

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

3. US Mortgage is a mortgage broker that engages in the mortgage loan business in this Commonwealth as set forth in 7 Pa. C.S. § 6151.

4. US Mortgage's principal place of business is located at 4170 Veterans Memorial Highway, Suite 201, Bohemia, New York 11716.

5. US Mortgage is licensed by the Department, Mortgage License No. 21473, Nationwide Mortgage Licensing System and Registry Identification ("NMLS") No. 3901.

6. As a mortgage broker, US Mortgage must "[m]aintain supervision and control of and responsibility for the acts and omissions of all mortgage originators" that it employs. *See* 7 Pa. C.S. § 6121(13)(i); *see also* 7 Pa. C.S. § 6131(f)(1).

7. Thus, US Mortgage is responsible for any violations of the Mortgage Licensing Act committed by its mortgage originators.

8. On October 20, 2010, the Bureau of Examinations commenced an examination of US Mortgage at its principal place of business.

9. During the examination, the examiner found that US Mortgage, through its employees, violated the Mortgage Licensing Act.

10. The purpose of this Order is to resolve three issues arising from the examination as set forth below.

Unlicensed Activity

11. First, the examiner found that US Mortgage permitted four mortgage loan originators that it employs to complete mortgage loan applications for Pennsylvania residents

and/or involving real property located in Pennsylvania, on its behalf, without being licensed by the Department.

12. The originators obtained information from consumers to complete the loan applications for the purpose of facilitating a decision by the lenders to fund the loans.

13. The four mortgage loan applications were either withdrawn or denied by lenders and, as a result, never funded.

14. The Mortgage Licensing Act provides, in relevant part, that:

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 as provided in this chapter.

7 Pa. C.S. § 6111(a).

15. The mortgage loan business is “[t]he business of advertising, causing to be advertised, soliciting, negotiating or arranging in the ordinary course of business of offering to make or making mortgage loans.” 7 Pa. C.S. § 6102.

16. A mortgage originator is “[a]n individual who takes a mortgage loan application or offers or negotiates terms of a mortgage loan for compensation or gain.” 7 Pa. C.S. § 6102.

17. Here, the originators engaged in the business of negotiating and arranging mortgage loans by completing the mortgage loan applications for the purpose of facilitating funding on the loans; thus, the originators engaged in the mortgage loan business.

18. U.S. Mortgage contends that the loans were not funded, thus, the loans were not originated.

19. However, the Mortgage Licensing Act does not require the loans to be successfully funded for origination to occur; rather, it is engaging in the “mortgage loan business” as defined in Section 6102 of the Mortgage Licensing Act that triggers the licensing requirement.

20. By permitting its mortgage originators to engage in the mortgage loan business in Pennsylvania without being licensed by the Department, US Mortgage violated Section 6111(a) of the Mortgage Licensing Act.

Disclosure Forms

21. Second, the examiner found that in least five instances US Mortgage did not provide the required consumer disclosure form to applicants because the original fully executed form was not present in the applicant's file.

22. Further, the examiner found that in 18 instances US Mortgage provided the disclosure form to the applicants but the form was not complete; US Mortgage did not check the loan terms for which the applicants were applying.

23. Finally, in nine instances the disclosure form appeared in the loan files but was not signed by the applicants.

24. The Regulations provide that mortgage brokers "who take an application" shall "[o]n a form prescribed by the Department . . . disclose the following to the applicant:

- (1) If the lender providing the loan will escrow the applicable property taxes and hazard insurance.
- (2) If the licensee is a lender with the ability to directly lock-in a loan interest rate.
- (3) Whether the loan contains a variable interest rate or balloon payment feature.
- (4) Whether the loan has a negative amortization feature.

See 10 Pa. Code § 46.2(b).

25. The mortgage broker issuing the disclosure form "shall sign and date the disclosure form and deliver or place in the mail the disclosure form within 3 business days after the application is received or prepared by the licensee." 10 Pa. Code § 46.2(c).

26. Further, the mortgage broker must require the applicant to sign and date the disclosure form "within 10 business days after delivery or mailing and *retain the original executed disclosure form in the applicant's loan file.*" 10 Pa. Code § 46.2(e) (emphasis added).

27. By failing to complete the disclosure form, by failing to require the applicants to execute the form and by failing to maintain the original executed form in the applicant's loan file, U.S. Mortgage violated Section 46.2(b),(c),(e) of the Regulations.

Unique Identifier Missing from Applications

28. Third, the examiner found that US Mortgage originators did not display their NMLS unique identifier number on six mortgage loan applications.

29. Section 6121(14) of the Mortgage Licensing Act requires that a "licensee shall do all of the following . . . [i]n the case of a mortgage originator, clearly display the mortgage originator's unique identifier on all mortgage loan application forms and personal solicitations or advertisements, including business cards." 7 Pa. C.S. § 6121(14).

30. By failing to require its mortgage originators to clearly display their unique identifier on the mortgage loan application forms, US Mortgage violated Section 6121(14) of the Mortgage Licensing Act.

AUTHORITY

31. The Department has the authority to issue orders for the proper conduct of the mortgage licensing business and to enforce the Mortgage Licensing Act. 7 Pa. C.S. § 6138(a)(4).

32. The Department may fine any "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. . . up to \$10,000 for each offense." 7 Pa C.S. § 6140(b).

RELIEF

33. Fine. Within 30 days of the effective date of this Order as defined in Paragraph 40, US Mortgage shall pay the Department a fine in the amount of \$2,125 remitted by certified check or money order made payable to the Department of Banking. The fine payment shall be sent to the attention of: Non-Depository Institutions, Bureau of Compliance and Licensing, Department of Banking, 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

34. Corrective Action. Upon the effective date of this Order, US Mortgage shall do all of the following:

- a. US Mortgage shall require all mortgage originators it employs that originate loans for Pennsylvania residents or that originate loans secured by real property located in Pennsylvania or otherwise engage in the mortgage loan business in Pennsylvania to maintain a mortgage originator license with the Department as required by 7 Pa. C.S. § 6111(a); and
- b. US Mortgage shall provide the completed consumer disclosure form, on the form required by the Department, to applicants within 3 business days after the mortgage loan application is received or prepared. US Mortgage shall require applicants to sign and date the disclosure form within 10 business days after delivery or mailing. US Mortgage shall retain the original executed disclosure form in the applicant's loan file as required by 10 Pa. Code § 46.2; and
- c. US Mortgage shall require its mortgage originators to clearly display their NMLS unique identifiers on all mortgage loan application forms that they complete as required by 7 Pa. C.S. § 6121(14).

FURTHER PROVISIONS

35. Consent. US Mortgage 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 therein. US 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.

36. 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).

37. 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 US Mortgage.

38. Binding Nature. The Department and US Mortgage intend to be and are legally bound by the terms of this Order.

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

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

41. 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 US Mortgage, in the future regarding all matters not resolved by this Order.

b. US 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.

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

43. Counterparts. This Order may be executed in separate counterparts and by facsimile or electronic mail in portable document format "PDF."

44. 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.

