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## Compass Partners accused by state of violating laws

### Commissioner issues cease-and-desist order

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An affiliate of Compass Partners, the New York private equity firm that bought the loan servicing business and some assets from bankrupt USA Capital this year, has broken Nevada laws, a state agency says.

Mortgage Lending Commissioner Scott Bice on Wednesday issued a cease-and-desist order, alleging that Compass Financial Partners failed to obtain licensing for service loans.

The commissioner last week revoked the mortgage license of the interim managers of USA Commercial Mortgage Co.

Lenard Schwartzer, a bankruptcy attorney for USA Capital, said the action does not affect USA Commercial Mortgage because that mortgage servicing company already sold its loan servicing business to Compass.

Compass Investment Relations Director Mark Olson said his company has begun servicing loans out of New York. The regulatory action will delay work by Compass only temporarily, Olson said.

"We do not believe that anything we have done is in violation of any Nevada law," Olson said.

Compass this year paid \$67 million for the right to service mortgage loans originated by USA Commercial Mortgage and for ownership stakes in some loans.

USA Commercial Mortgage was one of several companies known collectively as USA Capital, a private lender that filed for bankruptcy court protection a year ago. USA Capital had \$962 million loans outstanding for 6,000 investors when it became insolvent.

Bice said he took the regulatory action to enforce Nevada law.

"We don't have the luxury to be a selective regulator. We have to take the actions consistently with everybody," Bice said.

Bice said it appears Compass Financial could be violating its purchase and sales agreement with bankruptcy court.

"The judge will probably have to kick back and take a relook at the facts," Bice said.

Bice's order says that Compass Financial Partners, a Nevada limited liability company affiliated with Compass Partners of New York, sought but then withdrew its application for a license as a mortgage broker, but the company did not apply for a license as an escrow company.

In a separate development, bankruptcy Judge Linda Riegle on Friday found that San Diego-based Debt Acquisition Company of America did not obtain approval from enough investors to take over loan servicing from Compass Partners.

The judge determined that Debt Acquisition did not have consent from 51 percent of the ownership interests in a development loan. She left mortgage loan servicing rights with Compass for Fiesta Oak Valley, a 1,500-acre master-planned development on Interstate 10 east of Calimesa, Calif.

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