

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, COMPLIANCE OFFICE

PA DEPARTMENT OF
BANKING AND SECURITIES

v.

Docket No. 150019 (BNK-CAO)

FIRST HERITAGE FINANCIAL, LLC

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Compliance Office, conducted a review of First Heritage Financial, LLC ("First Heritage"), and its officers, employees and directors. Based on the results of the review, the Compliance Office ("Office") determines that First Heritage 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 ("MLA").
2. The Office is primarily responsible for administering and enforcing the MLA for the Department.
3. First Heritage is a multi-owned subsidiary of four (4) federally chartered credit unions.

4. As required by section 6112(7) of the MLA, First Heritage is registered with the Department for the purpose of having individuals under its direct supervision and control licensed as mortgage originators.

5. First Heritage maintains its principal place of business at 2655 Neshaminy Interplex Drive, Suite 105, Treose, Pennsylvania 19053.

Mortgage Originator License Suspension

6. As of January 1, 2009, individuals acting as mortgage loan originators were required to be licensed as mortgage loan originators pursuant to Section 6111(a) of the Mortgage Licensing Act. See Section 13 of H.B. 1654 (2009), 7 Pa. C.S. § 6111(a)

7. The Department licensed the mortgage loan originator in question ("mortgage originator") under license no. 29237 prior to the unlicensed activity.

8. In May 2013, the Department advised the mortgage originator that to remain licensed he needed to comply with the MLA's requirements and be sponsored by an employer.

9. The Department indicated to the mortgage originator that he needed provide the specific personal financial information and have a sponsor submit file by June 30, 2013.

10. The Department attempted several times to further communicate with the mortgage originator.

11. The mortgage originator never responded to the Department.

12. On August 14, 2013, the Department sent a letter to the mortgage originator addressed to the location in his contact information.

13. The letter notified the mortgage originator that the Department suspended license no. 29237 because the mortgage originator did not provide sponsorship information and failed to provide the Department with the specific personal financial information.

14. The letter further indicated that the Department already requested the sponsorship information, as well as other personal information, from the mortgage originator on several occasions.

15. The Department instituted the suspension after receiving no cooperation or information from the mortgage originator.

Mortgage Originator License Termination

16. Under the MLA, mortgage originators must submit a yearly renewal license application to the Department.

17. The Department requires mortgage originator licensees to submit renewal applications by November 1 every year.

18. The mortgage originator failed to remedy the reasons for the suspension and to timely submit a license renewal application for his suspended license no. 29237 by the November 1, 2013 deadline.

19. The Department canceled license no. 29237 effective on January 1, 2014 for failure to renew.

20. The Department notified the mortgage originator of the cancellation through an email to the address listed in his contact information.

Mortgage Originator Continuing Education

21. While unlicensed for failure to be sponsored, failure to provide requested personal documentation to the Department and failure to renew, the mortgage originator attempted to meet the continuing education requirements of Section 6131.1 of the MLA by taking classes in March of 2014. 7 Pa. C.S. § 6131.1.

22. First Heritage represents that in November 2014, the mortgage originator realized the March 2014 courses failed to fulfill the one (1) hour of Pennsylvania content specific material required by the MLA.

23. The mortgage originator completed the approved continuing education classes.

Mortgage Originator New License Issued

24. On or about March 17, 2015, the mortgage originator submitted a new application for a mortgage originator license to the Department.

25. The MLA requires that formerly licensed applicants demonstrate "that the applicant has completed all of the continuing education requirements for the year in which the applicant was last licensed under this chapter." 7 Pa. C.S. § 6131.1(b)(6).

26. The mortgage originator was last licensed in January 2014, when the Department canceled his license for failure to provide proof of sponsorship, failure to provide requested personal finance information and failure to renew.

27. At the time of application, the mortgage originator demonstrated that he completed the approved classes for 2014.

28. Upon receiving and reviewing the mortgage originator's new application, which contained the information requested in 2013, the Department issued a new mortgage originator license, license no. 50383, to the mortgage originator on March 30, 2015.

