

Once you file your petition appealing the Order and requesting a hearing, you will be notified of the hearing date, time, place, the person who will preside at your hearing, and any other pertinent information.

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.

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

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PA DEPT OF BANKING

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

Docket No. : 10 0226 (ENF-ORD)

v.

NORTHSTAR ALLIANCE, INC.

ORDER

WHEREAS, the Department of Banking ("Department") is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce 7 Pa. C.S. § 6101 et seq. (the "Mortgage Licensing Act") and the Proper Conduct of Lending and Brokering in the Mortgage Loan Business regulation (the "Proper Conduct Regulation"), 10 Pa. Code § 46.1 et seq.; and

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

WHEREAS, the Proper Conduct Regulation was enacted on December 20, 2008, by virtue of publication in the *Pennsylvania Bulletin* (Vol. 38, No. 51); and

WHEREAS, the Mortgage Licensing Act was amended on August 5, 2009 by Act 31 of 2009, H.B. 1654 (P.N. 2448); and

WHEREAS, Northstar Alliance, Inc. ("Northstar Alliance") is currently licensed as a Mortgage Lender, license no. 30803, with a Nationwide Mortgage Licensing System and Registry ("NMLSR") identification number of 78988; and

WHEREAS, Department and NMLSR records indicate that Northstar Alliance maintains its principal place of business at 333 Queen Street, Suite 700, Honolulu, HI 96813 and maintains Pennsylvania licensed branch locations in Allentown, PA and Newton, PA; and

WHEREAS, on or around September 21, 2010 the Bureau became aware that Northstar Alliance's warehouse line of credit had been suspended due to a repurchase request and that Northstar Alliance was no longer funding loans that had closed and that Northstar Alliance was obligated to fund; and

WHEREAS, in addition to loans in Washington and Hawaii that Northstar Alliance did not fund, the Bureau became aware of three Pennsylvania consumers whose loans closed, but that Northstar Alliance did not fund as required per the Proper Conduct Reg and Federal Regulation Z; and

Loan

WHEREAS, on September 1, 2010, Pennsylvania consumers _____ and _____ (the _____) closed on a conventional refinance mortgage loan with Northstar Alliance that Northstar Alliance committed to close (the _____ Loan"); and

WHEREAS, "closed," "loan closing" and similar terms refer to the fact that a mortgage loan agreement was entered into and legally binding documents were signed to evidence that mortgage loan agreement; and

WHEREAS, the settlement company which was handling the execution of the paperwork for the _____ provided copies of the closing documents to the Bureau (See signed copies HUD-1 Settlement Statement, Mortgage, and Note, true and correct copies of which are attached hereto as Exhibits A, B and C respectfully); and

WHEREAS, the Loan was obtained to refinance a property located at

Scranton, PA 18510; and

WHEREAS, on or around September 20, 2010, the Bureau became aware that Northstar Alliance did not fund the Loan; and

WHEREAS, Federal Reserve Regulation Z, Truth-in-Lending, 12 CFR 226.23, provides that a residential mortgage borrower has three business days by which to rescind a mortgage loan such as the Loan; and

WHEREAS, according to Federal Reserve Regulation Z, Truth-in-Lending, 12 CFR 226.23, the had until midnight on September 7, 2010, by which to rescind the Loan; and

WHEREAS, the did not rescind the Loan; and

WHEREAS, because the did not rescind the Loan, Northstar Alliance was required to disburse the proceeds from the Loan on September 8, 2010; and

WHEREAS, in order to prevent harm to the the title company funded the loan itself for the ;

WHEREAS, on or around September 21, 2010, the Department received information that Northstar Alliance may have provided the funding to the title company; and

WHEREAS, the dealt in good faith with Northstar Alliance; and

WHEREAS, Northstar Alliance's failure to fund the Loan may have caused the harm and damages; and

Loan

WHEREAS, on September 9, 2010, Pennsylvania consumers and (the) closed on a Veterans Administration insured refinance mortgage loan with Northstar Alliance that Northstar Alliance committed to close (the Loan”); and

WHEREAS, “closed,” “loan closing” and similar terms refer to the fact that a mortgage loan agreement was entered into and legally binding documents were signed to evidence that mortgage loan agreement; and

