

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

World Wide Financial Services, Inc.
d/b/a LoanGiant.com
26500 Northwestern Highway
Southfield, MI 48076
License No. FL-0437
Registration No. SR-0265

Enforcement Case No.

Respondent

Issued and entered this
3rd day of September 2004
by Linda A. Watters,
Commissioner

ORDER TO CEASE AND DESIST PURSUANT TO MCL 445.1666,
AND
NOTICE OF OPPORTUNITY FOR ADMINISTRATIVE HEARING

I.

BACKGROUND

World Wide Financial Services, Inc. (Respondent) has been a licensed mortgage broker, lender, and servicer under the Mortgage Brokers, Lenders, and Servicers Licensing Act (MBLSLA), MCL 445.1651 *et seq.*, since November 1990. Respondent has also been licensed or registered under the Secondary Mortgage Loan Act (SMLA) since September 1995. The principal officers and owners (25% each) are: Jack B. Wolfe, Chief Executive Officer; Andrew C. Jacob, President; Howard M. Babcock, Chief Financial Officer; and Robert S. Silverstein, Chief Operating Officer.

Starting in February 2003, Office of Financial and Insurance Services (OFIS) staff received several complaints from or on behalf of consumers who obtained mortgage financing through Respondent, including xxxx and xxxxxxxxxxx xxxxxxxxxxx; Attorney xxxxxx xxxxxxxxxxx on behalf of his client xxxxx xxxx, and xxxxxxx and xxxxxx xxxxxxxxxxx. Upon receipt of these complaints, pursuant to Section 13(1) of the MBLSLA, OFIS staff conducted an on-site investigation of Respondent at various times from August 2003 through March 2004.

As a result of the investigation, OFIS staff determined that Respondent engaged in a pattern of fraud, deceit and material misrepresentation in connection with mortgage broker and lender activities in violation of the MBLSLA by creating fraudulent mortgage loan documents and falsifying income, employment, and rent or mortgage account information. The examination/investigation also revealed that Respondent, its principals, agents, and employees failed to maintain appropriate books, accounts, records, and documents necessary to permit OFIS staff to determine Respondent's compliance with law. Additionally, Respondent failed to provide loan applicants notice of action taken in connection with mortgage loans. The information obtained as a result of the investigation is set forth more specifically below:

A. xxxxxxx transaction

1. On or about December 2001, xxxxxxx and xxxxxx xxxxxxxxxxx applied with Respondent for a mortgage loan in the amount of \$47,600 to purchase property located at xxxxx xxxxxx, Detroit, Michigan at a sales price of \$56,000. The property had an appraised value of the \$67,000, so that by completing the purchase the xxxxxxxxxxx's would have immediately realized \$11,000 in equity in the property.

2. Respondent submitted the xxxxxxxxxxx's application to investor, New Century Mortgage Corporation, which rejected the loan. After the rejection, the Respondent loan officer

Susan Miedzianowski referred the xxxxxxxx to Martin Warren, whom Miedzianowski said could help them finance the property. Warren is a former employee of Respondent and an account representative of New Century.

3. On February 29, 2002, Warren purchased the Robson property by obtaining a mortgage loan through Respondent. Warren then sold the property to the xxxxxxxx under a land contract with an 11% annual rate of interest. Warren advised the xxxxxxxx's to apply and qualify for purchase financing through Respondent at a later date. Approximately one year later the xxxxxxxx's were approved and obtained a mortgage loan on the subject property from Respondent. Title Giant, an affiliate of Respondent, acted as settlement agent in all of these transactions.

4. As a part of the investigation, OFIS staff obtained from Respondent a listing of all of its mortgage loan applications from October 2001 through October 2003.

5. The listing did not have any record of the xxxxxxxx's December 2001 mortgage loan application.

6. Respondent also did not have a related file of the xxxxxxxx's 2001 mortgage loan application documentation. OFIS staff was able to obtain some of the xxxxxxxx's 2001 loan application documents from Respondent's closed Martin Warren mortgage loan file. The documents reveal the xxxxxxxx's loan application was assigned a loan application number of 02500-0020155800 by Respondent.

7. When OFIS staff questioned why the xxxxxxxx's loan application appears to have been deleted, xxxxxxxx xxxxxxxx, Respondent's information systems employee replied in part, via email:

“I would attribute the documents generated against these loan numbers to have been generated while the loan was still in a lead

status, that the leads never subsequently became actual applications, and that the lead information was later removed from the system. In the case of 2500-0020155800 there are pieces of information which indicate this is exactly what happened.”

8. The xxxxxxxx application documents found in the Warren file contradict xxxxxx’s explanation. The xxxxxxxx’s and Respondent loan officer Miedzianowski, signed a hand written mortgage loan application dated December 27, 2001. The file also contained a typed or computer generated application, a Good faith Estimate of Settlement Costs, Truth in Lending Disclosure, credit report, Verification of Rental Account, Verification of Deposit, Verification of Employment, and several other documents related to the application. These documents confirm that a loan application for the xxxxxxxx’s was made and contradict the explanation of Respondent’s employee xxxxxxx xxxxxx.

9. The xxxxxxxx’s loan application documents also contradict statements Respondent made in its response to the xxxxxxxx complaint. Specifically, in its response, Respondent’s Chief Executive Officer, Jack Wolfe, stated in part, that when the xxxxxxxx first came to apply for purchase of the subject property, “...we were, unfortunately, unable to qualify them for purchase financing at the amount they wanted due to lack of adequate funds for the deposit as well as insufficient trade lines...”

10. The application documentation shows the xxxxxxxxs did have sufficient funds available for the loan. A January 10, 2002 verification of deposit for the xxxxxxxx’s checking and savings account at Bank One shows combined current balances exceeding \$3,200.

11. The xxxxxxxxs also received a grant from The Buyer’s Fund in the amount of \$7,857.

12. The typed application also shows that the xxxxxxxxs were to receive a seller credit of \$3,300, they needed a total of \$8,043.27 to close the loan. The records reflect that the xxxxxxxx’s had liquid assets of \$11,107.

13. Despite the fact that the xxxxxxxxs had over \$14,000 available toward closing the loan, Miedzianowski told them they needed an additional \$4,000 to close and then sent them to Warren.

14. The OFIS investigation also discovered that Respondent did not provide the xxxxxxxxs with a written statement of adverse action or other notification as required under section 202.9 of Regulation B of the Equal Credit Opportunity Act.

15. In light of the above, it appears that the xxxxxxxx loan information was intentionally deleted from Respondent's system in an attempt to avoid regulatory scrutiny of the improper actions of Warren, Respondent, its personnel, and its affiliate Title Giant.

16. The Warren purchase transaction documentation also reported that the purchase took place on February 28, 2002 and it was falsely processed as a refinance, rather than a purchase of investment property. The settlement statement in Respondent's file states a mortgage payoff of \$52,000 to Respondent and \$233.94 cash brought to closing by Warren. Respondent has no record of the prior mortgage transaction with Warren.

