of the property for all or part of the purchase price of the residential real estate against which the mortgage is secured, and by Texas Finance Code section 180.002(19), because the Respondents received the same benefits from any owner-financed transaction as the Respondents would receive if the transaction were a cash transaction.

2.6 Through the Department's investigation into the allegations, the Department alleged that the Respondents engaged in at least thirty (30) owner-financed residential real estate transactions from approximately September 4, 2015 to May 25, 2017 without obtaining a license under Chapters 156, 157 or 180 of the Texas Finance Code.

2.7 Further, through the Department's investigation into the allegations, the Department alleged that the Respondents are utilizing VAH Investments d/b/a Coastal Properties (hereafter Coastal) as the entity that receives scheduled payments from borrowers under the terms of a residential mortgage loans made by the Respondents' separate entities, including amounts for escrow accounts. Coastal makes payments of principal and interest to the owner of the loan and any other payments with respect to the amounts received from the borrower, without first being duly registered with the Department as a residential mortgage loan servicer as required by the RMLSR Act also known as Chapter 158 of the Texas Finance Code.

2.8 Respondents contend that all loan servicing activity was lawful pursuant to Texas Finance Code sections 158.052, which exempts unregistered loan servicing activity if the person servicing the loan made the residential mortgage loan with the person's own funds, or to secure all or a portion of the purchase price of real property sold by that person.

III. TERMS

3.1 Respondents Fred D. Rich, VAH Investments of Texas, Inc. d/b/a Coastal Properties, Multiple Investments, LLC, First Capital Properties, LTD, Safeguard Investments, LTD, and Private Investors Family, LTD will collectively pay an administrative penalty of **\$1,000,000.00**, as follows:

- a) \$100,000.00 (of the \$1,000,000.00 penalty) shall become immediately due and paid by cashier's check or money order to the Department of Savings and Mortgage Lending, to be received by the Department by no later than November 30, 2018. Upon receipt of such payment, the Parties agree to file a Stipulation of Dismissal with Prejudice in this contested administrative case.
- b) \$350,000.00 (of the \$1,000,000.00 penalty) in consideration for satisfaction of the additional terms set out below, is abated and deferred, and will not become due and payable unless an ALJ or Court finds that the above named Respondents failed to comply with the terms in sections 3.2 and 3.3 below or that the above named Respondents made a material misrepresentation when they entered into this Settlement Agreement.
- c) The remaining \$550,000.00 (of the \$1,000,000.00 penalty) is abated and deferred for three (3) years from the date of this Agreement, and will not become due and payable unless it is determined by an ALJ or Court that a Respondent has violated the terms of section 3.4 or 3.5 of this Agreement. The abated and deferred \$550,000.00 penalty amount would be in addition to whatever additional administrative penalty may be allowed by law for such new violation.

3.2 Within 120 days of the effective date of this Settlement Agreement, Respondents Fred D. Rich, VAH Investments of Texas, Inc. d/b/a Coastal Properties, Multiple Investments, LLC, First Capital Properties, LTD, Safeguard Investments, LTD, and Private Investors Family, LTD will have provided a minimum of \$200,000 in restitution credits to homeowners with active, outstanding owner-financed mortgages detailed in Attachment A. Respondents certify that the restitution credits, set out in detail on Attachment A to this Settlement Agreement, are the result of a third-party audit, subject to review, and Respondents further certify that each active mortgage balance held by Respondents has been amended for each homeowner on Attachment A to reflect waiver of and/or credit for:

- a) all late mortgage payment fees assessed by a Respondent against a homeowner from January 2012 through June 2017, regardless of whether such fees are permitted by the deed of trust or other executed document;
- b) all penalties assessed by a Respondent against a homeowner from January 2009 through June 2017 for failure to carry insurance, regardless of whether such penalties are permitted by the deed of trust or other executed document.

3.3 Respondents will certify and provide to the Department proof that paragraph 3.2 has been satisfied by no later than 120 days after the effective date of the Agreement. If Respondents fail to satisfy the requirements of paragraph 3.2 within 120 days of the effective date of this Agreement, Respondents will be subject to the abated and deferred penalty amount of \$350,000.00 coming due immediately, per the terms of this Agreement. Respondents will notify all owner financed homeowners identified on Attachment A of the specific final adjustments made to each mortgage and escrow balance as a result of the adjustments.

3.4 Notwithstanding any exception or exemption in the Texas Finance Code, Respondents Fred D. Rich, VAH Investments of Texas, Inc. d/b/a Coastal Properties, Multiple Investments, LLC, First Capital Properties, LTD, Safeguard Investments, LTD, and Private Investors Family, LTD agree to utilize a licensed mortgage loan company and a licensed and properly sponsored residential mortgage loan originator for any owner-financed sales of residential real estate located within the State of Texas, after the date of this Settlement Agreement.

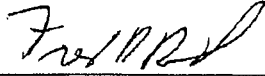
3.5 Notwithstanding any exception or exemption in the Texas Finance Code, Respondents Fred D. Rich, VAH Investments of Texas, Inc. d/b/a Coastal Properties, Multiple Investments, LLC, First Capital Properties, LTD, Safeguard Investments, LTD, and Private Investors Family, LTD agree to utilize a Texas-registered residential mortgage loan servicer after the date of this Settlement Agreement to receive, process, and generally handle all payments made to any Respondent in satisfaction of any owner-financed sales of residential real estate within the State of Texas. For avoidance of doubt, Respondents Fred D. Rich, VAH Investments of Texas, Inc. d/b/a Coastal Properties, Multiple Investments, LLC, First Capital Properties, LTD, Safeguard Investments, LTD, and Private Investors Family, LTD agree they will rely on a Texas-registered residential mortgage loan servicer and/or legal counsel to provide all loan-payment, escrow, and notice responsibilities, up to but not including any formal legal action by or against an owner finance homeowner.

3.6 All Respondents agree to refrain from violating any state or federal law or regulation applicable to the sale of residential property within the State of Texas and to comply with Texas Finance Code Chapters 156, 157, 158 and 180, and further agree to comply with the Department's administrative regulations and rules.

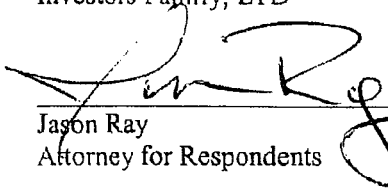
3.7 Nothing in this Agreement prevents the Department from seeking administrative penalties against New Wave Properties, Inc., Portland Rental Properties, Inc., New Wave Properties, Inc. d/b/a New Wave Properties or their principals, officers or legal representatives including but not limited to Ricardo Rios a/k/a Rick Rios. This Agreement is being entered into only on behalf of the Parties named in the above-styled case number.

3.8 The parties agree this Settlement Agreement finally settles and resolves all outstanding allegations and complaints associated with the Respondents, as well as any allegations that could have been asserted by the Department in this contested administrative procedure, as of the effective date of the Settlement Agreement, unless it is determined that any of the Respondents made any material misrepresentation of the facts agreed upon herein.

FOR THE RESPONDENTS:




Fred D. Rich, in his individual and personal capacity and as the duly authorized representative for Respondents: VAH Investments of Texas, Inc. d/b/a Coastal Properties, Multiple Investments, LLC, First Capital Properties, LTD, Safeguard Investments, LTD, and Private Investors Family, LTD



10/27/2018

Jason Ray
Attorney for Respondents

FOR THE DEPARTMENT OF SAVINGS AND MORTGAGE LENDING:



10/25/18

Commissioner Caroline C. Jones