

You have the right to be represented by an attorney. Corporations may be required to be represented by an attorney.

The hearing and all other procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa. C.S. §§501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§31.1.-35.251.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

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

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: Docket No. 08 (ENF-C&D)
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v.

KEYSTONE LOAN & FINANCIAL
SERVICES, INC.

CEASE AND DESIST ORDER

WHEREAS, the Commonwealth of Pennsylvania, Department of Banking ("Department") is the Pennsylvania state governmental administrative agency authorized and empowered to administer and enforce the Mortgage Bankers and Brokers & Consumer Equity Protection Act ("MBBCEPA"), 63 P.S. §456.101 *et. seq.*, and

WHEREAS, the Department's Bureau of Compliance, Investigation and Licensing ("Bureau") is the Bureau within the Department with the primary responsibility of administering and enforcing the MBBCEPA, and

WHEREAS, Keystone Loan & Financial Services, Inc. ("Keystone Loan") is licensed as a first mortgage broker, license no. 14680, with its principal place of business located at 1325 N. River Street, Ste 205, Plains, PA 18702-1836 ("Principal Place"), and

WHEREAS, on May 3, 2007, an Examiner from the Department conducted an examination of Keystone Loan's Principal Place, and

WHEREAS, during the examination, the Examiner attempted to speak with the President of Keystone Loan, Jade C. Perrillo ("Mr. Perrillo"), but was told that he was too busy so the

Examiner dealt with a loan processor who was responsible for staffing the Principal Place, Kim Scazafabo ("Ms. Scazafabo"); Ms. Scazafabo responded to the Examiner's questions and inquiries, and

WHEREAS, the examination revealed that Keystone Loan committed several violations of the MBBCEPA, and

WHEREAS, the Bureau, through its Administrator Jack Talalai ("Mr. Talalai"), contacted Mr. Perrillo to discuss the violations, and

WHEREAS, Mr. Perrillo demanded proof of the violations which Mr. Talalai submitted to him, and

WHEREAS, since that initial conversation, Mr. Talalai had made various efforts to contact Mr. Perrillo to discuss the violations and a proper resolution of the matter but Mr. Perrillo has refused to return Mr. Talalai's telephone calls or respond to his correspondence, and

WHEREAS, the examination revealed that Keystone Loan had been paying loan officers to broker and close first mortgage loans on its behalf, and

WHEREAS, the loan officers were not licensed to engage in the first mortgage loan business in the Commonwealth, and

WHEREAS, Keystone Loan paid the loan officers by IRS Form 1099 as independent contractors, and

WHEREAS, because the loan officers were hired and paid as independent contractors then they were not W-2 employees of Keystone Loan, and

WHEREAS, the unlicensed loan officers had originated and closed four (4) first mortgage loans for Pennsylvania consumers and/or involving Pennsylvania property on behalf of Keystone Loan, and

WHEREAS, unlicensed loan officers also originated over 25 first mortgage loans involving Pennsylvania consumers and/or Pennsylvania property on behalf of Keystone Loan but the loans were withdrawn and/or denied, and

WHEREAS, Section 303(a) of the MBBCEPA provides, in relevant part, that “no person shall act as a mortgage banker, loan correspondent, mortgage broker or limited mortgage broker in this Commonwealth without a license as provided for in this chapter. . . .,” 63 P.S. §456.303(a), and

WHEREAS, persons are not required to be licensed to conduct first mortgage loan business if they are “[e]mployees of a mortgage banker, mortgage broker and loan correspondent licensee or excepted persons acting for their employers,” 63 P.S. §456.303(b)(11), and

WHEREAS, “[a]ny person licensed under the provisions of this chapter . . . who shall violate the provisions of this chapter or *shall direct or consent to such violations* shall be subject to a fine levied by the department of up to \$2,000 for each offense,” 63 P.S. §456.314(c) (emphasis added), and

WHEREAS, because the loan officers were not employees of Keystone Loan and were not licensed to conduct first mortgage loan business in the Commonwealth when they originated and closed the loans on behalf of Keystone Loan, the loan officers violated the MBBCEPA by engaging in unlicensed activity, and

WHEREAS, by paying the unlicensed loan officers to originate and close first mortgage loans in the Commonwealth on its behalf as independent contractors, rather than W-2 employees, Keystone Loan directed and consented to their violations of the MBBCEPA, and

WHEREAS, the examination also revealed the Keystone Loan was not maintaining a full-time W-2 employee at its Principal Place, and

WHEREAS, the MBBCEPA requires a licensee to maintain a principal place of business, 63 P.S. §§456.305(a), 456.308(a)(2),(a)(4), and