17. Related Title Giant documentation shows that Title Giant prepared two settlement statements with differing figures in connection with this transaction. The settlement statements had charges that were identical on page two but differing charges on page 1. One of the statements is identical to the settlement statement found in Respondent's files showing the fictitious payoff of \$52,000 to Respondent and \$233.34 received from Warren. The other statement reflects disbursements of \$44,044.41 to Advanta National Bank and \$218.00 to Trott & Trott to payoff the previous owner of the subject property, \$1,000 for 2001 taxes due, and \$6,503.65 cash out to Warren.

18. Title Giant's Escrow Accounting File Ledger for the transaction and copies of related checks suggest that the statement reflecting the disbursement to Advanta National Bank is closer to the truth than the other statement, with respect to the disposition of the mortgage loan proceeds. However there were differences between the Advanta National Bank statement and the actual transaction, including the fact that Warren also received \$524.62 of the \$1000 designated for 2001 taxes due.

19. Warren and a Title Giant settlement agent signed both settlement statements. The settlement agent asserts on each settlement statement:

“The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.”

20. The settlement agent knowingly signed false affirmations in connection with these settlement statements. The Title Giant Escrow Accounting ledger indicates Howard Eisenshtadt, of Title Giant, was the “closer” of this transaction.

21. The loan was subsequently sold to Residential Funding Corporation (“RFC”), a subsidiary of GMAC, and serviced by Homecomings Financial, RFC's servicing agent.

22. The xxxxxxxxs gave a cashier's check to Martin Warren in the amount of \$2,000 dated February 27, 2002. The xxxxxxxxs were told the funds were needed for closing costs associated with the land contract transaction.

23. Warren endorsed the check and gave it to Brad Silverstein, Respondent's loan officer and Team Leader. Silverstein cashed the check. Silverstein was also the loan officer for the Warren mortgage loan transaction where the subject property was acquired.

24. There was no mention of, or credit for the xxxxxxxx' \$2,000 payment in the land contract transaction documentation. The land contract entered into by the xxxxxxxxs and

Warren, dated February 28, 2002 states, “ZERO Dollars, has heretofore been paid to the Seller...and the FULL balance of the purchase price as stated, is to be paid to Seller.”

25. The settlement statement associated with the xxxxxxxxx’s land contract refinance transaction through Respondent dated March 12, 2003 reports that their mortgage loan proceeds were used to directly and improperly payoff Warren’s mortgage at Homecomings Financial rather than the amount due to Warren under the land contract, the object of the refinance. As a result, the xxxxxxxxxs did not receive credit or adjustments for their land contract payments to Warren, and effectively paid for the \$7,028.27 in cash received by Warren from his mortgage loan proceeds when he originally obtained the loan.

26. By engaging in the conduct described above, Respondent violated Sections 22(b), 22(a), 21(2), and 22(g) of the MBLSLA.

B. xxxx transaction

27. xxxxx xxxx went to Respondent to refinance a mortgage loan on a property she had recently inherited. xxxx had approximately \$100,000 equity in the home. xxxx met with Respondent’s loan offer and team leader, Nicholas George, who told her conventional financing was not available because of her poor credit status and advised her that he could put the financing through a private financing group. In actuality, George decided, without disclosing to xxxx that he would be the “private financing group”.

28. George had xxxx sign documents on or about April 17, 2002, including: a “Letter Agreement” that indicated George would pay \$80,000 to xxxx for purchase of the subject property, but George’s payment to xxxx could be deferred for up to one year. The agreement required:

- a. Title Giant serve as escrow and title insurance agent and to maintain copies of all documents in connection with the transaction;
- b. A Quit Claim Deed transferring the property from xxxx to George; and
- c. A Land Contract on the property in the amount of \$80,000 with interest at 11%, monthly payments, and a one-year balloon, to be paid by xxxx to George. The Land Contract balloon payment could be extended one year if payments were kept current.

29. George told xxxx that he would be able to apply the Letter Agreement funds to correct the bad credit rating of xxxx and her husband, xxxxxxxx xxxxxx, to permit refinancing through conventional methods within one year.

30. On or about April 19, 2002, George obtained a mortgage loan from Respondent against the subject property in the amount of \$80,000. Title Giant was the settlement agent. The loan was subsequently sold to RFC, a subsidiary of GMAC, and serviced by Homecomings Financial, RFC's servicing agent. Title Giant issued checks, from George's loan proceeds, totaling \$57,130.14 that could be attributed to George's payment to xxxx under the Letter Agreement. These disbursements were for payoff of an underlying mortgage on the property (in xxxx's father's name, xxxxxxxx xxxx - \$47,453.50), past due property taxes (\$3,750.64), a xxxx medical bill to Providence Hospital (\$5,000.00), and Property Insurance (\$926.00).

31. xxxx, through her attorney xxxxxxx xxxxxxxxxx, attempted to get from George information related to these transactions. George was uncooperative and did not produce any other evidence of payment, or accounting of funds disbursed pursuant to the Letter Agreement. Eventually, George informed xxxxxxx that xxxx's credit was still very poor, Respondent would be unable to refinance the property, and demanded full payoff of the \$80,000 Land Contract

without any consideration of credit for the unpaid \$22,869.86 pursuant to the Letter Agreement, or the Land Contract payments remitted by xxxx to George. George threatened to throw xxxx and xxxxxx out of their home unless payment was made.

32. xxxxxxxxx alleged that Respondent assisted George in the above transaction, which was designed to enable George to procure the property upon the anticipated default on the Land Contract by xxxx. Upon the default, George would acquire property worth \$150,000 for the sum of \$57,130.14. xxxxxxxxx further alleged that George attempted to trick xxxx into missing the first payment of the Land Contract by sending the first payment coupon with the wrong date that would have barred the one year extension of the Land Contract.

33. On January 13, 2004, Jack Wolfe, on behalf of Respondent and Title Giant, Brad Silverstein, George, xxxx, and xxxxxx signed an agreement tentatively resolving the matter between them. The settlement required future action by some of the parties. In a letter dated January 13, 2004, Wolfe, on George's behalf, claimed xxxx owed George, in addition to the previously mentioned \$57,130.14, a fee in the amount of \$15,189.96, \$5,000 cash he claimed to have given xxxx from his loan proceeds; \$3,040 for "Payment to Debt Arbitrators" (Cuzzens); \$495 for "Title Policy: Title Giant"; and \$48 for "Recording Fee: Title Giant".

34. George has no agreement or authority, under the Land Contract, Letter Agreement, or by law, to charge any fee in connection with the making of the mortgage loan (land contract) to xxxx, and collection of this fee would violate Michigan's usury law, which effectively limits finance charges in the land contract transaction to a maximum 11% annual rate of interest. Further, xxxx never received the \$5,000 cash payment from George, and George has produced no receipt or other evidence of such a payment to xxxx. Finally, George did not incur any cost for title policy or recording fee, but rather received these services free of charge as an

apparent benefit of his employment with Respondent. None of these claims are valid charges, or payments, to xxxx, and they were ultimately rejected as part of the settlement agreement.

