

IN1321/KB
IN3150/KB
E-Case 125

OAH Docket No. _____

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR DEPARTMENT OF COMMERCE

In the Matter of the Insurance Licenses of
TitleSource, Ltd., doing business as
TitleDirect; Zen Title, LLC; Trent C. Jonas;
Jennifer Kalsow Frantz; Charles E. Bethel;
Home Sweet Home Equity, LLC; Home
Sweet Home Equity Corp., 3E Properties;
and Nez Title

**NOTICE OF AND ORDER FOR HEARING,
ORDER TO SHOW CAUSE, ORDER FOR
SUMMARY SUSPENSION, AND
STATEMENT OF CHARGES**

TO: TitleSource, Ltd. d/b/a Title Direct
2677 County Road 10 N.E.
Moundsview, MN 55112

Zen Title, LLC
2984 Rice Street
Little Canada, MN 55113

Trent C. Jonas
Home Sweet Home Equity, LLC
Home Sweet Home Equity Corp.
3E Properties
91 Pleasant Lake Road West
North Oaks, MN 55127

Jennifer Kalsow Frantz
3012-143rd Avenue N.W.
Ham Lake, MN 55304

Charles E. Bethel
1191 Winthrop Street South
St. Paul, MN 55119

Nez Title
336 North Robert Street
Suite 1600
St. Paul, MN 55101

NOTICE OF HEARING

**RESPONDENTS TITLESOURCE, LTD., D/B/A TITLEDIRECT; ZEN TITLE,
LLC; TRENT C. JONAS; JENNIFER KALSOW FRANTZ; CHARLES E. BETHEL;
HOME SWEET HOME EQUITY, LLC; HOME SWEET HOME EQUITY CORP.; 3E
PROPERTIES; AND NEZ TITLE, ARE HEREBY NOTIFIED** that the Department of
Commerce has initiated this action to determine whether Respondents have committed the
violations alleged below, subjecting them to disciplinary action.

ORDER TO SHOW CAUSE

IT IS HEREBY ORDERED that, pursuant to Minn. Stat. §§ 45.027, subd. 7(b) (2006), Respondents must show cause why their licenses should not be revoked or suspended and why they should not be subject to censure or a civil penalty as provided in Minn. Stat. § 45.027, subds. 6-7 (2006).

ORDER FOR SUMMARY SUSPENSION

IT IS FURTHER ORDERED that the following licenses are SUMMARILY SUSPENDED under Minn. Stat. § 45.027, subd. 7(b) (2006), pending final determination of the Order to Show Cause:

Respondent	License No.
Insurance Agency License of TitleSource, Ltd.	#20332549
Insurance Agency License of Zen Title, LLC	#20518538
Insurance Agency License of All Lines Insurance Agency, Inc.	#20384400
Real Estate Broker's License of Trent C. Jonas	#20382590
Real Estate Closer's License of Trent C. Jonas	#20376712
Insurance Producer's License of Trent C. Jonas	#20062834
Real Estate Closer's License of Jennifer Kalsow Frantz	20385742
Insurance Producer's License of Jennifer Kalsow Frantz	#20376190
Notary Commissioner of Jennifer Kalsow Frantz	#20403555
Title Insurance Agent's License of Charles E. Bethel	#20555593
Mortgage Originator License of Home Sweet Home Equity Corp., d/b/a Mortgage & Investment Consultants	#20275270
Real Estate Company License of 3E Properties, Ltd.	#20437096
Mortgage Originator License of Respondent Home Sweet Home Equity, LLC, d/b/a Red River Mortgage	#20595606
Insurance Agency License of Nez Title LLC	#20578697

ORDER FOR HEARING

IT IS FURTHER ORDERED that a contested case hearing will be held on Friday, October 26, 2007 at 9:30 a.m. at the Office of Administrative Hearings, Harold E. Stassen Office Building, State Capitol Complex, 600 North Robert Street, in St. Paul, Minnesota.

The Chief Administrative Law Judge, Office of Administrative Hearings, has assigned this matter to Administrative Law Judge Linda F. Close, Phone: (612) 766-9506. Any mail or pleadings sent to Administrative Law Judge Close or the Office of Administrative Hearings must be sent to the following postal address:

Office of Administrative Hearings
Attn: Honorable Linda F. Close
P.O. Box 64620
St. Paul, MN 55164-0620

The hearing will be conducted under the contested case procedures set out in Chapters 14 and 45 of Minnesota Statutes (2006) and the Rules of the Office of Administrative Hearings, Minnesota Rules Chapter 1400 (2005). A copy of these materials may be purchased from the Minnesota Book Store at (651) 297-3000, or are available at www.revisor.leg.state.mn.us. Copies of the rules are also available at www.oah.state.mn.us.

