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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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

PA DEPARTMENT OF
BANKING AND SECURITIES

v.

Docket No. 14 0026 (BNK-CAO)

RESIDENTIAL HOME FUNDING CORP.

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Examinations conducted an examination of Residential Home Funding Corp. ("RHF") and its officers, employees and directors. Based on the results of its review, the Bureau of Compliance and Licensing ("Bureau") concluded that RHF violated the surety bond requirement of the Mortgage Licensing Act ("MLA"), 7 Pa. C.S. § 6131(c)(5). 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 MLA.
2. The Bureau is primarily responsible for administering and enforcing the MLA for the Department.

3. RHF is a corporation that engages in the mortgage loan business in Pennsylvania as a licensed mortgage lender, Nationwide Mortgage Licensing System and Registry Identification No. 34973, Mortgage Lender License No. 20875.

4. RHF's principal place of business is located at 707 Westchester Avenue, Suite 305, White Plains, New York 10604.

5. On March 31, 2014, an examiner from the Bureau of Examinations commenced a routine compliance examination of RHF upon which the Bureau's position is based.

6. The examination revealed that RHF held a surety bond in the amount of \$100,000.

7. The examination also revealed that in the fourth quarter of 2012 and in the third quarter of 2013, RHF's loan volume exceeded the amount acceptable for bond coverage of \$100,000.

8. RHF fully cooperated with the Department during the examination process.

VIOLATIONS

Surety Bond Coverage

9. Section 6131(c)(5) of the Mortgage Licensing Act states that in order to be licensed, the licensee must "maintain a surety bond in an amount that will provide coverage for the mortgage originators employed by the applicant or licensee, in a form acceptable to the department, prior to the issuance of the license, from a surety company authorized to do business in this Commonwealth." 7 Pa. C.S. § 6131(c)(5).

10. Section 6131(c)(5)(i) of the Mortgage Licensing Act states that:

The amount of the bond shall be \$100,000 for an applicant or licensee whose mortgage originators will originate or originated less than \$30,000,000 in mortgage loans secured by Pennsylvania dwellings or residential real estate in a calendar year; \$200,000 for an applicant or licensee whose mortgage originators will originate or originated \$30,000,000 to \$99,999,999.99 in mortgage loans

secured by Pennsylvania dwellings or residential real estate in a calendar year; \$300,000 for an applicant or licensee whose mortgage originators will originate or originated \$100,000,000 to \$249,999,999.99 in mortgage loans secured by Pennsylvania dwellings or residential real estate in a calendar year; and \$500,000 for an applicant or licensee whose mortgage originators will originate or originated \$250,000,000 or more in mortgage loans secured by Pennsylvania dwellings or residential real estate in a calendar year.

7 Pa.C.S. § 6131(c)(5)(i).

11. RHF violated the MLA because it did not maintain a surety bond in the amount required under Section 6131(c)(5)(i) of the MLA based on its 2012 and 2013 loan volumes.

AUTHORITY

12. The Department has authority to issue orders as may be necessary for the proper conduct of the mortgage loan business by licensees and the enforcement of the Mortgage Licensing Act. *See* 7 Pa. C.S. § 6138(a)(4).

13. The Department may fine a person that commits any action which would subject the licensee to suspension, revocation or nonrenewal under Section 6139 up to \$10,000 per offense. *See* 7 Pa. C.S. § 6140(b).

RELIEF

14. Violation Fine. RHF agrees to pay a fine of \$3,000.

15. Payment. Payment shall be remitted by certified check or money order made payable to the Pennsylvania Department of Banking and Securities and sent to the attention of: Pennsylvania Department of Banking and Securities, Non-Depository Institutions, Bureau of Compliance and Licensing, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

16. Corrective Action. RHF shall have immediately secured the proper bond coverage and upon the effective date of this Order as defined in paragraph 22 below, RHF shall ensure that proper bond coverage is maintained on a continuing basis.

FURTHER PROVISIONS

17. Consent. RHF hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's order authority under the MLA and agrees that it understands all of the terms and conditions contained therein. RHF, 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.

18. Publication. The Department will publish this Order pursuant to its authority in Section 302.A.(5) of the Department of Banking and Securities Code. *See* 71 P.S. § 733-302.A.(5).

19. 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 RHF.

20. Binding Nature. The Department and RHF intend to be and are legally bound by the terms of this Order.

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

22. Effectiveness. RHF hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order.

23. 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 RHF in the future regarding all matters not resolved by this Order.

b. RHF 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.

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

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

26. 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 Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Compliance and Licensing and Residential Home Funding Corp. intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
BANKING AND SECURITIES,
BUREAU OF COMPLIANCE AND
LICENSING**

Redacted

John Talalai, Administrator
Bureau of Compliance and Licensing
Department of Banking and Securities

Date: 6-30-2014

**RESIDENTIAL HOME FUNDING
CORP.**

Redacted

(Officer Signature)

David Stein
(Print Officer Name)

COO
(Title)

Date: 5/29/14