35. WWWS's personnel file regarding George indicates that George listed Warren, the financier in the xxxxxxxx complaint, as a reference on his employment application. The Warren/xxxxxxx transaction has many similarities to the George/xxxx transaction.

36. OFIS staff requested to see the denied mortgage loan application file of Ms. xxxx. Respondent could not produce the file.

37. Respondent's application log shows xxxx applied for a mortgage loan on March 19, 2002 and that the application was still incomplete as of March 13, 2003. Respondent never provided xxxx with a written statement of adverse action or other notification as required under section 202.9 of Regulation B, Equal Credit Opportunity Act.

38. Respondent's April 19, 2002, George mortgage loan documentation related to the subject property, indicate that George's mortgage loan applications identify Brad Silverstein as the loan officer and discloses:

- a. A false Social Security number of xxx-xx-xxxx. George's actual Social Security number is xxx-xx-xxxx, according to his Application for Employment with Respondent, Employment Eligibility Verification, and various W-4 tax withholding forms in his personnel file. The false Social Security Number used by George is believed to belong to a young woman in California;
- b. False self-employment and earnings of \$xx,xxx monthly from "Mortgage Search Marketing Inc.";

- c. A false real estate liability to Respondent in the amount of \$72,500. When OFIS investigators asked to see the original purchase mortgage file documentation, Respondent indicated it did not exist; and
- d. Fails to disclose the \$80,000 liability to xxxx pursuant to the Letter Agreement.

39. The false application information was knowingly and intentionally submitted to RFC by Respondent's personnel to induce RFC to purchase the loan.

40. Respondent's affiliate, Title Giant, issued a "Commitment for Title Insurance" falsely showing a requirement to "Record discharge of mortgage in the amount of \$72,500.00 executed by Nicholas George a married man to World Wide Financial Services and recorded April 3, 2002 in Wayne County Records."

41. No such mortgage was ever made or recorded, and a copy of the commitment was knowingly and intentional provided to RFC to induce them to purchase the loan.

42. Respondent and its affiliate, Title Giant, prepared two different HUD-1 Settlement Statements in connection with the transaction, with the intent to defraud RFC. One statement is largely an accurate account of the transaction, showing disbursements of \$926.00 for property insurance, \$47,093.40 to Fairbanks Capital to payoff xxxx's father's underlying mortgage on the property (actual disbursement appears to be \$360.10 more), \$5,000.00 to Providence Hospital, \$3,040.00 to Cuzzens Credit Bureau, \$3,750.64 for 2000-2001 property taxes due, and \$20,189.96 to George. The other statement, provided to RFC, reflects the \$926.00 property insurance disbursement and disbursement of \$1,676.07 for 2001 property taxes, but falsely shows that the balance of the proceeds was used to payoff the fictitious real estate loan from Respondent of \$77,500, and that George brought \$102.07 cash to close. This was done in

order to hide the actual payoffs and cash out funds to George, and to induce RFC to purchase the loan.

43. A credit report for George, using the false Social Security number was generated by Cuzzens Credit Bureau. The credit report indicates it was requested by “Brad” on April 16, 2002 and prepared by “Jenica” on the same date. Page 2 of the credit report shows the fictitious mortgage debt to Respondent in the amount of \$72,500.

44. An Underwriting and Transmittal Summary dated April 19, 2002, falsely asserts that the transaction is a “no cash-out refinance” of investment property, however, George received \$20,189.96 cash out from the proceeds of the loan. Respondent provided the transmittal summary to RFC.

45. A credit report, W-9 Request for Taxpayer Identification Number and Certification, and form 4506 Request for Copy or Transcript of Tax Form, all contain the false social security number and were provided to RFC to induce them to purchase the loan.

46. Finally, an Indemnification Affidavit regarding debts and lien on the subject property, signed by George, fails to disclose the land contract sale to xxxx and the outstanding debt to xxxx pursuant to the Letter Agreement, and falsely asserts that there are no such land contract sales or unpaid debts. This Indemnification Affidavit was provided to RFC to induce them to purchase the loan.

47. By engaging in the conduct described above, Respondent violated Sections 22(b), 22(a), 21(1), 21(2), and 22(g) of the MBLSLA.

C. xxxxxxxxs transaction

50. On or about January 2003, xxxx and xxxxxxxxxx xxxxxxxxxx refinanced their home through Respondent. During the refinancing process the xxxxxxxxxx's were told by Respondent personnel that they would receive, and at the closing did receive, approximately \$3,000 cash from the transaction. However, the payoff amount remitted by Respondent to the prior secondary mortgage servicer, Fairbanks Capital Corp. ("Fairbanks"), was not sufficient to payoff the loan. The difference was approximately \$3,000.

51. When the xxxxxxxxxx' complained about the deficient refinancing payoff amount, Respondent's loan officer, Latrice Smith, sent the xxxxxxxxxx' to Arnold Levitsky. Ms. xxxxxxxxxx believed Mr. Levitsky was going to assist her with her complaint by writing a new loan through Respondent. Mr. Levitsky was actually a loan officer for Real Financial, L.L.C. Ms. xxxxxxxxxx also stated Mr. Levitsky had her and Mr. xxxxxxxxxx sign papers with blanks Mr. Levitsky would fill-in later. Because of Mr. Levitsky's conduct and because the xxxxxxxxxx' would have to pay a prepayment penalty to payoff the loan from Respondent, they decided not to go through Mr. Levitsky.

52. In February 2003 OFIS staff contacted Respondent. OFIS staff requested xxxxxxxxxx xxxxxx, assistant to xxxxxxxxxxxxxx xxxxxx, Respondent's former compliance officer, to fax OFIS all documents in the xxxxxxxxxx' file relevant to the Fairbanks payoff. The payoff quote from Fairbanks was specifically requested.

53. On February 28, 2003 OFIS received a 7-page fax from Ms. xxxxxx which included:

- a. A November 22, 2002 letter from Fairbanks addressed to Mr. and Mrs. xxxxxxxxxx, indicating a "current principal balance" of \$23,638.48.
- b. A cover page

- c. A copy of the original payoff check to Fairbanks in the amount of \$23,638.00
- d. A letter to Fairbanks titled "Request for Reconveyance and Estoppel"
- e. A copy of a January 8, 2003 letter from Fairbanks indicating that the payoff was short by \$3,054.78
- f. A copy of the xxxxxxxxx' personal check in the amount of the shortage to the settlement agent, Blue Moon Title
- g. A Blue Moon Title account ledger indicating that the shortage funds were sent to Fairbanks on January 14.

54. The 7-page fax from Respondent did not contain a "payoff quote" that Fairbanks typically provides to brokers or lenders requesting information to payoff a client's Fairbanks loan.

55. In an April 8, 2003 letter, OFIS requested Respondent to remedy the xxxxxxxxx' complaint. On April 24, 2003, Respondent responded to the OFIS letter stating in part:

"World Wide required a payoff letter from Fairbanks, but we received a statement of terms of the loan. The employee at World Wide handling this loan did not realize the error by Fairbanks and used the unpaid principal balance as the payoff amount...Moreover the borrower received sufficient proceeds from the loan to pay the shortfall in the payoff amount. I believe the borrowers were in no way damaged in the error in the payoff amount."