WHEREAS, the mortgage broker for the provided copies of the closing documents to the Bureau (See signed copies HUD-1 Settlement Statement, Mortgage, and Note, true and correct copies of which are attached hereto as Exhibits D, E and F respectfully); and

WHEREAS, the Loan was obtained to refinance a property located at Reading, PA 19611; and

WHEREAS, on or around September 20, 2010, the Bureau became aware that Northstar Alliance did not fund the Loan; and

WHEREAS, Federal Reserve Regulation Z, Truth-in-Lending, 12 CFR 226.23, provides that a residential mortgage borrower has three business days by which to rescind a mortgage loan such as the Loan; and

WHEREAS, according to Federal Reserve Regulation Z, Truth-in-Lending, 12 CFR 226.23, the had until midnight on September 13, 2010, by which to rescind the Loan; and

WHEREAS, the did not rescind the Loan; and

WHEREAS, because the did not rescind the Loan, Northstar Alliance was required to disburse the proceeds from the Loan on September 14, 2010; and

WHEREAS, as of the filing date of this Order, the _____ Loan has not yet been funded;
and

WHEREAS, the _____ dealt in good faith with Northstar Alliance; and

WHEREAS, Northstar Alliance's failure to fund the _____ Loan may have caused the
harm and damages; and

_____ Loan

WHEREAS, on September 13, 2010, Pennsylvania consumer _____ (the
_____) closed on a refinance mortgage loan with Northstar Alliance (the
Loan"); and

WHEREAS, the company provided copies of the closing documents to the Bureau. (See
signed copies HUD-1 Settlement Statement, Mortgage, Note, and TILA Disclosure true and
correct copies of which are attached hereto as Exhibits G, H, I and J respectfully); and

WHEREAS, the _____ Loan was obtained to refinance a property located at
Allentown, PA 18103; and

WHEREAS, on or around September 20, 2010, the Bureau became aware that Northstar
Alliance did not fund the _____ Loan; and

WHEREAS, Federal Reserve Regulation Z, Truth-in-Lending, 12 CFR 226.23, provides
that a residential mortgage borrower has three business days by which to rescind a mortgage loan
such as the _____ Loan; and

WHEREAS, according to Federal Reserve Regulation Z, Truth-in-Lending, 12 CFR
226.23, the _____ had until midnight on September 16, 2010, by which to rescind the
_____ Loan; and

WHEREAS, the Bureau has no knowledge or information to believe that the
rescinded the Loan; and

WHEREAS, because the did not rescind the Loan, Northstar
Alliance was required to disburse the proceeds from the Loan on September 17,
2010; and

WHEREAS, as of the filing date of this Order, the Loan has not yet been
funded; and

WHEREAS, the dealt in good faith with Northstar Alliance; and

WHEREAS, Northstar Alliance's failure to fund the Loan may have caused
the harm and damages; and

Failure to Update

WHEREAS, according to Department records and NMLSR records, Northstar Alliance's
address is 333 Queen Street, Suite 700, Honolulu, HI 96813; and

WHEREAS, the Bureau has learned from Charlotte Romero, Executive Assistant for
Northstar Alliance, that Northstar Alliance's address is 12303 Airport Way, Suite 200,
Broomfield, CO 80021; and

WHEREAS, all licensees have a duty to provide accurate and current information to the
Department; and

Proper Conduct Reg

WHEREAS, Section 46.2(k)(1) of the Proper Conduct Regulation states that "[a]
licensee lender may not refuse or fail to fund a consummated loan, other than when an applicant
rescinds the loan in accordance with 12 CFR 226.15 or 226.23 (relating to the right of
rescission)..." 10 Pa. Code § 46.2(k)(1); and

WHEREAS, Section 46.2(k)(2) of the Proper Conduct Regulation states that “[a] licensee lender shall fund a consummated loan in a reasonable time period after consummation of the loan or in accordance with any commitment or agreement with the applicant; provided that, if an applicant has a right of rescission under 12 CFR 226.15 or 226.23, a licensee lender is not required to fund a consummated loan in accordance with this subsection until after the applicable rescission period has ended.” 10 Pa. Code § 46.2(k)(2); and

WHEREAS, Section 46.2(k)(3) of the Proper Conduct Regulation states that “[a] licensee shall disburse loan funds to third parties in accordance with any commitment or agreement with the applicant.” 10 Pa. Code § 46.2(k)(3); and