The attorney handling this case for the Department is Assistant Attorney General Michael J. Tostengard, 1200 Bremer Tower, 445 Minnesota Street, St. Paul, Minnesota 55101-2130, Phone: (651) 296-9701. Mr. Tostengard may be contacted to discuss discovery or informal disposition of this matter.

STATEMENT OF CHARGES

ALLEGATIONS

A. LIST OF RESPONDENTS

1. Respondent TitleSource Ltd., d/b/a TitleDirect ("TitleSource"), is currently licensed as an insurance agency by the Department, License #20332549. TitleSource does real estate closing and title insurance business out of an office in Moundsview, Minnesota.

2. Respondent Zen Title, LLC is currently licensed as an insurance agency by the Department, License #20518538. The license it maintains with the Department indicates a St. Paul, Minnesota address. Zen Title is doing title insurance business, however, out of the TitleSource office in Moundsview. TitleSource and Zen Title placed title insurance on behalf of Ticor Title Insurance Company of Florida, a subsidiary of Fidelity National Financial ("Ticor"), and United General Title Insurance Company ("UGT"), a subsidiary of First American Title Insurance Company.

3. Respondent Trent C. Jonas is an owner of TitleSource and Zen Title. Jonas is currently licensed as a real estate broker by the Department, #20382590. Jonas also holds a closer's license with the Department, #20376712. Jonas also owns All Lines Insurance Agency, Inc., which was licensed by the Department as an insurance agency, #20384400. The All Lines license expired October 31, 2006. The All Lines license was later reactivated on January 24, 2007. Jonas also owns Home Sweet Home Equity, LLC, d/b/a Red River Mortgage, which was licensed by the Department as a mortgage origination company, License #20595606. Jonas further owns Home Sweet Home Equity Corp., d/b/a Mortgage & Investment Consultants, mortgage originator license #20275270. Jonas additionally owns 3E Properties, Ltd., real estate license #20437096.

4. Respondent Jennifer Kalsow Frantz holds a real estate closer's license with the Department, #20385742. Frantz is also licensed as a notary by the Department, #20403555. Frantz has ownership interests in TitleSource, Zen Title, All Lines, Southern National Title Insurance Co., and Home Sweet Home Equity, LLC.

5. Respondent Charles E. Bethel is licensed as a title insurance agent by the Department, License #0256729. Bethel has an ownership interest in Zen Title. Bethel is also the sole owner of Nez Title, LLC, insurance agency license #20578697.

DEPARTMENT INVESTIGATION

6. In August 2006, the Department received a complaint from IndyMac Bank concerning TitleSource. The Department's investigation revealed that IndyMac Bank failed to receive numerous title insurance policies which it had purchased from TitleSource. The Department later received information from Ticor that it had not received premium remittances on approximately 1,000 title insurance policies that TitleSource had issued.

7. The Department appeared at the TitleSource office in Moundsview and discovered that TitleSource and Zen Title had failed to record over 3,000 mortgages on real estate transactions they had purportedly closed. These transactions were for properties located across the country. For example, 1,136 were located in Florida, 380 in Montana, and 192 in Minnesota. In addition to failing to record these documents, TitleSource and Zen Title collected title insurance premiums and failed to issue the policies and failed to remit the proper amount to the underwriters involved. Fidelity National is currently recording all of the necessary documents.

8. One of these unrecorded mortgages belonged to Trent and Julie Jonas and was a mortgage on their home property. This particular mortgage was for \$800,000, and was taken out on February 15, 2006. Upon discovery, Fidelity National recorded this with Ramsey County on August 15, 2007.

9. The Department's investigation further revealed that Zen Title failed to make \$1,321,865.58 in mortgage payoffs to prior lenders on Zen Title closings. Respondents converted these funds by placing them in the TitleSource operating account. TitleSource and Zen Title maintained at least 25 various accounts at banks located across the country. UGT, as title insurer, had to make these payments and has been unable to recover the funds from Respondents. From 2003 to 2004, Jonas spent at least \$147,000 on a suite at Minnesota Vikings games.

