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COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING 2009 APR 27 PM 4:50

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COMMONWEALTH OF PENNSYLVANIA	:	PA DEPT OF BANKING
DEPARTMENT OF BANKING, BUREAU	:	Docket No. : 09 <u>0570</u> (ENF-CO)
OF COMPLIANCE, INVESTIGATION	:	
AND LICENSING	:	
	:	
	:	
v.	:	
HANSEN FINANCIAL SERVICES, INC.	:	
D/B/A HANSEN MORTGAGE SERVICES,	:	
INC. D/B/A WWW.HANSENMTG.COM	:	
	:	
AND HANSEN CHENG, individually.	:	

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**CONSENT AGREEMENT AND ORDER**

The Commonwealth of Pennsylvania, acting through the Department of Banking (the "Department"), Bureau of Examinations, has conducted an examination of Hansen Financial Services, Inc. d/b/a Hansen Mortgage Services, Inc. d/b/a www.hansenmtg.com ("Hansen Mortgage") and its officers, employees and directors including Hansen Cheng. Based on the results of the examination, the Bureau of Compliance, Investigation and Licensing (the "Bureau") believes that Hansen Mortgage operated in violation of 7 Pa. C. S. § 6101 et seq. (the "Mortgage Act"). 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 (the "Order").

**BACKGROUND**

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the Mortgage Act.

2. The Bureau is primarily responsible for administering and enforcing the Mortgage Act for the Department.

3. The Mortgage Act is the successor statute to Chapter 3 of the Mortgage Bankers and Brokers and Consumer Equity Protection Act (the "MBBCEPA"), 63 P.S. § 456.301 et seq., and the Secondary Mortgage Loan Act (the "SMLA"), 7 P.S. § 6601 et seq. On November 5, 2008, Chapter 3 of the MBBCEPA and the SMLA were repealed by operation of law and replaced by the Mortgage Act.

4. Hansen Mortgage was licensed as Loan Correspondent, license no. 0129, pursuant to the MBBCEPA and as a Secondary Mortgage Broker, license no. 0613, pursuant to the SMLA.

5. Hansen Mortgage was granted a conditional license pursuant to the Mortgage Act on November 5, 2008.

6. Hansen Mortgage is currently conditionally licensed as a Mortgage Loan Correspondent pursuant to the Mortgage Act.

7. Hansen Mortgage currently maintains its principal place of business in Pennsylvania at 2141 Downyflake Lane, Allentown, PA 18103-4774 (the "Principal Place").

8. Hansen Mortgage currently maintains a branch license at the 1023 Cherry Street, Philadelphia, PA (the "Branch Location").

9. On August 18, 2008, an examiner from the Department initiated an examination of Hansen Mortgage at the Principal Place (the "Examination").

10. At the time of the Examination, the Principal Place and the Branch Location were the only licensed locations of Hansen Mortgage.

Internal Controls

11. The Examination revealed a number of warning indicators representing that a Loan Officer conveyed false or misleading information to mortgage lenders. The warning indicators included the following issues:

- (a) altered documents; and
- (b) borrower signature inconsistencies.

12. During the Examination, the examiner reviewed the policies and procedures that Hansen Mortgage had in place to internally control and mitigate the dissemination of false or misleading information to first mortgage loan lenders.

13. The examiner's review and subsequent interview with President Hansen Cheng concluded that Hansen Mortgage did not have sufficient internal controls in place to control and mitigate the dissemination of false or misleading information to first mortgage loan lenders.

14. As a result of the Examination, Hansen Cheng agreed that the warning indicators that were found during the Examination were serious issues that were probably the result of negligent loan officers and a lack of internal controls to monitor the accuracy of information that was presented by loan originators to mortgage loan lenders.

15. Since Hansen Cheng admitted that no internal controls were in place at Hansen Mortgage that actively detected, reviewed, and halted the passing of inaccurate or fraudulent information to mortgage loan lenders, Hansen Mortgage demonstrated negligence and incompetence as provided in Section 6139(a)(10) of the Mortgage Act (corresponding to Section 313(a)(14) of the MBBCEPA).

Unlicensed Activity

16. The Examination revealed that Hansen Mortgage originated five (5) Pennsylvania first mortgage loans from two (2) unlicensed locations.

17. Specifically, Hansen Mortgage provided the examiner with a spreadsheet (the "Spreadsheet") that listed the loan officer names and a listing of the status of current employees.