WHEREAS, Section 46.2(k)(4) of the Proper Conduct Regulation states that “[a]ny postclosing underwriting or quality control review conducted by a licensee lender after the consummation of a loan may not delay the funding of a loan or result in a failure or refusal to fund the loan...” 10 Pa. Code § 46.2(k)(4); and

WHEREAS, Section 46.3 of the Proper Conduct Regulation provides that violations of the Proper Conduct Regulation are violations of the Mortgage Licensing Act. 10 Pa. Code § 46.3; and

Mortgage Licensing Act

WHEREAS, Section 6102 of the Mortgage Licensing Act defines a “mortgage lender” as “[a] person who engages in the mortgage loan business by directly or indirectly originating and closing mortgage loans with its own funds in the primary market for consideration. 7 Pa. C.S. § 6102; and

WHEREAS, Section 6121(3) of the Mortgage Licensing Act provides that all licensees must “[c]omply with all applicable federal law, including . . . the Truth in Lending Act (82 Stat. 146, 15 U.S.C. §§ 6101 et seq.) . . .” 7 Pa. C.S. § 6121(3); and

WHEREAS, Section 6131(b) of the Mortgage Licensing Act provides that “[a]ll applicants and licensees shall be required to provide the department with written notice of the change in any information contained in an application for a license or for any renewal of a license within ten days of an applicant or licensee becoming aware of the change.” 7 Pa. C.S. § 6131(b); and

WHEREAS, Section 6136(a) of the Mortgage Licensing Act provides, in relevant part, that “[a] licensee that changes its name or place or place or places of business shall notify the department within ten days of the change and the department shall issue a certificate to the licensee, if appropriate, which shall specify the licensee’s new name or address.” 7 Pa. C.S. § 6136(a); and

WHEREAS, Section 6138(a)(4) of the Mortgage Licensing Act provides the Department with authority to issue orders as may be necessary for the proper conduct of the mortgage loan business and for the enforcement of the Mortgage Licensing Act. 7 Pa. C.S. § 6138(a)(4); and

WHEREAS, Section 6139(a)(2) of the Mortgage Licensing Act authorizes the Department to suspend, revoke or refuse to renew a license issued under the Mortgage Licensing Act if the licensee has “[f]ailed to comply with or violated any provision of this chapter or any regulation or order promulgated or issued by the department under this chapter.” 7 Pa. C.S. § 6139(a)(3); and

WHEREAS, Section 6139(a)(3) of the Mortgage Licensing Act authorizes the Department to suspend, revoke or refuse to renew a license issued under the Mortgage Licensing

Act if the licensee has “[e]ngaged in dishonest, fraudulent or illegal practices or conduct in a business or unfair or unethical practices or conduct in connection with the mortgage loan business.” 7 Pa. C.S. § 6139(a)(3); and

WHEREAS, Section 6139(a)(10) of the Mortgage Licensing Act authorizes the Department to suspend, revoke or refuse to renew a license issued under the Mortgage Licensing Act if the 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); and

WHEREAS, 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); and

Violations

WHEREAS, by failing to fund at least three mortgage loans after the three day right of rescission period ended, Northstar Alliance violated the Proper Conduct Reg; and

WHEREAS, failing to fund at least three mortgage loans after the three day right of rescission period ended, Northstar Alliance violated the Mortgage Licensing Act; and

WHEREAS, Northstar Alliance engaged in dishonest, fraudulent, illegal, unfair and/or unethical business practices by not funding closed loans it was required to; and

WHEREAS, Northstar Alliance engaged in improper conduct by not funding closed loans it was required to; and

WHEREAS, Northstar Alliance engaged in negligent business practices by failing to fund a closed loan it was required to; and

WHEREAS, Northstar Alliance violated the Mortgage Licensing Act by failing to update its address.

