

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

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~~PA DEPT OF BANKING~~

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING, BUREAU
OF COMPLIANCE, INVESTIGATION
AND LICENSING

Docket No. 10 0222 (ENF-CO)

v.

GATEWAY FUNDING DIVERSIFIED
MORTGAGE SERVICES, L.P.

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking (the "Department"), Bureau of Examinations has conducted an examination of Gateway Funding Diversified Mortgage Services, L.P. ("Gateway Funding") and its officers, employees and directors. Based on the results of its review, the Bureau of Compliance, Investigation and licensing (the "Bureau") believes that Gateway Funding operated in violation of the Mortgage Licensing Act, 7 Pa. C.S. § 6101 *et seq*. The parties to the above captioned matter, in lieu of litigation, hereby stipulate that the following statements are true and correct in the settlement of the above-captioned matter and, intending to be legally bound, hereby agree to the terms of this Consent Agreement and Order (the "Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the Mortgage Licensing Act
2. The Bureau is primarily responsible for administering and enforcing the Mortgage Licensing Act for the Department.

3. Gateway Funding was licensed as a First Mortgage Banker, license no. 1233, pursuant to the Mortgage Bankers and Brokers and Consumer Equity Protection Act (the "MBBCEPA"), 63 P.S. § 456.101 et seq., and as a Secondary Mortgage Broker, license no 0324, pursuant to the Secondary Mortgage Loan Act (the "SMLA"), 7 P S. § 6601 et seq

4 The Mortgage Licensing Act is the successor statute to Chapter 3 of the MBBCEPA, and the SMLA. On November 5, 2008, Chapter 3 of the MBBCEPA and the SMLA were repealed by operation of law and replaced by the Mortgage Licensing Act.

5. The Mortgage Licensing Act was amended on August 5, 2009 by Act 31 of 2009, H.B 1654 (P.N. 2448).

6 On December 3, 2008 Gateway Funding was assigned the Nationwide Mortgage Licensing System and Registry "NMLSR") identification number 1071.

7. Gateway Funding was granted, a Mortgage Lender license, license no. 21474, on January 31, 2009.

8 Gateway Funding's principal place of business is located at 300 Welsh Road, Building # 5, Horsham, PA 19044 (the "Horsham Location").

9 On September 1, 2009, an examination of Gateway Funding commenced at the Horsham Location (the "Examination").

Unlicensed Activity

10. According to the NMLSR, Gateway Funding has 14 licensed branch locations at which Gateway Funding conducts its mortgage loan business pursuant to the Mortgage Licensing Act.

11. The Examination revealed that Gateway Funding originated one hundred and eighty six (186) Pennsylvania mortgage loans from locations other than Horsham Location and other licensed branch locations.

12. During the Examination a representative of Gateway Funding confirmed that specific mortgage originators for Gateway Funding were taking mortgage loan applications from their residences and mobile locations.

13. The Mortgage Licensing Act defines a "branch" as "[a]n office or other place of business, other than the principal place of business, where a person engages in the mortgage loan business subject to this chapter." 7 Pa. C.S. § 6102.

14. Section 6131(a)(1)(ii) of the Mortgage Licensing Act provides, in relevant part, that an application for licensure shall include "[t]he address of the principal place of business of the applicant and the address *or addresses* where the applicant's mortgage loan business is to be conducted." 7 Pa. C.S. § 6131(a)(1)(ii) (emphasis added).

15. Section 6132 of the Mortgage Licensing Act provides that a licensee must pay initial application fees and renewal fees for each branch office. 7 Pa. C.S. § 6132

16. Based on the foregoing, any office of a licensee where mortgage loan business is conducted under the Mortgage Licensing Act must be licensed as a branch pursuant to the Mortgage Licensing Act.

Authority of the Department

17. Section 6138(a)(4) of the Mortgage Licensing Act grants the Department broad authority to issue orders for the proper conduct of the mortgage licensing business and the enforcement of the Mortgage Licensing Act. 7 Pa. C.S. § 6138(a)(4).

18. Section 6140(b) of the Mortgage Licensing Act provides, in relevant part, that “[a] person licensed under this chapter or director, officer, owner, partner, employee or agent of 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 may be fined by the department up to \$10,000 for each offense.” 7 Pa C.S. § 6140(b).

VIOLATIONS

19. Gateway Funding violated Sections 6131(a)(1)(ii) and 6132 of the Mortgage Act by originating loans from unlicensed branch locations

RELIEF

20. Fine Within 30 days of the Effective Date of this Order, Gateway Funding shall pay the Department a fine in the amount of \$80,000 remitted by certified check or money order made payable to the Department of Banking. The fine payment shall be sent to the attention of: Non-Depository Institutions, Bureau of Compliance, Investigation and Licensing, Department of Banking, 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

21. Corrective Action. Upon the Effective Date of this Order, Gateway Funding shall cease originating loans from unlicensed locations.

FURTHER PROVISIONS

22. Consent. Gateway Funding hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau’s order authority under the Mortgage Licensing Act and agrees that it understands all of the terms and conditions contained therein. Gateway Funding, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

23 Publication. 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).

24. Entire Agreement. This Order contains the whole agreement between the parties. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Bureau and Gateway Funding.

25. Binding Nature. The Department and Gateway Funding intend to be and are legally bound by the terms of this Order.

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

27. Effectiveness. Gateway Funding hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

28. Other Enforcement Action.

a. The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Gateway Funding, in the future regarding all matters not resolved by this Order.

b. Gateway Funding acknowledges and agree 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.

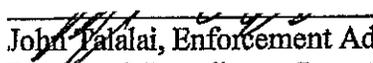
28. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

29 Counterparts. This Order may be executed in separate counterparts and by facsimile or electronic mail in portable document format "PDF."

30. 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 Department, Gateway Funding 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**


John Palalai, Enforcement Administrator
Bureau of Compliance, Investigation and Licensing
Department of Banking

Date: 9-21-2010

FOR GATEWAY FUNDING DIVERSIFIED MORTGAGE SERVICES, L.P.


(Officer Signature)

(Print Officer Name)

CEO

(Title)

Date: 9-21-2010