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2013 OCT -8 PM 2:42

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES  
DEPARTMENT OF BANKING AND SECURITIES

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COMMONWEALTH OF PENNSYLVANIA :	
DEPARTMENT OF BANKING AND :	
SECURITIES, BUREAU OF :	
COMPLIANCE AND LICENSING :	
v. :	
AMERICAN DISCOUNT MORTGAGE :	DOCKET NO. 13 <u>00ed</u> (BNK-CAO)
COMPANY AND THOMAS STUART :	
KING, individually :	

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**CONSENT AGREEMENT AND ORDER**

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Compliance and Licensing ("Bureau"), has conducted an investigation of American Discount Mortgage Company ("ADMC"), and its officers, employees and directors. Based on the results of its investigation, the Bureau concludes that ADMC and Thomas Stuart King ("Mr. King") operated in violation of 7 Pa. C.S. § 6101, *et seq.*, the Mortgage Licensing Act ("MLA"). 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, do 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 MLA.
2. The Bureau is primarily responsible for administering and enforcing the MLA for the Department.

3. ADMC is licensed by the Department as a mortgage broker, license number 20486, with a Nationwide Mortgage Licensing System and Registry ("NMLSR") identification number of 128518.

4. ADMC's principal place of business is 421 Lincoln Way East, Suite B, McConnellsburg, PA 17233.

5. Mr. King is the President and 100% owner of ADMC.

6. Mr. King is licensed by the Department as a Mortgage Loan Originator, license number 30503, with a NMLSR identification number of 128559.

7. Mr. King is the only licensed Mortgage Loan Originator sponsored by ADMC.

8. On or around June 13, 2013, the Department received a complaint regarding alleged unlicensed activity.

9. The Department conducted an investigation as a result of the complaint.

10. The investigation revealed that Mr. King accepted mortgage loan applications from Rick O. Conner, an individual prohibited for the remainder of his natural life from negotiating, arranging, advertising, soliciting, originating, or placing mortgage loans directly or indirectly into the primary market for consideration, as regulated by the Department. (*See Attachment A*)

11. The Department reviewed six loan files during its investigation.

12. All six loan applications in the loan files were signed by Mr. King as the mortgage originator.

13. Each of the loan files indicated that Mr. King either met face-to-face with the consumers or spoke over the telephone with the consumers to gather the information for the loan applications.

14. The Department interviewed the consumers whose loan files were reviewed.
15. Each of the consumers indicated to the Department that Mr. Conner, not Mr. King or ADMC, handled all aspects of their mortgage loan application.
16. Each consumer indicated to the Department that Mr. Conner, not Mr. King or ADMC, gathered their personal information and discussed loan amounts, interest rates and payments regarding their loans.
17. Each consumer indicated that they did not know or had not spoken with Mr. King or ADMC during the loan application process.
18. The MLA provides, in relevant part, that “no person shall engage in the mortgage loan business in this Commonwealth without being licensed as a mortgage broker, mortgage lender, mortgage loan correspondent or mortgage originator as provided under this chapter.” 7 Pa. C.S. § 6111(a).
19. Mr. Conner’s interactions with the consumers constitute mortgage loan origination under the MLA. *See* 7 Pa. C.S. § 6102.
20. The MLA prohibits a mortgage broker from conducting mortgage loan business through an unlicensed mortgage originator. *See* 7 Pa. C.S. § 6139(a)(14).
21. ADMC and Mr. King violated Section 6139(a)(14) of the MLA by transacting business through Mr. Conner, an unlicensed mortgage originator and an individual under a lifetime prohibition from the mortgage loan business to originate mortgage loans.
22. The MLA prohibits a mortgage broker from engaging “in dishonest, fraudulent or illegal practices or conduct in a business or unfair or unethical practices or conduct in connection with the mortgage loan business.” 7 Pa.C.S. § 6139(a)(3).

23. ADMC and Mr. King violated Section 6139(a)(3) of the MLA by indicating on six loan applications that he had met face-to-face or spoke over the phone with consumers to gather the information required on the loan applications.

24. The MLA prohibits a mortgage broker from demonstrating “negligence or incompetence in performing an act for which the licensee is required to hold a license under this chapter.” 7 Pa.C.S. § 6139(a)(10).

25. ADMC and Mr. King violated Section 6139(a)(10) of the MLA by accepting loan applications from Mr. Conner, an unlicensed mortgage originator and an individual under a lifetime prohibition from the mortgage loan business to originate mortgage loans.

#### Authority

26. Section 6138(a)(4) of the MLA grants the Department broad authority to issue orders as may be necessary for the proper conduct of the mortgage loan business and the enforcement of the MLA. 7 Pa. C.S. § 6138(a)(4).

27. Section 6138(a)(8) of the MLA provides the Department with the authority to impose such other conditions as the Department deems appropriate. 7 Pa.C.S. § 6138(a)(8).

28. The Department may fine a person licensed under the MLA up to \$10,000 for each offense for violating a provision of the MLA or for committing any action which would subject a licensee to suspension, revocation or nonrenewal under Section 6139 of the MLA. *See* 7 Pa.C.S. § 6140(b).

#### **RELIEF**

29. Fine. ADMC shall pay a fine of \$4,500 for violations of the Mortgage Licensing Act. The fine shall be due and payable on the following schedule: six (6) payments of \$750 with the first payment due and payable within thirty (30) days of the Effective Date of this Order

and subsequent payments due every 30 days thereafter until paid in full. The fine payments shall be made by certified check or money order made payable to the "Pennsylvania Department of Banking and Securities" and shall be mailed or delivered, in person, to the Compliance Division, Bureau of Compliance and Licensing located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

30. Corrective Action. ADMC and Mr. King shall immediately cease and desist from accepting mortgage loan applications from unlicensed mortgage originators, and will verify through the NMLSR that any mortgage originator with whom they do business is properly licensed.

#### **FURTHER PROVISIONS**

31. Consent. ADMC and Mr. King hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's order authority under the MLA and agrees that it or he understands all of the terms and conditions contained herein. ADMC and Mr. King, 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.

32. Publication. The Department will publish this Order pursuant to its authority in Section 302.A(5) of the Department of Banking Code. *See* 71 P.S. § 733-302.A(5).

33. Entire Agreement. This Order contains the entire agreement between the Department, ADMC and Mr. King. 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 Department and ADMC or Mr. King.

34. Binding Nature. The Department, ADMC, Mr. King, and all officers, owners, directors, employees, heirs and assigns of ADMC intend to be and are legally bound by the terms of this Order.

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

36. Effectiveness. ADMC and Mr. King hereby stipulate and agree that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

37. 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 ADMC or Mr. King in the future regarding all matters not resolved by this Order.

b. ADMC and Mr. King acknowledge 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.

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

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

40. 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 Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Compliance and Licensing, American Discount Mortgage Company, and Thomas Stuart King intending to be legally bound, do hereby execute this Consent Agreement and Order.

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

**FOR AMERICAN DISCOUNT  
MORTGAGE COMPANY**

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Ryan Walsh, Chief  
Bureau of Compliance and Licensing  
Department of Banking and Securities

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Thomas Stuart King, President and Owner  
American Discount Mortgage Company

Date: October 8, 2013

Date: 10-8-13