56. A subsequent on-site investigation of this complaint revealed that Respondent's April 24, 2003 response misrepresented the facts with regard to the payoff information received from Fairbanks. During an on-site investigation at Respondent's office the xxxxxxxxx' loan officer, Latrice Smith, stated the xxxxxxxxx' were not expecting to get cash out, or at least no more than \$1,000.

57. A subsequent review of the xxxxxxxxx' mortgage loan file revealed the following documents and information which contradict Latrice Smith's statements and support Ms.

xxxxxxx' version of the events:

- a. The original loan application dated November 20, 2002 shows the xxxxxxxxx' were applying for a mortgage with cash-out at close in the amount of \$8,562.
- b. A "Credit Explanation Letter signed by xxxxxxxxx xxxxxxxxx on November 20, 2002, which states in part, "we are also in need of funds to keep on repairs to home."
- c. An underwriting "Loan Approval Summary" from Ameriquest Mortgage Company dated November 26 indicating the loan applied for was a cash-out refinance, with expected cash-out of \$4,967.50

58. None of the documents found in the file suggested the Charteris' were expecting \$1,000 or less cash-out. Further, contrary to the fax received from Ms. xxxxx and Respondent's response letter, the mortgage loan file contained a "Payoff Quote" from Fairbanks dated November 26, 2002, and received by Respondent via fax the same day. The "Payoff Quote" showed the principal balance as \$23,638.48, and "TOTAL AMOUNT TO PAY LOAN IN FULL ON OR BEFORE 12/20/2002 \$26,575.33". The document instructs the closing agent to "Please call (888) 349-8952 to verify these payoff figures no later than 24 hours prior to your closing." The actual loan closing took place on December 13, 2002. Respondent twice concealed this clearly relevant document from OFIS.

59. The following documents were also found in the xxxxxxxxx' mortgage loan file:

- a. A payoff quote from the first lien mortgage servicer, Washington Mutual, dated November 22, 2002 showing the current principal balance was \$58,912.33 and a total amount due of \$62,097.34
- b. Two signed settlement statements. One showing payoff amounts to Washington Mutual and Fairbanks for only the principal amounts due on each loan, according to the payoff quotes, with cash back to the borrower in the amount of \$7,095.09. The other, apparently subsequent, signed statement shows the correct payoff amount to Washington Mutual, but still only the principal amount that was due to Fairbanks, with cash-back to the borrowers in the amount of \$3,546.35.
- c. A document entitled "Shortfall Affidavit" whereby the borrowers agreed to hold Blue Moon Title Company, Inc. and Stewart Title Guarantee Company harmless for any additional monies due from any shortages in payoff amounts.

60. By engaging in the conduct described above, Respondent violated Sections 22(a), 22(b), and 22(g) of the MBLSLA.

D. "Portfolio Loans"

61. During investigation of the xxxxxxxx and xxxxxxxx/xxxx complaints, Jack Wolfe disclosed that Respondent engaged in a practice he originally referred to as "phantom loans" (later referred to as Portfolio Loans), whereby, Respondent's purchase money mortgage loan documentation is prepared and executed, then immediately refinanced, with the refinance transaction being sold to an investor. The interim purchase money transaction is the WWFS's Portfolio Loan.

62. Wolfe subsequently provided OFIS with a copy of a Memorandum from himself, directed to all Loan Officers, dated April 20, 2001, regarding WWFS's Portfolio Loans. The Memorandum describes the Portfolio Loan as

“a necessary interim transaction to create a loan which will be saleable on the secondary market. Typically, the purpose for the interim transaction is to provide cash out to a borrower which would otherwise exceed saleable guidelines. By doing the interim transaction or World Wide Financial Portfolio Loan, we can then refinance the World Wide Financial loan as rate and term refinance (i.e., the “Flip”). This latter loan is now saleable.”

63. The Memorandum also discusses Respondent's justification for the process, then states:

“Quite frankly, and consistent with the ‘new’ direction of the organization, this is a transaction of excess and will be **discontinued as of September 30, 2001**. Until that time, below are the processes and rules of how to do these types of transactions.”

64. The “process”, in part, describes the documentation requirements for both Respondent's Portfolio Loan and the Secondary Market Rate and Term Loan (the refinance). Among the requirements for the refinance are

- a. “New credit report reflecting all debts paid off”,
- b. “Title work reflecting WWFS as lien holder with WWFS loan amount”,
- c. “Liability section of 1003 to reflect WWFS as mortgage lender and other debts listed will only be those that are not being paid off by the first loan”,
- d. “Verify loan being shipped out to investor does not have copies of checks that were used to pay debts on first loan”, and
- e. “The rate and term loan should not have any copies of the following: Payoffs from original investor who was paid off by World Wide Financial Portfolio

Loan; Original Credit Report; and/or title work. 1003 should **not** reflect consolidation or investment purposes...”

65. The “rules” are, in part, “If conforming or jumbo product, you must use Brad Silverstein. He alone will determine file eligibility. He will also share in the proceeds of the transaction. **No exceptions!**”

66. OFIS requested a list of Respondent’s mortgage loans made from 2000 through 2003, and subsequently refinanced by Respondent within 30 days. The list OFIS received disclosed 40 transactions; 34 of the transactions appear to involve Respondent’s Portfolio Loans, as they indicate a purchase was refinanced within 30 days, usually within the same week or even the same day; 22 of these apparent Portfolio Loans occurred after the Memorandum’s mandated Portfolio Loan discontinuance date of September 30, 2001.

67. The OFIS investigation of the Portfolio Loans revealed they are a sham, with funds from the refinance transaction flowing through to ultimately fund the obligations of the original purchase transaction (the Portfolio Loan).

68. In most, if not all cases, Respondent, its employees, and its affiliate Title Giant, engaged in fraud and material misrepresentations in connection with these mortgage loan transactions to induce investors to purchase the loans.

69. The fraud and material misrepresentations found in these transactions included:

- a. False statements on mortgage loan applications,
- b. Fraudulent verifications of employment and income,
- c. Fraudulent HUD-1 Settlement Statements, and
- d. Fraudulent, unauthorized use, of a social security number.

70. Results of the investigation of several of Respondent’s Portfolio Loans are as follows:

71. xxxxxxxx xxxxxxxx – Subject Property: xxxx Pleasant, Birmingham, MI

- a. Respondent obtained rights to the subject property via Quit Claim Deeds in Lieu of Foreclosure executed by xxxxxxxx xxxxxxxx and xxxxxxxx xxxxxxxx on June 18, 2003.
- b. According to a Purchase Agreement, dated July 13, 2003, Respondent sold the subject property to Mrs. xxxxxxxx xxxxxxxx, wife of Respondent's employee, xxxxxx x. xxxxxxxx, for \$1,021,765. The subject property was valued at \$1,500,000 as of July 6, 2003, according to an appraisal by xxxxxxxx xxxxxxxx, xxxxxxxx Group LLC.
- c. On July 18, 2003, Respondent created a fictitious "Portfolio Loan" mortgage transaction that it did not fund, and did not intend to fund. The Portfolio Loan amount was \$1,021,765, (100% of the sale price) according to the Mortgage and Promissory Note. The HUD-1 Settlement Statement prepared by Title Giant in connection with this transaction represents that the loan amount was only \$975,000.
- d. On July 21, 2003, (3 days later) Respondent refinanced their fictitious Portfolio Loan mortgage transaction and sold the \$975,000 refinance mortgage loan to Residential Funding Corporation ("RFC").
- e. The HUD-1 Settlement Statement prepared by Title Giant in connection with the refinance transaction reflects a fictitious payoff to Respondent in the amount of \$1,047,976.35 to deceive the investor and induce them to purchase the loan.