18. President Hansen Cheng admitted that the five (5) loans were originated from unlicensed locations.

19. The Mortgage 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).

20. Section 6131(a)(1)(ii) of the Mortgage Act (corresponding to Section 304(a) of the MBBCEPA and Section 4(a)(5) of the SMLA) provides, in relevant part, that an application for licensure shall include ". . . the address *or addresses* where the applicant's mortgage loan business is to be conducted." 7 Pa.C.S. § 6131(a)(1)(ii) (emphasis added) (corresponding to 63 P.S. § 456.304(a) and 7 P.S. § 6604(a)(5)).

21. Section 6132(b)(2) of the Mortgage Act (corresponding to Section 305(a) of the MBBCEPA and Section 5 of the SMLA) provides that a licensee must pay a renewal fee for each branch office. 7 Pa.C.S. § 6132(b)(2) (corresponding to 63 P.S. § 456.305(a) and 7 P.S. § 6605).

22. Thus, based on the foregoing, any office of a licensee where mortgage loan business is conducted under the Mortgage Act must be licensed as a branch pursuant to the Mortgage Act.

Unlicensed Name

23. The Examination revealed that employees of Hansen Mortgage had originated five (5) loans under the name Global Equity Lending, Inc., from the former principal place of business in Pennsylvania for Hansen Mortgage located at 1023 Arch Street, Philadelphia, PA 18103.

24. Section 6136(a) of the Mortgage Act (corresponding to Section 309(a)(1) of the MBBCEPA and Section 11(1) of the SMLA) provides that “[a] licensee cannot transact any business under this chapter under any other name or names except those names designated in its license. . . .” 7 Pa. C.S. § 6136(a) (corresponding to 63 P.S. § 456.309(a)(1) and 7 P.S. § 6611(1)).

Net Worth

25. During a review of the Hansen Mortgage financial statements, it was determined that the licensee was not maintaining, at all times, the net worth required to be licensed as a loan correspondent.

26. Section 6131(d)(2) of the Mortgage Act (corresponding to Section 304(b.1)(ii) of the MBBCEPA) provides in relevant part that the Department shall issue a loan correspondent’s license if the applicant “[e]stablishes a minimum tangible net worth of \$100,000 at the time of application and will, at all times thereafter, maintain the minimum tangible net worth.” 7 Pa.C.S. § 6131(d)(2) (corresponding to 63 P.S. § 456. 304(b.1)(ii)).

27. By not maintaining the \$100,000 net worth required to be licensed as a loan correspondent, Hansen Mortgage was in violation of the Mortgage Act and thus did not qualify for licensure.

Authority of the Department

28. Section 6138(a)(4) of the Mortgage Act (corresponding to Section 310(a) of the MBBCEPA and Section 16(1) of the SMLA) provides the Department with authority to issue orders as may be necessary for the proper conduct of the mortgage loan business and the enforcement of the Mortgage Act. 7 Pa.C.S. § 6138(a)(4) (corresponding to 63 P.S. § 456.310(a) and 7 P.S. § 6616(1)).

29. Section 6139(a)(10) of the Mortgage Act (corresponding to Section 313(a)(14) of the MBBCEPA) provides, in relevant part, that the Department may suspend, revoke or refuse to renew a license issued pursuant to the Mortgage Act if a licensee or director, officer, partner, employee or owner of a licensee has “[d]emonstrated 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) (corresponding to 63 P.S. § 456.313(a)(14)).

30. Section 6140(b) of the Mortgage Act (corresponding to Section 314(c) of the MBBCEPA and Section 22(b) of the SMLA) 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) and 7 P.S. § 6622(b)).

**VIOLATIONS**

31. Hansen Mortgage is in violation of the following sections of the Mortgage Act:

- a. Section 6139(a)(10) by allowing fraudulent information to be submitted by loan originators to lenders thus demonstrating negligence and incompetence under the Mortgage Act;
- b. Sections 6131(a)(1)(ii) and 6132(b)(2) by conducting mortgage loan business from unlicensed locations;
- c. Section 6136(a ) by transacting business in a name not designated on the license; and
- d. Section 6131(d)(2) by not maintaining the minimum net worth required to hold a loan correspondent license.

