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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING, BUREAU OF
SUPERVISION AND ENFORCEMENT

PA DEPT OF BANKING

v.

Docket No. 08-0006 (CO)

RELiance MORTGAGE, L.L.C.

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking, ("Department") Bureau of Examinations has conducted an examination into the business practices of Reliance Mortgage, L.L.C., ("Reliance Mortgage"), and its officers, employees and directors. Based on the results of the examination, the Bureau of Supervision and Enforcement ("Bureau") believes that Reliance Mortgage operated in violation of the Mortgage Bankers and Brokers & Consumer Equity Protection Act ("MBBCEPA"), 63 P.S. § 456.101 et seq. and the Secondary Mortgage Loan Act ("SMLA"), 7 P.S. § 6601 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 MBBCEPA and the SMLA.
2. The Bureau is primarily responsible for administering and enforcing the MBBCEPA and the SMLA for the Department.

3. Reliance Mortgage is licensed as a First Mortgage Broker, license no. 10368, and as a Secondary Mortgage Broker, license no. 10369, with a Pennsylvania principal place of business ("Principal Place") located at 662 Route 739, Lords Valley, PA 18428.

4. On March 26, 2007 and March 29, 2007, an examiner of the Department conducted an on-site examination (Examination) of Reliance Mortgage at the Principal Place.

VIOLATIONS

5. The Examination revealed that on at least seven (7) occasions, Reliance Mortgage permitted an individual to broker, on its behalf, residential first mortgage loans in Pennsylvania without a license and compensated this individual as an independent contractor by IRS Form 1099.

6. Reliance Mortgage knew that the individual brokering loans on its behalf was not licensed in Pennsylvania but nevertheless processed the individual's loans and closed the first mortgage loans in its name.

7. 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.*" 63 P.S. § 456.303(a) (emphasis added).

8. Section 309(a)(1) provides, in relevant part, that "[a] license shall not . . . [t]ransact *any* business subject to the provisions of this chapter under any other name except those designated in its license." 63 P.S. §456.309(a)(1) (emphasis added).

9. Section 314(c) of the MBBCEPA provides that, "[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).

10. By processing and closing first mortgage loans originated by an unlicensed broker, Reliance Mortgage transacted business with an unlicensed broker and, therefore, violated Section 309(a)(1) of the MBBCEPA.

11. Moreover, by transacting business with an unlicensed broker, Reliance Mortgage consented to the unlicensed activity in violation of Sections 303(a) and 314(c) of the MBBCEPA.

12. The Examination also revealed that on at least one (1) occasion, Reliance Mortgage permitted an individual to broker, on its behalf, a residential secondary mortgage loan in Pennsylvania without a license and compensated this individual as an independent contractor with an IRS Form 1099.

13. Reliance Mortgage knew that the broker was unlicensed but nevertheless processed and closed the secondary mortgage loan.

14. Section 3(a)(2) of the SMLA provides, in relevant part that, “[n]o person shall engage in the business of being a secondary mortgage loan broker until after first obtaining a license from the secretary” 7 P.S. §6603(a)(2).

15. Section 11(1) of the SMLA provides, *inter alia*, that “[a] secondary mortgage loan licensee and a secondary mortgage loan broker licensee shall not . . . [t]ransact *any* business . . . under any other name except that designated in its license.” 7 P.S. §6611(1) (emphasis added).

16. Section 22(b) of the SMLA provides, in relevant part, that,

a corporation licensed under this provisions of this act or any director, officer, employee or agent who shall violate any provision of this act *or shall direct or consent to such violations*, shall be subject to a fine of \$2,000.

7 P.S. §6622(b) (emphasis added).

17. By processing and closing the secondary mortgage loan originated by an unlicensed broker, Reliance Mortgage transacted business with an unlicensed broker in violation of Section 11(1) of the SMLA.

18. Further, by transacting business with an unlicensed broker, Reliance Mortgage consented to the unlicensed broker's activity in violation of Sections 3(a)(2) and 22(b) of the SMLA.

RELIEF

19. Fine. Within thirty (30) days of the Effective Date of this Order, Reliance Mortgage agrees to pay the Department a fine of \$4,000. Payment will be remitted by certified check or money order made payable to the "Department of Banking" and will be sent to the Attention of the Non-Depository Institutions, Supervision and Enforcement located at 17 N. Second Street, 13th Floor, Harrisburg, PA 17101.

20. Corrective Action.

a. Reliance Mortgage further agrees that it shall cease and desist from accepting, processing and/or closing first or secondary residential mortgage loan applications from any and all unlicensed persons including, but not limited to, those persons acting as independent contractors or otherwise.

b. Reliance Mortgage further agrees that it will employ persons originating or brokering loans on their behalf and will properly reflect their compensation on a W-2 form as required for employees by the Internal Revenue Service.

FURTHER PROVISIONS

21. Consent. Reliance Mortgage hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's order authority under the

MBBCEPA and SMLA and agrees that it understands all of the terms and conditions contained herein. Reliance Mortgage, 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.

22. Publication and Release. Reliance Mortgage consents to the publication and release of this Order.

23. 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 Reliance Mortgage.

24. Binding Nature. The Bureau, Reliance Mortgage, and all officers, owners, directors, employees, heirs and assigns of Reliance Mortgage intend to be and are legally bound by the terms of this Order.

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

26. Effectiveness. Reliance Mortgage hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order (the "Effective Date").

27. 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 Reliance Mortgage in the future regarding all matters not resolved by this Order.

b. Reliance Mortgage 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.

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.

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 and Reliance Mortgage intending to be legally bound do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING, BUREAU OF
SUPERVISION AND ENFORCEMENT**

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Bureau of Supervision and
Enforcement
Department of Banking

Date: January 11, 2008

Patricia L. Macie
(Print Officer Name)

Owner - Pres.
(Title)

Date: 1-8-08