- f. Respondent's employees provided false information to RFC for the fictitious payoff to Respondent by reporting a fictitious Respondent mortgage loan account number for Mrs. xxxxxxxxxx, on RFC's Assetwise Finding Automated Underwriting System (AFAUS).
- g. Respondent knowingly and intentionally participated in misrepresenting Mrs. xxxxxxxxxx's income to RFC in order to deceive the investor and induce it to purchase the loan. The application shows income of \$27,000 a month for Mrs. xxxxxxxxxx, as an analyst at xxxxxxxxxx xxxx, Inc. A wage verification provided by xxxxxxxxxx xxxx, Inc. to OFIS reported that Mrs. xxxxxxxxxx earned approximately \$4,000 per month.
- h. Respondent's affiliate, Title Giant, acted as closing agent on both the fictitious purchase and the subsequent refinance mortgage loan transactions.

72. xxxxxxxxxx xxxxxxx – Subject Property: xxxx xxxxxxx xxxx Drive, Commerce,
Michigan

- a. This Portfolio Loan and refinance occurred on the same day, May 29, 2003. Respondent does not appear to have any file documentation or record of the Portfolio Loan. It is a fabrication.
- b. On May 29, 2003, Title Giant transferred \$495,000 to Metropolitan Title on behalf of xxxxxxx, and the money was used to complete xxxxxxx's "cash" acquisition of the subject property on that day, using Metropolitan Title as settlement agent without knowledge of any mortgage due. Nonetheless, Title Giant issued title commitment No. TG15708 showing a requirement to "Record discharge of mortgage in the amount of \$492,000, executed by

xxxxxxx xxxxxx...to (Respondent) dated May 29, 2003, sent for recording...”

- c. Title Giant also prepared a HUD-1 Settlement Statement in connection with the “refinance” transaction showing payoff of the fictitious \$492,000 Portfolio Loan and issued a letter stating, in part, “We have closed and completely disbursed the mortgage proceeds in connection with the above-captioned (subject) property.”
- d. The title commitment, settlement statement, and disbursement letter were provided to RFC, who purchased the loan.
- e. Respondent’s employees intentionally falsified the social security number, income, and length of employment of Mr. xxxxxx, to obtain the \$492,000 “refinance” mortgage loan on the subject property.
- f. The mortgage loan application for Mr. xxxxxx shows a false social security number of xxx-xx-xxxx and inflated monthly income of \$20,000. The loan officer is identified as Jon Stirling.
- g. Respondent’s employees created a fraudulent Verification of Employment (VOE) from Respondent, falsely showing income of \$89,673.12 in 2001, \$219,760 in 2002, and \$102,500 year-to-date in 2003 for Mr. xxxxxx. The VOE also falsely shows xxxxxx’s date of employment as “8/2/2000”.
- h. The VOE is dated May 17, 2003, and is purportedly signed by Brad Silverstein, a team leader of Respondent. Respondent’s employees also created a fraudulent Verbal Verification of Employment .

- i. The Verbal VOE falsely discloses xxxxxx's social security number as xxx-xx-xxxx, and his hire date as "Aug. 2, 2000". It also discloses the employer/Respondent contact as xxxxxxxx xxxxxxxx, "Vice President".
- j. xxxxxx's personnel file with Respondent indicates he started working for Respondent on March 4, 2002, and his social security number is xxx-xx-xxxx. A W-2 obtained from Respondent revealed that Mr. xxxxxx made only \$xx,xxx for the year 2002. George's income in 2003 was less than \$xx,xxx per month according to 2003 year-to-date information provided with the W-2.
- k. The application, VOE, and Verbal VOE were all provided to RFC in connection with the "refinance" transaction.

73. xxxxxxxx xxxxxxxx – Subject Property: xxxxxxxxxxxx Court, Canton, Michigan

- a. The Portfolio Loan in connection with this property was supposedly made on May 6, 2002, in the amount of \$108,500. Respondent does not appear to have any file documentation or other record of the Portfolio Loan. The "refinance" occurred on May 10, 2002, in the amount of \$110,000, and was sold to RFC.
- b. The Portfolio Loan is a fabrication. Nonetheless, Title Giant issued title commitment No. 01012390 showing a requirement to "Record discharge of mortgage in the amount of \$108,500, executed by xxxxxxxx xxxxxxxx...to (Respondent) dated May 6, 2002 and sent for recording..." Title Giant also prepared a HUD-1 Settlement Statement in connection with the "refinance" transaction showing payoff of the fictitious \$108,500 Portfolio Loan.
- c. The title commitment and settlement statement were provided to RFC, who purchased the loan.

- d. Further, Respondent's employees intentionally falsified the social security number and employer of Mr. xxxxxx, to obtain the \$110,000 "refinance" mortgage loan on the subject property. The initial and final mortgage loan applications by Mr. xxxxxx show a false social security number of xxx-xx-xxxx, falsely show monthly income of \$10,500 from self-employment through xxxxxxxx xxxxxx Marketing Inc., and omits his employment with Respondent.
- e. The Respondent's loan officer is identified as Brad Silverstein, a team leader of Respondent. xxxxxx's personnel file with Respondent indicates he started working for Respondent on March 4, 2002, and his social security number is xxx-xx-xxxx.
- f. The applications were provided to RFC in connection with the "refinance" transaction.
- g. George also utilized the false Social Security Number, xxx-xx-xxxx, in connection with another refinance of the subject property on August 19, 2002,

74. xxxxxx xxxxxx – Subject Property: xxxxx xxxxx, Oak Park, MI

- a. This Portfolio Loan and refinance on the subject property, both in the amount of \$136,000, occurred on the same day, August 9, 2002.
- b. Mr. xxxxxx xxxxxx ("xxxxxx") was a loan officer with Respondent from March 11, 2002 through August 8, 2003, according to Respondent's records.
- c. Respondent's employees intentionally falsified xxxxxx's income and length of employment with Respondent in connection with the "refinance" transaction. The "refinance" mortgage loan was sold to RFC.

- d. Respondent's employees completed a mortgage loan application for xxxxxx, falsely showing that he had been working for Respondent for 2.2 years and had income of \$7,000 a month. The loan officer shown on the application is Joseph Blandford.
- e. In fact, xxxxxx had been working for Respondent less than 5 months at the time the loan closed.
- f. Further, a 2002 W-2 for xxxxxx, obtained from Respondent, reports that he only earned \$xx,xxx.xx in 2002.

