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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING 2009 JAN 26 PM 3:48

COMMONWEALTH OF PENNSYLVANIA	:	PA DEPT OF BANKING
DEPARTMENT OF BANKING, BUREAU	:	
OF COMPLIANCE, INVESTIGATION	:	
AND LICENSING	:	DOCKET No. 090025-ENFCC
v.	:	
	:	
TARGET MORTGAGE INC.,and	:	
YVONNE HU AKA YAN FANG HU, individually:	:	
LILY ZHAO aka Li Zhao, individually	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking, ("Department"), Bureau of Compliance, Investigation, Licensing and, has investigated the business practices of Target Mortgage Inc. ("Target"), Yvonne Hu aka Yan Fang Hu ("Hu"), and Lily Zhao aka Li Zhao ("Zhao") (collectively "Target Parties"), and its officers and employees. Based on the results of the Investigation, the Bureau of Compliance, Investigation, and Licensing ("Bureau") has alleged the Target Parties operated in violation of the Mortgage Act, 7 Pa.C.S. § 6101 *et seq.* The Target Parties, while neither agreeing nor disagreeing with the Department's findings, seeks to resolve this matter amicably without contesting any further. The Target Parties, in lieu of litigation, hereby stipulate to the following information and agree to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

- 1) The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the Mortgage Act.
- 2) The Bureau has the primary responsibility of administering and enforcing the Mortgage Act for the Department.

3) The Mortgage Act is the successor statute to Chapter 3 of the Mortgage Bankers and Brokers and Consumer Equity Protection Act (“MBBCEPA”), 63 P.S. § 456.301 et seq. On November, 5, 2008, Chapter 3 of the MBBCEPA and the Secondary Mortgage Loan Act (the “SMLA”), 7 P.S. § 6601 et seq. were repealed by operation of law and replaced by the Mortgage Act.

4) Target is a Pennsylvania Business Corporation, and was formerly licensed as a First Mortgage Broker, license no. 11574, pursuant to the MBBCEPA and was granted a conditional license pursuant to the Mortgage Act on November 5, 2008.

5) Target was licensed as a Secondary Mortgage Broker no. 14374, pursuant to the SMLA and was granted a conditional license pursuant to the Mortgage Act on November 5, 2008.

6) Target formerly maintained a principal place of business in Pennsylvania located at 1020 Race Street, FL 2, Philadelphia, PA 19107.

7) Hu and Zhao were both 50% owners of Target, a Pennsylvania Business Corporation, at the time of the Investigation.

8) Zhao is a 50% owner of Diversified Capital Investment Group, LLC (“Diversified”).

9) Diversified was licensed by the Department as a First Mortgage Broker no. 16365 pursuant to the MBBCEPA and a Secondary Mortgage Broker no. 16366 pursuant to the SMLA and was granted a conditional license pursuant to the Mortgage Act on November 5, 2008.

10) Zhao is no longer an owner of Target.

11) Target voluntarily voluntarily surrendered its license to the Department on or about September 12, 2008.

VIOLATIONS

12) Based on the findings of the Bureau's investigation, the Department alleges that there were various violations of the former Chapter 3 of the MBBCEPA.

13) The Department alleges that Target did not have internal controls in place to control and mitigate the dissemination of false or misleading information to first mortgage loan lenders.

14) The Department alleges that Target was misstating to lenders the intended occupancy of properties in Northeast Philadelphia as owner occupied when in fact the properties were managed, for a fee, as rental properties by Target Realty.

15) On September 11, 2008 the Bureau met with the Target Parties ("the Meeting").

16) The Department alleges that by not establishing adequate internal controls, Target created a business environment that allowed its loan originators to submit inaccurate or misleading information to mortgage loan lenders.

17) The Department alleges the lack of internal controls to prevent the use of inaccurate or misleading information on mortgage loan documents provided to lenders was demonstrated negligence and incompetence as provided by Section 6139(a)(10) of the Mortgage Act (corresponding to Section 313(a)(14) of the MBBCEPA, 63 P.S. §456.313(a)(14).)

18) The Department alleges that Target was accepting advance fees without maintaining a penal bond in the amount of \$100,000 as required in Section 6131(e) of the Mortgage Act (corresponding to Section 304(c)(1) of the MBBCEPA, 63 P.S. § 456.304(C)(1).)

19) The Department alleges that Target collected advance fees from consumers for services that were not performed during the mortgage transaction process, failed to itemize those fees on the Settlement Statement, failed to refund those fees back to consumers, and added those fees to Target employee compensation monies.

