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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, COMPLIANCE OFFICE

v.

Docket No. 18 0006 (BNK-CAO)

CHESAPEAKE HOME SALES, INC.

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Compliance Office ("Office"), has reviewed loans made by Chesapeake Home Sales, Inc. (Chesapeake). Based on the results of its review, the Office concludes that Chesapeake operated in violation of the Mortgage Licensing Act, 7 Pa. C.S. § 6101 *et seq.*, and the Loan Interest and Protection Law, 41 P.S. §101 *et seq.* The parties to the above-captioned matter, in lieu of litigation, 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 and the Loan Interest and Protection Law.

2. The Office is primarily responsible for administering and enforcing the Mortgage Licensing Act and the Loan Interest and Protection Law for the Department.

3. Chesapeake was engaged in the business of making loans to individuals without the proper license.

4. The loans were secured by first liens on manufactured homes and had an interest rate above the 6% per annum rate Authorized by the Loan Interest and Protection Law.

Unlicensed Activity

5. The definition of “first mortgage loan” as found in Section 6102 of the Mortgage Licensing Act includes the language “secured by any first lien mortgage, deed of trust, or equivalent consensual security interest on a dwelling or residential real estate.”

6. The definition of “dwelling” as found in Section 6101 of the Mortgage Licensing Act is “As defined in section 103(v) of the Truth in Lending Act (public law 90-321, 15 U.S.C. § 1602(v)).”

7. The definition of “dwelling” as found in section 103(v) of the Truth in Lending Act includes a mobile home, also known as a manufactured home.

8. A loan secured by a manufactured home is considered to be a mortgage loan.

9. Section 6111(a) of the Mortgage Licensing Act states, in 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 under this chapter.” 7 Pa. C.S. § 6111(a).

10. Chesapeake held an Installment Seller License but was not licensed under the Mortgage Licensing Act.

11. By making mortgage loans when not licensed under the Mortgage Licensing Act, Chesapeake is in violation of Mortgage Licensing Act.

Excessive Interest Rates

12. Section 201(a) of the Loan Interest and Protection Law states, in pertinent part, “the maximum lawful rate of interest for the loan or use of money in an amount of fifty thousand dollars (\$50,000) or less in all cases where no express contract shall have been made for a less rate shall be six per cent per annum.” 41 P.S. § 201(a).

13. By charging more than 6% per annum on loans of fifty thousand dollars or less, Chesapeake is in violation of Section 201(a) of the Loan Interest and Protection Law.

Authority of the Department

14. Section 6138(4) of the Mortgage Licensing Act, 7 Pa. C.S. § 6138(4), authorizes the Department to issue orders as may be necessary for the enforcement of the Mortgage Licensing Act.

15. Section 6140(a) of the Mortgage Licensing Act, 7 Pa. C.S. § 6140(a), authorizes the Department to issue a fine of up to \$10,000 per offense against an unlicensed entity.

16. Section 506(c) of the Loan Interest and Protection Law, 41 P.S. § 506(c), grants the Department authority to issue orders and to impose conditions by order or otherwise as the Department deems appropriate.

17. Section 505(b) of the Loan Interest and Protection Law, 41 P.S. § 505(b), authorizes the Department to levy a fine of \$10,000 per offense.

RELIEF

18. Fine. Chesapeake agrees to pay a fine of \$4,750. Payment of the fine will be due within thirty (30) days of the Effective Date of the Order as defined in paragraph 28 below. The fine payment shall be remitted by certified check or money order made payable to the "Department of Banking and Securities" and sent to the attention of: Department of Banking and Securities, Compliance Office, 17 N. 2nd Street, Suite 1300, Harrisburg, PA 17101.

19. Corrective Action. Chesapeake shall not engage in the mortgage loan business until and unless it is licensed under the Mortgage Licensing Act.

20. Chesapeake shall reduce the interest rate on all loans to 6% simple retroactive to the date of the loan. Chesapeake shall send notification of the rate reduction to all borrowers and shall send copies of the notifications to the Compliance Office.

FURTHER PROVISIONS

21. Consent. Chesapeake 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 the Loan Interest and Protection Law and agrees that it understands all of the terms and conditions contained herein. Chesapeake, 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.

22. By signing this order, Chesapeake does not admit to any wrongdoing.

23. Consumer's Rights. This Order shall not limit or impair a consumer's rights under the Loan Interest and Protection Law.

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

25. 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 Compliance Office and Chesapeake.

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

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

28. Effectiveness. Chesapeake hereby stipulates and agrees that the Order shall become effective on the date that the Compliance Office executes this Order ("Effective Date").

29. 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 Chesapeake in the future regarding all matters not resolved by this Order.
- b. Chesapeake 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.

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

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

32. 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.

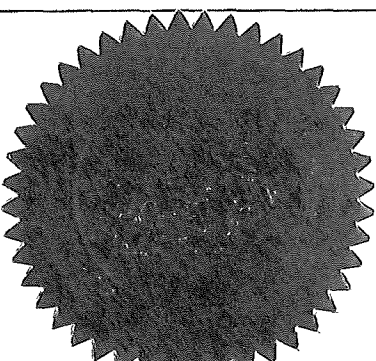
WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Department of Banking and Securities, Compliance Office and Chesapeake Home Sales, Inc. intending to be legally bound do hereby execute this Consent Agreement and Order.

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

Redacted

John Talalai, Administrator
Compliance Office
Department of Banking and Securities

Date: 3-16-2018



CHESAPEAKE HOME SALES, INC.

Redacted

(Signature) [Handwritten Signature]

(Print Name) GERALD N HECKENRUP

Date: 3/15/2018