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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

2010 OCT 15 AM 11:26
PA DEPT OF BANKING

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

Docket No. 10 0255 (ENF-CO)

v.

RELiance FIRST CAPITAL, LLC

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking ("Department"), Bureau of Examinations, has conducted an examination of Reliance First Capital, LLC ("Reliance First"), and its officers, employees and directors. Based on the results of the examination, the Bureau of Compliance, Investigation and Licensing ("Bureau") believes that Reliance First operated in violation of the Mortgage Licensing Act, 7 Pa. C.S. § 6101 *et. seq.*

Reliance First and its officers, employees and directors, while neither agreeing or disagreeing with the Department's findings and not admitting to any violations of law, seek to resolve this matter amicably without contesting any further. 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 Mortgage Licensing Act.

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

3. Reliance First is currently licensed in accordance with the Mortgage Licensing Act by the Department as a Mortgage Lender, License Number 21361 and Nationwide Mortgage Licensing System and Registry Identification Number 58775.

4. Reliance First maintains its principal place of business at 270 South Service Road, Suite 25, Melville, New York, 11747.

5. Reliance First operates four Pennsylvania licensed branch locations: Charlotte, North Carolina, Blue Bell, Pennsylvania, Pittsburgh, Pennsylvania and Independence, Ohio.

6. On or about April 21, 2009, a Department examiner initiated an examination of Reliance First at the Pittsburgh, Pennsylvania branch location and the examination was completed on or about May 29, 2009.

Unlicensed Branch Location

7. The examination revealed that several mortgage originators employed by Reliance First in the North Carolina office originated 17 mortgage loans involving Pennsylvania real property prior to the company receiving a branch license for that location from the Department.

8. The Mortgage Licensing Act applies to any mortgage loan which is, *inter alia*, "notwithstanding the place of execution, secured by real property located in this Commonwealth." 7 Pa. C.S. § 6151.

9. "No person shall engage in the mortgage loan business in this Commonwealth without being licensed as a mortgage broker, mortgage lender, mortgage loan correspondent or mortgage originator." 7 Pa. C.S. § 6111(a).

10. To obtain a license, a person must file a license application with the Department. 7 Pa. C.S. § 6131.

11. The person must disclose on the license application, “[t]he address of the principal place of business . . . and 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).

12. The applicant must pay an application fee, and an application renewal fee, for each branch location where it does business. 7 Pa. C.S. § 6132.

13. A “branch” is “[a]n office or other place of business, other than the principal place of business, where a person engages in the mortgage loan business” 7 Pa. C.S. § 6102.

14. The mortgage loan business is “[t]he business of advertising, causing to be advertised, soliciting, negotiating or arranging in the ordinary course of business or offering to make or making mortgage loans.” *Id.*

15. Thus, the Mortgage Licensing Act requires persons to obtain a branch license for any place, other than the principal place, where the person advertises, solicits, negotiates, arranges, offers to make or makes mortgage loans involving Pennsylvania real estate.

16. The Department alleges that Reliance First violated the Mortgage Licensing Act by originating and arranging 17 mortgage loans, involving Pennsylvania real estate, through mortgage originators employed at the North Carolina branch office when the office was not licensed as a branch office by the Department.

17. It is noted that Reliance First, on or about May 1, 2009, self-reported the alleged violation to the Department and asserts that it immediately ceased originating and arranging mortgage loans at the North Carolina office until it obtained a branch mortgage lender license from the Department on May 20, 2010.

Unlicensed Loan Originator

18. The examination also revealed that a mortgage originator, employed by Reliance First in the New York branch office, originated three mortgage loan applications prior to May 2009 involving Pennsylvania real estate although the originator was not licensed to do business in the Commonwealth.

19. The Department required mortgage loan originators doing business in Pennsylvania to transition onto the Nationwide Mortgage Licensing System ("NMLS") by filing an application for a conditional license by no later than December 31, 2008.

20. The Department required licensees to transition onto NMLS by December 31, 2009 in response to the passage of the act known as the Mortgage Act effective November 5, 2008; the Mortgage Act was amended to comply with federal law and titled the Mortgage Licensing Act effective August 5, 2009.

21. The Mortgage Licensing Act requires individuals that originate mortgages involving Pennsylvania real estate to obtain a mortgage originator's license from the Department. 7 Pa. C.S. §§ 6111(a), 6151.

22. Here, the individual employed by Reliance First did not submit a mortgage originator application to the Department by December 31, 2008, thus, the individual could not engage in the mortgage business in Pennsylvania as of November 5, 2008 (the effective date of the Mortgage Licensing Act).

23. However, the individual while employed by Reliance First originated three mortgage loan applications involving Pennsylvania real estate prior to being licensed by the Department.

24. Reliance First self reported the alleged violation and had previously instituted internal controls that were designed to prevent unlicensed persons from engaging in activities that may only be performed by a licensed mortgage originator and to prohibit individuals that it employs from engaging in the mortgage loan business in Pennsylvania if not licensed by the Department.

VIOLETIONS

25. The Department has determined that Reliance First violated the Mortgage Licensing Act by allowing individuals, located in a branch office not licensed by the Department, to originate 17 mortgage loans involving Pennsylvania real estate. 7 Pa. C.S. § 6111(a).

26. The Department has determined that Reliance First violated the Mortgage Licensing Act by originating three mortgage loans, involving Pennsylvania real estate, through a mortgage originator that was not licensed by the Department. *Id.*

RELIEF

27. Fine. Reliance First agrees to pay a fine of \$5,000 which shall be due and payable to the Department within 30 days of the effective date of this Order (as defined in Paragraph 34 of this Order). The fine payment shall be remitted by a company check, 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.

28. Corrective Measures. Upon the effective date of this Order, Reliance First shall cease and desist from allowing individuals that it employs to originate residential mortgage loans in Pennsylvania or involving residential mortgage loans collateralized by Pennsylvania real estate from branch offices that are not licensed by the Department. Further, Reliance First shall not permit individuals that it employs to negotiate, arrange, offer, or make residential mortgage

loans in Pennsylvania or involving residential mortgage loans collateralized by Pennsylvania real estate without being licensed by the Department to engage in the mortgage loan business.

FURTHER PROVISIONS

29. Consent. Reliance First hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's order authority under the Mortgage Licensing Act and agrees that it understands all of the terms and conditions contained herein. Reliance First, 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.

30. 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).

31. 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 First.

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

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

34. Effectiveness. Reliance First hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order.

35. 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 First in the future regarding all matters not resolved by this Order.

b. Reliance First 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.

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

37. Counterparts. This Order may be executed in separate counterparts, by facsimile and by email.

38. 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 First Capital, LLC 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**

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

Date: October 13, 2010

FOR RELIANCE FIRST CAPITAL, LLC

(Officer Signature)

(Print Officer Name)

President
(Title)

Date: 10/6/10