75. Other Portfolio Loans

- a. Several other Portfolio Loan/refinance transactions were reviewed and several violations were noted as a result of the Portfolio Loan practice.
- b. At least 15 other Portfolio Loan transactions (in addition to those set forth above) were closed, or purportedly closed, in 2002 and 2003, as purchase transactions with Respondent acting as Lender, and Title Giant acting as settlement agent.
- c. These transactions were not funded and loan proceeds were not disbursed in accordance with the related Portfolio Loan HUD-1 Settlement Statements prepared by Title Giant.
- d. Later the same day, or within a few days, Respondent would "refinance" the Portfolio Loan with Title Giant again acting as settlement agent. The HUD-1 Settlement Statements prepared by Title Giant in connection with the "refinance" transaction would show a fictitious payoff of the Portfolio Loan that never funded.

- e. These “refinance” mortgage loan transactions were sold to investors, and the proceeds of the refinance loan were used to fund the original purchase (Portfolio Loan) obligations rather than pay off the fictitious Portfolio Loan, contrary to the related settlement statements.
- f. The following is a listing of the other 15 fictitious Portfolio Loan/refinance transactions reviewed, where this occurred:

<u>Borrower Name</u>	<u>Loan Type</u>	<u>Loan Date</u>	<u>Loan Amt.</u>	<u>Respondent Account Number</u>
XXXXX XXXXXX	Purchase	05/30/02	\$ 210,000	- XXXXX-XXXXXXXXXX
XXXXX XXXXXX	Refinance	06/03/02	\$ 214,000	- XXXXX-XXXXXXXXXX
XXXX XXXXXX	Purchase	08/29/03	\$ 159,000	- XXXXX-XXXXXXXXXX
XXXX XXXXXX	Refinance	09/03/03	\$ 162,000	- XXXXX-XXXXXXXXXX
XXXXX XXXXXX	Purchase	08/05/03	\$ 118,000	- XXXXX-XXXXXXXXXX
XXXXX XXXXXX	Refinance	08/05/03	\$ 118,000	- XXXXX-XXXXXXXXXX
XXXXXXXX XXXXXXXX	Purchase	07/07/03	\$ 422,500	- XXXXX-XXXXXXXXXX
XXXXXXXX XXXXXXXX	Refinance	07/07/03	\$ 422,500	- XXXXX-XXXXXXXXXX
XXXXXXXX XXXXXX	Purchase	04/03/02	\$ 77,500	- no acct. # assigned
XXXXXXXX XXXXXX	Refinance	04/19/02	\$ 80,000	- XXXXX-XXXXXXXXXX
XXXX XXXXXXXX	Purchase	07/18/03	\$ 335,000	- XXXXX-XXXXXXXXXX
XXXX XXXXXXXX	Refinance	07/19/03	\$ 335,000	- XXXXX-XXXXXXXXXX
XXXXXXXXXXXX XXXXX	Purchase	12/18/02	\$ 157,000	- XXXXX-XXXXXXXXXX
XXXXXXXXXXXXr XXXXX	Refinance	12/18/02	\$ 158,000	- XXXXX-XXXXXXXXXX
XXXXXX XXXXXX	Purchase	04/02/03	\$ 152,100	- XXXXX-XXXXXXXXXX
XXXXXX XXXXXX	Refinance	04/28/03	\$ 152,100	- XXXXX-XXXXXXXXXX
XXXXXX XXXXXX	Purchase	01/28/03	\$ 81,600	- XXXXX-XXXXXXXXXX
XXXXXX XXXXXX	Refinance	01/28/03	\$ 81,600	- XXXXXXXX-XXXXXXXXXX
XXXXXXXX XXXXXX	Purchase	04/19/03	\$ 570,000	- XXXXX-XXXXXXXXXX
XXXXXXXX XXXXXX	Refinance	04/25/03	\$ 480,000	- XXXXX-XXXXXXXXXX
XXXX XXXXXX	1 st Refinance	05/12/03	\$ 274,000	- XXXXX-XXXXXXXXXX

xxxx xxxxxx	2 nd Refinance	05/16/03	\$ 276,000	- xxxxx-xxxxxxxxxxx
xxxxxxx xxxxx	Purchase	06/27/03	\$ 145,000	- xxxxx-xxxxxxxxxxx
xxxxxxx xxxxx	Refinance	06/27/03	\$ 145,000	- xxxxx-xxxxxxxxxxx
xxxx xxxxxx	Purchase	08/22/03	\$ 193,000	- xxxxx-xxxxxxxxxxx
xxxx xxxxxx	Refinance	08/26/03	\$ 195,000	- xxxxx-xxxxxxxxxxx
xxx xxxxx	Purchase	10/13/03	\$ 142,500	- xxxxx-xxxxxxxxxxx
xxx xxxxx	Refinance	10/14/03	\$ 142,500	- xxxxx-xxxxxxxxxxx
xxxxxx xxxxxx	Purchase	not known	\$ 52,000	- no acct. # assigned
xxxxxx xxxxxx	Refinance	02/28/02	\$ 53,600	- xxxxx-xxxxxxxxxxx

- g. Respondent's mortgage accounts listed below are further evidence that Respondent's employees willfully and intentionally planned on defrauding an investor or a third party by inputting fraudulent information into the RFC Assetwise Finding Automated Underwriting System (AFAUS), in order to qualify the borrower for a refinance mortgage loan. Respondent's employees would enter a fictitious account number (FAN) into the AFAUS for the Portfolio Loan accounts listed below:

<u>Name</u>	<u>Date</u>	<u>Payoff Amt.</u>	<u>Account Number</u>	<u>Status</u>
xxxx xxxxxx	08/29/03	\$ 159,000	- xxx	FAN
xxxxxx xxxxxx	08/09/02	\$ 136,000	- xxx	FAN
xxxxxxxx xxxxxxxx	07/07/03	\$ 422,500	- xxxxxxxxxx	FAN
xxxxxxxx xxxxxxxx	07/18/03	\$1,021,765	- xxxxxxxxxx	FAN
xxxxxxxx xxxxxx	05/29/03	\$ 492,000	- xxxxx	FAN
xxxxxxxx xxxxxx	04/03/02	\$ 77,500	- xxxxxx	FAN
xxxxxxxx xxxxxx	05/06/02	\$ 108,500	- xxxxx	FAN
xxxx xxxxxxxx	07/18/03	\$ 335,000	- xxxxxxxxxxxxxx	FAN
xxxxxxxx xxxxxx	04/19/03	\$ 570,000	- xxx	FAN
xxxx xxxxxxxx	08/22/03	\$ 193,000	- xxxxxxxxxx	FAN

- h. The above account numbers were checked and verified against Respondent's accounting system/records, revealing the account numbers were never in the system and/or the accounts never funded or paid off.
- i. Respondent's practices in connection with its Portfolio Loans, result in misrepresentations to investors. Jack Wolfe, through his Memo has acknowledged his awareness, direction, and continuance of these practices.
- j. This action by Respondent's employees caused the AFAUS to require payoffs of the fictitious accounts based on the account numbers entered into the AFAUS, helping to create the illusion of a refinance transaction to the investor, when in fact the investor wound up funding the purchase or acquisition of the subject property.