Unlicensed Period

29. On February 26, 2015, First Heritage self-reported to the Office that the unlicensed mortgage originator engaged in the mortgage loan business on its behalf.

30. Section 6112(7) of the MLA requires affiliates of federally chartered credit unions to "ensure employees required to be licensed as mortgage originators have completed the

requirements under section 6131.1 (relating to prelicensing and continuing education) and have obtained the required mortgage originator license.” 7 Pa. C.S. § 6112(7)

31. Based upon First Heritage’s self-report, the Department conducted a review.

32. First Heritage provided the Department with loan logs for the review.

33. The logs showed that the unlicensed activity occurred for a period of eighteen (18) months between August 2013 and December 2014.

34. First Heritage indicated to the Department that it failed to properly sponsor the mortgage originator in the NMLS system after hiring the mortgage originator.

35. First Heritage represented to the Department that the failure occurred due to its administrative error.

36. First Heritage supervised the mortgage originator throughout his unlicensed period.

37. First Heritage explained to the Department that an internal misunderstanding regarding the status of the mortgage originator’s suspended, then terminated, license caused the deficiencies to go undetected.

38. Because First Heritage failed to sponsor the mortgage originator in NMLS, First Heritage did not receive notice from NMLS that the mortgage originator’s license was suspended, then terminated.

39. First Heritage informed the Department that when it learned that the mortgage originator was unlicensed, it performed an internal investigation and instituted internal control measures to ensure that all mortgage originators are properly licensed and to prohibit unlicensed individuals from engaging in the mortgage business on behalf of First Heritage.

Authority of the Department

40. Section 6112(7) states that subsidiaries and affiliates of federally chartered credit unions are subject to certain provisions of the MLA, including sections 6138 and 6140(b). 7 Pa. C.S. § 6112(7).

41. 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).

42. The Mortgage Licensing Act permits the Department to suspend, revoke or refuse to renew a license of a licensee where that licensee is a mortgage broker and "...conducted the mortgage loan business through an unlicensed mortgage originator." 7 Pa. C.S. § 6139(a)(14)

43. 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).

VIOLATION

44. First Heritage violated the Mortgage Licensing Act by failing to ensure that all its mortgage loan originators met the requirements for continuing education credits and obtained the required mortgage originator license. 7 Pa. C.S. § 6139(a)(2)

RELIEF

45. Fine. First Heritage agrees to pay a fine of sixty thousand dollars (\$60,000) in twenty-four (24) installments of two thousand five hundred dollars (\$2,500). The first payment

shall be due to the Department within thirty (30) days of the Effective Date of this Order as defined in paragraph 52. The other payments shall be due every thirty (30) days thereafter until the total fine is paid. The payments shall be remitted by certified check made payable to the Pennsylvania Department of Banking and Securities and sent to the attention of: Pennsylvania Department of Banking and Securities, Compliance Office, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

46. Corrective Action. First Heritage shall not conduct mortgage business through an unlicensed mortgage originator

FURTHER PROVISIONS

47. Consent. First Heritage hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Office's order authority under the Mortgage Licensing Act and agrees that it understands all of the terms and conditions contained herein. First Heritage, 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.

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

49. 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 Office and First Heritage.

50. Binding Nature. The Department, First Heritage, and all officers, owners, directors, employees, heirs and assigns of First Heritage intend to be and are legally bound by the terms of this Order.

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

52. Effectiveness. First Heritage hereby stipulates and agrees that the Order shall become effective on the date that the Office executes the Order (the "Effective Date").

53. 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 First Heritage in the future regarding all matters not resolved by this Order.

b. First Heritage 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.

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

56. Counterparts. This Order may be executed in separate counterparts, by facsimile and electronic mail in portable document format (PDF).

57. 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 First Heritage Financial, LLC intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
COMPLIANCE OFFICE**

Redacted

Ryan Walsh, Director
Department of Banking and Securities
Compliance Office

Date: July 6, 2015

FOR FIRST/HERITAGE FINANCIAL, LLC

Redacted

(Officer Signature)

JOHN GIORDANO
(Print Officer Name)

PRESIDENT / CEO
(Title)

Date: 7.3.15