20) The Department alleges that the lack of internal controls at Target to detect and prevent the practice of accepting fees for services that were not performed and subsequently not refunding consumers those monies demonstrated negligence and incompetence as provided by Section 6139(a)(10) of the Mortgage Act (corresponding to Section 313(a)(14) or the MBBCEPA, 63 P.S. §456.313(a)(14).)

21) The Department alleges that Target employees improperly influenced appraisers by requesting that some appraisals be prepared by an appraiser with omissions of material fact about a subject property that if known to a mortgage lender would cause that mortgage lender to deny credit to a consumer based on the condition of the subject property.

22) The Department alleges the lack of internal controls at Target to prevent the improper influence of appraisers was demonstrated negligence and incompetence as provided by Section 6139(a)(10) of the Mortgage Act (corresponding to Section 313(a)(14) or the MBBCEPA, 63 P.S. §456.313(a)(14).)

AUTHORITY OF THE DEPARTMENT

23) Section 6138(a)(4) of the Mortgage Act (corresponding to Section 310(a) of the MBBCEPA) provides the Department with authority to issue orders as may be necessary for the enforcement of the Mortgage Act. 7 Pa.C.S. § 6138(a)(4).

24) Section 6139(a)(10) of the Mortgage Act (corresponding to Section 313(a)(14) of the MBBCEPA) authorizes the Department to suspend, revoke or refuse to renew a license issued under the Mortgage Act) if the licensee has “[d]emonstrated negligence or incompetence in performing any act for which the licensee is required to hold a license under this chapter.” 7 Pa.C.S. § 6139(a)(10).

25) Section 6140(b) of the Mortgage Act (corresponding to Section 314(c) of the MBBCEPA) authorizes the Department to issue a fine against a licensee who “violates a

provision of this chapter or who commits any action which would subject the licensee to suspension, revocation or nonrenewal under section 6139 [of the Mortgage Act]. . . .” 7 Pa.C.S. § 6140(b).

RELIEF

26) Surrender of Mortgage Broker License: On the Effective Date of this Order, Target, Hu and Zhao, agree to surrender the Target Mortgage Broker license.

27) Prohibition from the Mortgage Loan Business: On the Effective Date of this Order Hu and Zhao agree to be prohibited from the advertisement, solicitation, negotiation, arrangement, and providing any other duties or functions of the mortgage loan business for a period of five (5) years.

28) Prohibition From Ownership: On the Effective Date of this Order Hu and Zhao shall divest themselves from any ownership in an entity that conducts mortgage loan business and be prohibited from ownership in such an entity for a period of five (5) years.

29) Fines. Target agrees to pay a fine of \$15,000.00.

FURTHER PROVISIONS

30) Consent. Target, Hu and Zhao hereby knowingly, willingly, voluntarily and irrevocably consent to the entry of this Order pursuant to the Bureau’s order authority under the MBBCEPA and SMLA and agree that they understand all of the terms and conditions contained herein. The Target Parties, by voluntarily entering into this Order, waive any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

31) Publication and Release. The Department will publish this Order pursuant to its authority in Section 302.A.(5) of the Department of Banking Code. 71 P.S. § 733.302.A.(5)

32) Entire Agreement. This Order contains the whole agreement between the parties. There is no other term, obligation, covenant, representation, statement, condition, or otherwise,

of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Bureau and the Target Parties.

33) Binding Nature. The Bureau, Target, all officers, owners, directors, employees, heirs and assigns of Target, Hu and Zhao intend to be and are legally bound by the terms of this Order.

34) Counsel. This Order is entered by the parties upon full opportunity for legal advice from legal counsel.

35) Effectiveness. The Target Parties hereby stipulate and agree that the Order shall become effective on the date that the Bureau executes the Order (the "Effective Date").

36) Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, policy statements, rules and regulations under its jurisdiction against Target in the future regarding all matters not resolved by this order.

(b) Target acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

37) Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

38) Counterparts. This Order may be executed in separate counterparts and by facsimile.

39) Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

WHEREFORE; in consideration of the foregoing, including the recital paragraphs, the Bureau, Target, Hu and Zhao, intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING, BUREAU OF
COMPLIANCE, INVESTIGATION AND LICENSING**

Brian Crossland, Chief
Compliance Division,
Bureau of Compliance,
Investigation and Licensing
Department of Banking

Date: 1/26/09

FOR TARGET MORTGAGE, INC.

Officer's Signature

(Print Officer's Name)

President

Title

1/20/09
Date

Yvonne Hu AKA Yan Fang Hu

1/20/09
Date

Lily Zhao aka Li Zhao

Date