76. By the conduct described above, Respondent violated Section 3500.8(a)(b) and Appendix A of RESPA, Section 4(4) of the CMPA, and Sections 22(a) and 22(b) of the MBLSLA.

G. xxxxxxxx xxxxx

77. OFIS staff received information that Respondent's xxO, xxxxxxx xxxxxxx, obtained a mortgage loan around March 1, 2004, through Respondent, who then sold the loan to Washington Mutual. The information alleged that Respondent and xxxxxxx made various misrepresentations in the loan documentation in order to induce Washington Mutual to purchase the loan.

78. An investigation into these transactions by OFIS staff revealed that Babcock, Wolfe, Eisenshtadt, Respondent, and Title Giant planned and participated in several acts of fraud, deceit,

and material misrepresentation in connection with several loans involving the subject property, xxx xxxxxxxxx, Birmingham, Michigan. The specifics are set forth below.

79. On September 29, 2003, Respondent sold the subject property to xxxxxxxx for \$x,xxx,xxx. On that date, Respondent gave xxxxxxxx a first lien mortgage loan in the amount of \$x,xxx,xxx, and a secondary mortgage loan in the amount of \$xxx,xxx, to acquire the property. On both loans, xxxxxxxx's mortgage loan application again indicated the subject property was his primary residence.

80. On March 1, 2004, xxxxxxxx refinanced, and obtained another \$x,xxx,xxx mortgage loan from Respondent that was sold to Washington Mutual. xxxxxxxx's mortgage loan application again indicated the subject property was his primary residence.

81. Respondent's mortgage loan file in connection with the September 29, 2003 purchase transaction contains a Residential Lease Agreement, purportedly entered into on October 1, 2003, between xxxxxxxx, as landlord, and xxxxxxxxx x. xxxxxxxxx ("xxxxxxx"), as tenant leasing xxxxxxxx's home at xxxxx xxxxxxxxx xxxx Drive, Franklin, Michigan, for a term of 18 months beginning January 1, 2004. This is an eight-page document whose first seven pages are photocopies with a "clean" appearance, but the eighth page, containing the signatures, has a "dirty" appearance to it that does not coincide with the quality of the first seven pages. xxxxxxxx stated during the investigation that he did not sign a lease agreement with xxxxxxxx, and in fact he has been renting the subject (Greenwood) property from xxxxxxxx, at xxxxxxxx's suggestion, without a lease agreement since late January 2004. During a conference in March of 2004, Jack Wolfe acknowledged that xxxxxxxx was still living at the Franklin property.

82. xxxxxxxx signed mortgage loan applications in connection with the purchase mortgage loan transactions which stated the purpose of the loans are to purchase the subject property for

his primary residence, and that he lived there at the time of application. However, investigation revealed xxxxxxx continues to occupy his true primary residence at xxxxx xxxxxxxx xxxx Drive, Franklin, Michigan.

83. Respondent and xxxxxxx provided several refinance applications to Washington Mutual, again falsely asserting the purpose of the loan was to refinance his primary residence and that he lived there at the time of application, when in fact, xxxxxxx continues to occupy his true primary residence at xxxxx xxxxxxxx xxxx Drive, Franklin, Michigan.

84. xxxxxxx signed an Affidavit and Agreement misrepresenting that “Borrower Affiant now occupies the property as Borrower Affiant’s principal residence, or in good faith will so occupy the Property...” This document was notarized by Howard Eisenshtadt on September 29, 2003, and is a material misrepresentation in connection with a mortgage loan transaction.

85. Oakland County Treasurer’s records indicate that the 2000 and 2001 property taxes on the Greenwood property were paid on March 8, 2004, and that, as of March 30, 2004, the 2002 and 2003 Greenwood property taxes were still due in the amount of \$xx,xxx.xx.

86. Respondent and Title Giant prepared a HUD-1 Settlement Statement dated September 29, 2003, in connection with the purchase mortgage loan transaction. xxxxxxx signed the settlement statement, as borrower, Wolfe, on behalf of Respondent as seller, and Eisenshtadt, as settlement agent. The settlement statement falsely certified disbursement of over \$xx,xxx in property taxes as follows:

- a. 2000 in the amount of \$xx,xxx.xx,
- b. 2001 in the amount of \$xx,xxx.xx,
- c. 2002 in the amount of \$xx,xxx.xx, and
- d. 2003 summer in the amount of \$xx,xxx.xx.

87. In connection with the refinance transaction, Title Giant issued Commitment No. TG21002, with an issue date of March 3, 2004, on the Greenwood property. This commitment falsely represented that property taxes were paid through 2003.

88. Title Giant's Receipts and Disbursements Ledger in connection with the purchase transaction reflect that only \$xx,xxx.xx was disbursed for property taxes, and that disbursement check was dated and cashed on March 4, 2004.

89. The purchase settlement statement misrepresents that xxxxxxxx brought \$xx,xxx.xx to closing. Title Giant's Receipts and Disbursements Ledger for the transaction indicates xxxxxxxx didn't bring any money to close. The settlement statement also misrepresents that Respondent brought \$xxx,xxx.xx to close, but Title Giant's Receipts and Disbursements Ledger for the transaction do not reflect this.

90. By the conduct described above, Respondent violated Section 3500.8(a)(b) and Appendix A of Regulation X, Section 4(4) of the CMPA, and Sections 22(a) and 22(b) of the MBLSLA

II.

ORDER TO CEASE AND DESIST PURSUANT TO MCL 445.1666

Based on the investigation findings set forth in the background above, IT IS ORDERED:

1. World Wide Financial Services, Inc., its officers, directors, employees, and agents shall immediately CEASE AND DESIST from:
 - a.) failing to conduct the mortgage broker and or mortgage lending business in accordance with law, the MBLSLA, or order issued under the MBLSLA, including, but not limited to:

- i) refusing or failing to provide, within a reasonable time, information requested by the commissioner's representatives pursuant to the act,
 - ii) failing to maintain books, accounts, records, and documents of the business necessary to enable the commissioner to determine whether Respondent is conducting business pursuant to the act,
 - iii) failing to maintain mortgage loan documents for the time required by the act.
- b.) engaging in fraud, deceit or material misrepresentation in connection with any transaction governed by the MBLSLA, including, but not limited to the following practices:
- i) submitting mortgage documentation containing false representations as to employment, income and occupancy status,
 - ii) use of false Social Security numbers,
 - iii) making false statements on HUD-1 Settlement Statements regarding the disposition of settlement funds, including funds brought to closing by the borrower and/or seller, payoffs of prior mortgage loans and disbursements for property taxes and other liabilities.

2. Respondent shall be entitled to a hearing before the commissioner if a written request for a hearing is filed with the commissioner not more than 30 days after the effective date of this order.