**RELIEF**

32. Fine. Hansen Mortgage agrees to pay a fine of five thousand dollars (\$5,000) which shall be due and payable to the Department within thirty (30) days of the Effective Date of this Order. The fine payment shall be remitted by a certified check or money order made payable to the Pennsylvania Department of Banking and sent to the attention of Compliance Division, Bureau of Compliance, Investigation and Licensing, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

33. Suspension. Hansen Mortgage's Mortgage Loan Correspondent license is hereby suspended from the Effective Date of the Order until such time as Hansen Mortgage submits an acceptable internal control plan (the "Plan") to the Bureau which discloses how policies and procedures will be implemented to actively detect warning indicators of fraud and/or misrepresentation, review those warning indicators, and mitigate the dissemination of inaccurate or fraudulent information to mortgage loan lenders. The Plan shall provide policies and procedures which include, but are not limited to: compliance with the Mortgage Act, the

procurement and implementation of a third party vendor's services or equivalent software services devised for the early detection and mitigation of inaccurate mortgage loan information, and the training of Hansen Mortgage's employees and managers in fraud detection.

Hansen Mortgage shall send the Plan to the attention of Ryan M. Walsh, Administrator, Pennsylvania Department of Banking, Bureau of Compliance, Investigation and Licensing, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

The Bureau shall review the Plan and approve or refuse to approve the Plan within fifteen (15) days of the submission of the Plan. Approval of the Plan shall not be unreasonably withheld. If the Bureau does not approve the Plan, the Bureau shall provide comments on why the Plan is unacceptable and allow Hansen Mortgage the opportunity to resubmit the Plan with the appropriate changes. The submission process shall continue unless and until such time as the Bureau approves the Plan.

34. Financials. Within fifteen (15) days of the Effective Date of this Order, Hansen Mortgage shall submit to the Bureau to the attention of Ryan Walsh, the 2008 audited financials along with interim financials through February 2009 in order to verify compliance with the net worth requirements of the Mortgage Act.

35. Corrective Measures. Upon the Effective Date of this Order, Hansen Mortgage and Hansen Cheng shall:

- a. adhere to the internal control plan as described in paragraph 33;
- b. cease originating loans from unlicensed locations;
- c. cease originating loans in names not designated on the license; and
- d. at all times, maintain the required net worth required for licensure under the Mortgage Act.

36. Abeysance. Hansen Mortgage and Hansen Cheng agree that if the Bureau determines that Hansen Mortgage and/or Hansen Cheng have violated this Order, the Bureau shall order an immediate suspension of Hansen Mortgage license and an immediate prohibition of Hansen Cheng from the mortgage business as regulated by the Mortgage Act for a period of five (5) years.

#### FURTHER PROVISIONS

37. Consent. Hansen Mortgage and Hansen Cheng hereby knowingly, willingly, voluntarily and irrevocably consent to the entry of this Order pursuant to the Bureau's order authority under the Mortgage Act and agree that they understand all of the terms and conditions contained therein. Hansen Mortgage and Hansen Cheng, by voluntarily entering into this Order, waive any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

38. 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).

39. 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, Hansen Mortgage and Hansen Cheng.

40. Binding Nature. The Department, Hansen Mortgage and Hansen Cheng intend to be and are legally bound by the terms of this Order.

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

42. Effectiveness. Hansen Mortgage and Hansen Cheng hereby stipulate and agree that the Order shall become effective on the date that the Bureau executes the Order (“Effective Date”).

43. 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 Hansen Mortgage and Hansen Cheng in the future regarding all matters not resolved by this Order.

b. Hansen Mortgage and Hansen Cheng 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.

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

45. Counterparts. This Order may be executed in separate counterparts and by facsimile.

46. 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, Hansen Mortgage and Hansen Cheng 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

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Ryan M. Walsh, Administrator  
Bureau of Compliance,  
Investigation and Licensing  
Department of Banking

Date: April 27, 2009

FOR HANSEN FINANCIAL SERVICES, INC.  
D/B/A HANSEN MORTGAGE SERVICES, INC.  
D/B/A WWW.HANSENMTG.COM

FOR HANSEN CHENG

\_\_\_\_\_  
(Officer Signature) ✓

Hansen Cheng  
(Print Officer Name)

President  
(Title)

Date: 4/27/09

\_\_\_\_\_  
(Signature) ✓

Hansen Cheng  
(Print Name)

Date: 4/20/09