

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

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

v.

DIRECT FINANCE, INC.

PA DEPT OF BANKING
Docket No. 10/10002 (ENF-CO)

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking ("Department"), Bureau of Examinations, conducted an examination of Direct Finance, Inc. ("Direct Finance"), and its officers, employees and directors. Based on the results of the examination, the Bureau of Compliance, Investigation and Licensing ("Bureau") believes that Direct Finance 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 ("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. Direct Finance was formerly licensed as a First Mortgage Broker, license no. 4076, pursuant to Chapter 3 of the Mortgage Bankers and Brokers and Consumer Equity

Protection Act (the "MBBCEPA") and as a Secondary Mortgage Broker, license no. 1575, 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.

5. On November 5, 2008, Chapter 3 of the MBBCEPA and the SMLA were repealed by operation of law and replaced by the Mortgage Licensing Act.

6. The Department granted Direct Finance a conditional mortgage broker license pursuant to the Mortgage Licensing Act on July 15, 2009.

7. Direct Finance is currently licensed under the Mortgage Licensing Act as a mortgage broker, with the Nationwide Mortgage Licensing System and Registry ("NMLSR") identification number of 143975.

8. After receiving a complaint, the Department conducted an examination ("Examination") of Direct Finance which commenced on or around March 25, 2009 at its then principal place of business at 300 Cedar Boulevard, Suite B-4, Pittsburgh, Pennsylvania 15228 ("Principal Location").

9. Direct Finance does not operate any licensed branches.

Unlicensed Branches

10. The Examination revealed that during the year 2008 Direct Finance employed and issued IRS W-2 forms to seventeen (17) individuals ("Seventeen Individuals") that were simultaneously either owners or employees of other mortgage broker companies.

11. The Seventeen Individuals originated a total of approximately fifty (50) loans ("Fifty Loans") while employed by Direct Finance in the year 2008.

12. The Residential Mortgage Loan Applications of the Fifty Loans reflect the address of Direct Finance's Principal Location as the work address for the Seventeen Individuals.

13. The Examination revealed that the Seventeen Individuals originated the Fifty Loans while at a location other than Direct Finance's Principal Location.

14. The Mortgage Licensing Act defines a "branch" as "[a]n office or other place of business other than the principal place of business, located in this Commonwealth or any other state, where a person engages in the mortgage loan business subject to this chapter." 7 Pa. C.S. § 6102 (corresponding to 63 P.S. § 456.302(MBBCEPA)).

15. The Mortgage Licensing Act requires a mortgage loan business applicant to disclose in their application for licensure all addresses where they will be conducting mortgage loan business. 7 Pa. C.S. § 6131(a)(1)(ii)(emphasis added), (corresponding to 63 P.S. § 456.304(a)(MBBCEPA)).

16. The Mortgage Licensing Act defines mortgage loan business as "the business of advertising, causing to be advertised, soliciting, negotiating or arranging in the ordinary course of business or offering to make or making mortgage loans." 7 Pa. C.S. § 6102 (corresponding to 63 P.S. § 456.302(MBBCEPA)).

17. Direct Finance engaged in unlicensed branching prohibited by the MBBCEPA and the Mortgage Licensing Act because it conducted mortgage loan business through the Seventeen Individuals at locations other than Direct Finance's Principal Location.

Authority of the Department

18. Section 6138(a)(4) of the Mortgage Licensing Act grants the Department broad authority to issue orders as may be necessary for the proper conduct of the mortgage loan

business and enforcement of the Mortgage Licensing Act. 7 Pa. C.S. § 6138(a)(4) (corresponding to 63 P.S. § 456.310(a)(MBBCEPA)).

19. 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) (corresponding to 63 P.S. § 456.314(c)(MBBCEPA)).

VIOLATIONS

20. Direct Finance is in violation of Section 304 of the MBBCEPA(a) and Section 6131(a)(1)(ii) of the Mortgage Licensing Act because it conducted mortgage loan business out of unlicensed branches in the year 2008.

RELIEF

21. Fine. Direct Finance agrees to pay a fine of fifteen thousand dollars (\$15,000) which shall be due and payable to the Department in fifteen (15) installments. The first installment of \$4,500 shall be due on or before February 1, 2011. Each subsequent payment of \$750 is due on or before the first of each month thereafter until the \$15,000 fine is paid in full on or before April 1, 2012. The fine payment shall be remitted by a company check, certified check or money order made payable to the Pennsylvania Department of Banking and sent to the attention of: Pennsylvania Department of Banking, Bureau of Compliance, Investigation and Licensing, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

FURTHER PROVISIONS

22. Consent. Direct Finance 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 herein. Direct Finance, 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 Direct Finance.

25. Binding Nature. The Department, Direct Finance, and all officers, owners, directors, employees, heirs and assigns of Direct Finance 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. Direct Finance hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order (the "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 Direct Finance in the future regarding all matters not resolved by this Order.

b. Direct Finance 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.

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

34. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

35. 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 and Direct Finance, Inc. 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**

Jouli Talalai, Administrator
Bureau of Compliance, Investigation and Licensing
Department of Banking

Date: 1-4-11

FOR DIRECT FINANCE, INC.

(Officer Signature)

(Print Officer Name)

(Title)

Date: 12-29-10