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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING 2009 MAR -6 PM 1:12

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| COMMONWEALTH OF PENNSYLVANIA | : | PA DEPT OF BANKING |
| DEPARTMENT OF BANKING, BUREAU OF | : | |
| COMPLIANCE, INVESTIGATION AND | : | |
| LICENSING | : | |
| | : | Docket No.: 09 <u>0038</u> (ENF-ORD) |
| v. | : | |
| | : | |
| FRANK A. KARTESZ, II | : | |

ORDER OF PROHIBITION

WHEREAS, the Department of Banking (the "Department") is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce 7 Pa. C.S. § 6101 et seq.; and

WHEREAS, the Bureau of Compliance, Investigation and Licensing (the "Bureau") is primarily responsible for administering and enforcing the Mortgage Act for the Department; and

WHEREAS, 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 On November 5, 2008, Chapter 3 of the MBBCEPA and the SMLA were repealed by operation of law and replaced by the Mortgage Act; and

WHEREAS, Regal Financial Services was a licensed as a mortgage broker by the Pennsylvania Department of Banking with a first broker license number 4463 and a second broker license number 1976, until November 27, 2006; and

WHEREAS, Regal Financial Services operated a licensed branch office in Erie until May, 10, 2006; and

WHEREAS, Frank A. Kartesz II ("Kartesz") was President of K&D Enterprises of Erie, Inc.; and

WHEREAS, on January 31, 2008 the United States Attorneys' Office filed an Information against Kartesz, (See Information attached as Exhibit A); and

WHEREAS, from January 2003 through March 2006, according to the Information, Kartesz, acting personally and through A&M Homes, RLD Enterprises and K&D Enterprises of Erie, Inc., conspired to purchase distressed properties in the Erie, Pennsylvania area with the intent to sell these properties at drastically and artificially inflated prices; and

WHEREAS, the Information states that the properties were then sold for inflated prices claiming that improvements had been done, when in fact, they were not; and

WHEREAS, the Information states that, in order to qualify borrowers for loans, Kartesz would deposit funds into the borrowers' bank accounts, and in some instances, include private second or third mortgages without the knowledge of the lenders; and

WHEREAS, the Information included counts of Mail Fraud, Wire Fraud and Bank Fraud; and

WHEREAS, the counts of Mail Fraud, Wire Fraud and Bank Fraud relate to the mortgage industry; and

WHEREAS, on August 6, 2008, Kartesz pled guilty to counts one and two of the Information (See Arraignment Plea attached as Exhibit B); and

WHEREAS, Section 6138(a)(4) of the Mortgage Act (corresponding to Section 310(a) of the MBBCEPA and Section 16(1) of the SMLA) grants the Department broad authority to

issue orders as may be necessary for 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)); and

AND NOW THEREFORE, based upon the foregoing recitals, the Bureau, under the authority cited above, hereby imposes the following order. **Upon the effective date of this Order:**

1. Pursuant to the Department's authority under Section 6138(a)(4) (corresponding to Section 310(a) of the MBBCEPA and Section 16(1) of the SMLA), Frank A. Kartesz, II, as a natural person or as a corporation or as any other form of organization of any kind whatsoever, is hereby prohibited from working in the mortgage loan business as regulated by the Mortgage Act as a licensee, employee, independent contractor, agent, representative, or in any other capacity of any kind whatsoever, in any way whatsoever.

IT IS SO ORDERED.

Date: March 6, 2009

Ryan M. Walsh, Administrator
Department of Banking,
Bureau of Compliance, Investigation and Licensing
Market Square Plaza
17 N. 2nd Street, Suite 1300
Harrisburg, PA 17101

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **Order of Prohibition** upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code § 33.31:

BY FIRST CLASS MAIL and CERTIFIED MAIL

Frank A. Kartesz, II
Register # 20551-068
FCI Morgantown
Federal Correctional Institution
P.O. Box 1000
Morgantown, WV 26507

Dated this 6th day of March, 2009.

Linda Carroll
Commonwealth of Pennsylvania
Department of Banking
17 North Second Street, Suite 1300
Harrisburg, PA 17101
(718) 787-1471