10. The Department's investigation additionally revealed that Respondents failed to remit \$196,092.48 in premiums to Ticor on its title insurance policies.

11. This Order is in the public interest.

VIOLATIONS

COUNT I

By failing to issue and deliver title insurance policies on behalf of insurers to lenders and property owners despite receiving applications and premiums, the Respondents have violated Minn. Stat. §§ 45.027, subd. 7(4), 60K.43, subd. 1(7) & (8), and 72A.20, subd. 18 (2006).

COUNT II

By failing to record in excess of 3,000 mortgages and related documents, the Respondents violated Minn. Stat. §§ 45.027, subd. 7(4), 60K.43, subd. 1(7) & (8), and 72A.20, subd. 18 (2006).

COUNT III

By failing to remit at least \$196,092.48 in insurance premiums, the Respondents violated Minn. Stat. § 45.027, subd. 7(4), 60K.43, subd. 1(4) & (8), and 72A.20, subd. 18 (2006).

COUNT IV

By failing to remit mortgage payoffs to prior lenders, the Respondents violated Minn. Stat. §§ 45.027, subd. 7(4), 60K.43, subd. 1(4) & (8), and 72A.20, subd. 18 (2006).

ADDITIONAL NOTICE

1. Respondents' failure to appear at the contested case hearing and/or prehearing conference may result in a finding that the Respondents are in default, that the Department's allegations contained in the Statement of Charges may be accepted as true, and its proposed action may be upheld.

2. If any party has good cause for requesting a delay of the hearing or prehearing conference, the request must be made in writing to the Administrative Law Judge at least five days prior to the hearing or prehearing conference. A copy of the request must be served on the other party.

3. Any party intending to appear at the hearing or prehearing conference must file a Notice of Appearance form and return it to the Administrative Law Judge within 20 days of the date of service of this Notice and Order. A copy must be served on the Department of Commerce's attorney, Assistant Attorney General Michael J. Tostengard. A Notice of Appearance form is attached.

4. At the hearing, all parties have the right to represent themselves or to be represented by legal counsel, or by a person of their choice if not otherwise prohibited as the unauthorized practice of law. The parties may obtain subpoenas to compel witnesses to attend the hearing. The parties will have the opportunity to be heard orally, to present evidence and cross-examine witnesses, and to submit evidence and argument. Ordinarily, the hearing is tape-recorded. The parties may request that a court reporter record the testimony at their expense.

5. Persons attending the hearing should bring all evidence bearing on the case, including any records or other documents. Be advised that if data that is not public is admitted into the record, it may become public data unless an objection is made and relief is requested under Minn. Stat. § 14.60, subd. 2 (2006).

A subpoena request form is available at www.oah.state.mn.us or by contacting the Office of Administrative Hearings at (651) 361-7900.

7. This case may be appropriate for mediation. The parties are encouraged to consider requesting the Chief Administrative Law Judge to assign a mediator so that mediation can be scheduled promptly.

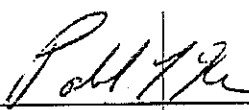
8. The Office of Administrative Hearings conducts contested case proceedings in accordance with the Minnesota Rules of Professional Conduct and the Professionalism Aspirations adopted by the Minnesota Supreme Court. A Guide to Participating in Contested Case Proceedings at the Office of Administrative Hearings is available at www.oah.state.mn.us or by contacting the Office of Administrative Hearings at (651) 361-7900.

9. Any party who needs an accommodation for a disability in order to participate in this hearing process may request one. Examples of reasonable accommodations include wheelchair accessibility, an interpreter, or Braille or large-print materials. If any party requires an interpreter, including a foreign language interpreter, the Administrative Law Judge must be promptly notified. To arrange for an accommodation or an interpreter, call the Office of Administrative Hearings at (651) 361-7900.

10. Pursuant to Minn. Stat. § 45.027, subd. 6 (2006), Respondents may be subject to a civil penalty not to exceed \$10,000 per violation upon a final determination that Respondents violated any law, rule or order related to the duties and responsibilities entrusted to the Commissioner.

GLENN WILSON
Commissioner

Dated: 9/28/07


PATRICK L. NELSON
Deputy Commissioner
Market Assurance Division

Minnesota Department of Commerce
85 Seventh Place East, Suite 500
St. Paul, MN 55101
Telephone: (651) 296-2488