AND NOW THEREFORE, since Northstar Alliance was not engaged in the proper conduct of a mortgage lender when it failed to fund the Loan, Loan and Loan, the Bureau, pursuant to its authority referenced above hereby imposes the following Order:

1. Upon the Effective Date of this Order, Northstar Alliance's mortgage lender license, including all branch licenses, shall be suspended (meaning that Northstar Alliance and its owners, officers, directors and/or employees, shall not engage in the mortgage loan business in Pennsylvania as defined in Section 6102 of the Mortgage Licensing Act, 7 Pa. C.S. § 6102) until such time that the following conditions are met:

a. Northstar Alliance funds the Loan and the Loan as originally agreed, at the same or more favorable terms and provide proof that the Loan was funded;

b. Northstar Alliance pays any creditors, interest and/or penalties that the , or may have incurred as a result in the non-funding of the loans;

c. Northstar Alliance reimburse the , and for any fees or expenses that were incurred as a result of the loans not being funded in a timely manner; and

d. Northstar Alliance remit to the Department a fine, in the amount of thirty thousand dollars (\$30,000) for violations of the Mortgage Licensing Act. The fine payment shall be remitted by a certified check or money order made payable to the

“Department of Banking” and forwarded to the following: Department of Banking, Bureau of Compliance, Investigation and Licensing, 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

2. Upon the Effective Date of this Order, Northstar Alliance shall provide the Bureau a report for the following categories of loans:

- a. loans that have closed, but have not yet funded;
- b. loans that have been approved but that have not closed;
- c. applications that have been received, but no decision has been made on approving the applications; and
- d. applications that are in the initial stages of review and document gathering (the “Pipeline Report”).

The Pipeline Report shall include the following information:

- i. the name, address and telephone number of the applicant;
- ii. the loan number or FHA case number;
- iii. the amount of all prepaid loan fees submitted by the applicant;
- iv. the amount of each loan;
- v. the status of the loan;
- vi. the purpose of the loan (i.e. purchase or refinance); and
- vii. status of what is being done with the loan (funded by Northstar Alliance, referred to another broker/lender, returned to broker, withdrawn by the applicant).

This Pipeline Report is for all Northstar Alliance customers nationwide. Northstar Alliance shall provide this pipeline report to Ryan M. Walsh, Compliance Administrator via email at _____ upon the Effective Date of this Order. This Pipeline Report shall

be updated weekly until the Bureau no longer requires updates. Northstar Alliance shall immediately inform all consumers listed in the Pipeline Report that Northstar Alliance is currently unable to fund loans and provide the consumers the opportunity to take their applications elsewhere and refund those consumers their fees. Northstar Alliance may place the applicable loan files with other lenders (i.e. broker the loans), but Northstar Alliance shall not commit to close any loans until its warehouse line issues are resolved. Northstar Alliance shall cease advertising and accepting any new mortgage loan business unless and until such time as its warehouse line issues are resolved and the provisions as stated in Paragraph 1 above are met. Northstar Alliance is only permitted to process the Pipeline Report as provided in this Paragraph.

3. Upon the Effective Date of this Order, Northstar Alliance shall not refuse to fund, or delay funding of, any loan which a Pennsylvania consumer in good faith closes with Northstar Alliance unless the Pennsylvania consumer exercises any applicable right of rescission.

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

IT IS SO ORDERED.

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

September 22, 2010
(Date)

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

2010 SEP 22 PM 2:17

PA DEPT OF BANKING

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING, BUREAU
OF COMPLIANCE, INVESTIGATION
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Docket No. : 10 0226 (ENF-ORD)

v.

NORTHSTAR ALLIANCE, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Suspension Order upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code § 33.35, 33.36 and 33.37:

BY CERTIFIED AND FIRST CLASS MAIL AND FACSIMILE

Northstar Alliance, Inc.
333 Queen Street, Suite 700
Honolulu, HI 96813
Fax: 808-536-4442

Catrina Marie Brogan, CEO
Northstar Alliance, Inc.
12303 Airport Way, Suite 200
Broomfield, CO 80021
Fax: 303-327-1499

BY CERTIFIED AND FIRST CLASS MAIL

Jack Baker
Northstar Alliance, Inc.
12 Penns Trail
Newton, PA 18940

Vincent A Palumbo
Northstar Alliance, Inc.
1612 W. Allen Street
Allentown, PA 18102-2012

Dated this 22nd day of September, 2010.

Lauren A. Sassani
Assistant Counsel
Attorney I.D. # 203016
FOR: Commonwealth of Pennsylvania
Department of Banking
17 North Second Street, Suite 1300
Harrisburg, PA 17101
(717) 787-1471