WHEREAS, the principal place of business is “[t]he primary office of the licensee located in this Commonwealth which is staffed on a full-time basis and at which books, records, accounts and documents are to be maintained,” 63 P.S. §456.302, and

WHEREAS, the MBBCEPA contemplates that the principal place of business will be staffed by a W-2 employee of the licensee, 63 P.S. §456.303(b)(11), and

WHEREAS, the examination revealed that Keystone Loan retained a loan processor, Ms. Scazafabo, to staff the Principal Place, and

WHEREAS, Ms. Scazafabo was not licensed by the Department to engage in the first mortgage business in the Commonwealth, and

WHEREAS, Ms. Scazafabo was paid by Keystone Loan as a 1099 independent contractor rather than a W-2 employee, and

WHEREAS, by failing to have a full-time employee staff the Principal Place, Keystone Loan violated the MBBCEPA, and

WHEREAS, the examination also revealed that Keystone Loan was not maintaining the required continuing education credit hours for at least one mortgage professional at the Principal Place, and

WHEREAS, Keystone Loan did not complete the continuing education requirements for the renewal period ending June 30, 2006, and

WHEREAS, Section 304(e) of the MBBCEPA provides, *inter alia*, that, “[t]o maintain a mortgage banker’s, a loan correspondent’s or a mortgage broker’s license, the applicant or licensee shall demonstrate to the satisfaction of the secretary that at least one individual from

each licensed office has attended a minimum of six hours of such continuing education each year,” 63 P.S. §456.304(e), and

WHEREAS, the regulations governing the MBBCEPA provide that, “a licensee shall demonstrate to the satisfaction of the Department that: [i]n the case of a mortgage banker, mortgage broker or loan correspondent, the licensee maintains at least one separate mortgage professional at each licensed office who has successfully completed during the annual renewal period at least 6 credit hours of continuing education programs,” 10 Pa. Code §44.2(a)(1), and

WHEREAS, the “annual renewal period” is “[t]he licensing term commencing July 1 of 1-calendar year and ending on June 30 of the following calendar year,” 10 Pa. Code §44.1, and

WHEREAS, by failing to have at least one mortgage professional at the licensed office complete the required continuing education requirement for the June 30, 2006 annual renewal period, Keystone Loan violated the MBBCEPA, and

WHEREAS, Section 310(a) of the MBBCEPA grants the Department broad authority to issue orders for the enforcement of the MBBCEPA, 63 P.S. §456.310(a), and

AND NOW THEREFORE, because Keystone Loan directed and consented to unlicensed activity by accepting first mortgage loans from loan officers that were not licensed to conduct first mortgage business in the Commonwealth, did not have its Principal Place staffed with a W-2 employee on a full-time basis, and failed to maintain the continuing education requirements for the June 30, 2006 annual renewal period, the Bureau, under the authority cited above, hereby imposes the following Order (“Order”). Upon the Effective Date of this Order¹:

¹ The Effective Date of this Order is the date a final order is entered. Please refer to the attached Notice of Right to Appeal and Hearing for when a final order can be entered.

1. Keystone Loan shall pay a fine, within thirty (30) days of the Effective Date of this Order, to the Department in the amount of \$14,000. Keystone Loan shall remit a certified check or money order made payable to the "Department of Banking" and be forwarded to the Attention of the following: Department of Banking, Bureau of Compliance, Investigation and Licensing, 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

2. Keystone Loan shall cease and desist from accepting or closing first mortgage loans and/or secondary mortgage loan applications from any unlicensed persons, including, but not limited to, those acting as independent contractors.

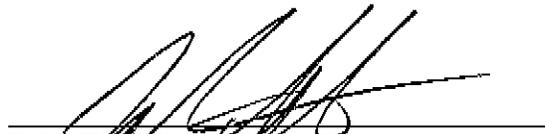
3. Keystone Loan shall employ persons that originate or broker loans on its behalf and will properly reflect their compensation on a W-2 form as required by the Internal Revenue Service.

4. Keystone Loan shall have at least one knowledgeable, full-time W-2 employee staff its Principal Place of business at all times.

5. Keystone Loan shall have at least one licensed mortgage professional or employee maintain the continuing education requirements as set forth in the MBBCEPA and its regulations.

6. Nothing in this Order shall prevent the Bureau from taking any further administrative action as deemed necessary.

IT IS SO ORDERED.



John Tatalai, Administrator
Department of Banking,
Bureau of Compliance, Investigation and Licensing

6/24/2008
(Date)