The Commissioner of OFIS specifically retains jurisdiction of the matter contained herein to issue such further orders as the Commissioner deems just, necessary or appropriate to assure compliance with the law and to protect the public interest.

Any further communication regarding this Order should be directed to Joyce A. Karr, Deputy Commissioner, Office of Financial and Insurance Services, P. O. Box 30220, Lansing, MI 48909, Phone: (517) 373-0435.

To request a hearing, please contact Dawn Kobus, Hearings Coordinator, Office of Financial and Insurance Services, P.O. Box 30220, Lansing, MI 48909, phone: (517) 373-0435.

A handwritten signature in cursive script that reads "Linda A. Watters". The signature is written in black ink and is positioned above a horizontal line.

Linda A. Watters
Commissioner

IV.

APPLICABLE LAW

Section 13(1) of the MBLSLA, MCL 445.1663(1), states that:

(1) The attorney general, the commissioner, or any other person may file a complaint with the commissioner alleging that a person has violated this act or a rule promulgated or an order issued under this act. If the complaint is made by the commissioner, he or she shall designate 1 or more employees of the financial institutions bureau to act as the person making the complaint. Upon receipt of a complaint, the commissioner may begin an investigation pursuant to the provisions of this act.

Sections 22(a), 22(b), and 22(g) of the MBLSLA, MCL 445.1672, state that:

It is a violation of this act for a licensee or registrant to do any of the following:

- (a) Fail to conduct the business in accordance with law, this act, or a rule promulgated or order issued under this act.
- (b) Engage in fraud, deceit, or material misrepresentation in connection with any transaction governed by this act.
- (g) Refuse to permit an examination or investigation by the commissioner of the books and affairs of the licensee or registrant, or has refused or failed, within a reasonable time, to furnish any information or make any report that may be required by the commissioner under this act.

Section 16 of the MBLSLA, MCL 445.1666, states that:

(1) After an investigation has been conducted pursuant to section 13, and prior to holding the hearing under section 18, the commissioner may order a person to cease and desist from a violation of this act or a rule promulgated or an order issued under this act.

(2) A person ordered to cease and desist shall be entitled to a hearing before the commissioner if a written request for a hearing is filed with the commissioner not more than 30 days after the effective date of the order. A hearing shall be conducted in accordance with the provisions of the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws.

(3) A violation of a cease and desist order issued under this act is a violation of this act and the commissioner or the attorney general may take any action permitted under this act, including making application to the Ingham County circuit court to restrain and enjoin, temporarily or permanently, or both, a person from further violating the cease and desist order.

Section 11 MBLSLA, MCL 445.1661(1), states that:

- (1) The commissioner shall exercise general supervision and control over mortgage brokers, mortgage lenders, and mortgage servicers doing business in this state.
- (2) In addition to the other powers granted to the commissioner by this act, the commissioner shall have all of the following powers:
 - (a) To promulgate reasonable rules under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, as necessary to implement and administer this act.
 - (b) To deny an application for a license.
 - (c) To conduct examinations and investigations of any person as necessary for the efficient enforcement of this act and the rules promulgated under this act.
 - (d) To advise the attorney general or the prosecuting attorney of the county in which the business is conducted that the commissioner believes a licensee, registrant, or person is violating this act. The attorney general or prosecuting attorney may take appropriate legal action to enjoin the operation of the business or prosecute violations of this act.
 - (e) To bring an action in the Ingham county circuit court in the name and on behalf of this state against the licensee, registrant, or any other person who is participating in, or about to participate in, any unsafe or injurious practice or act in violation of this act or a rule promulgated under this act, to enjoin the person from participating in or continuing the practice or engaging in the act.
 - (f) To order a person to cease and desist from a violation of this act or a rule promulgated under this act in accordance with section 16.
 - (g) To suspend or revoke a license or registration in accordance with section 29.
 - (h) To require that restitution be made in accordance with section 29.
 - (i) To assess a civil fine in accordance with section 29.
 - (j) To censure a licensee or registrant.
 - (k) To issue an order to prohibit a person from being employed by, an agent of, or control person of a licensee or registrant as provided under section 18a.

Section 18a of the MBLSLA, MCL 445.1668(a), states that:

- (1) If in the opinion of the commissioner a person has engaged in fraud, the commissioner may serve upon that person a written notice of intention to prohibit that person from being employed by, an agent of, or control person of a licensee or registrant under this act or a licensee or registrant under a financial licensing act. For purposes of this section, "fraud" shall include actionable fraud, actual or constructive fraud, criminal fraud, extrinsic or intrinsic fraud, fraud in the execution, in the inducement, in fact, or in law, or any other form of fraud.
- (2) A notice issued under subsection (1) shall contain a statement of the facts supporting the prohibition and, except as provided under subsection (7), set a hearing to be held not more than 60 days after the date of the notice. If the person

does not appear at the hearing, he or she is considered to have consented to the issuance of an order in accordance with the notice.

(3) If after a hearing held under subsection (2) the commissioner finds that any of the grounds specified in the notice have been established, the commissioner may issue an order of suspension or prohibition from being a licensee or registrant or from being employed by, an agent of, or control person of any licensee or registrant under this act or a licensee or registrant under a financial licensing act.

(4) An order issued under subsection (2) or (3) is effective upon service upon the person. The commissioner shall also serve a copy of the order upon the licensee or registrant of which the person is an employee, agent, or control person. The order remains in effect until it is stayed, modified, terminated, or set aside by the commissioner or a reviewing court.

(5) After 5 years from the date of an order issued under subsection (2) or (3), the person subject to the order may apply to the commissioner to terminate the order.

(6) If the commissioner considers that a person served a notice under subsection (1) poses an imminent threat of financial loss to applicants for mortgage loans, the commissioner may serve upon the person an order of suspension from being employed by, an agent of, or control person of any licensee or registrant. The suspension is effective on the date the order is issued and, unless stayed by a court, remains in effect pending the completion of a review as provided under this section and the commissioner has dismissed the charges specified in the order.

(7) Unless otherwise agreed to by the commissioner and the person served with an order issued under subsection (6), the hearing required under subsection (2) to review the suspension shall be held not earlier than 5 days or later than 20 days after the date of the notice.

(8) If a person is convicted of a felony involving fraud, dishonesty, or breach of trust, the commissioner may issue an order suspending or prohibiting that person from being a licensee or registrant and from being employed by, an agent of, or control person of any licensee or registrant under this act or a licensee or registrant under a financial licensing act. After 5 years from the date of the order, the person subject to the order may apply to the commissioner to terminate the order.

(9) The commissioner shall mail a copy of any notice or order issued under this section to the licensee or registrant of which the person subject to the notice or order is an employee, agent, or control person.

Section 21 of the MBLSLA; MCL 445.1671, states that:

Books, accounts, records, and documents; preservation and examination; reports; false statement as felony; penalty.

(1) A licensee or registrant shall maintain books, accounts, records, and documents of the business, as prescribed by the commissioner, conducted under the license or registration to enable the commissioner to determine whether the business of the licensee or registrant is conducted pursuant to this act and the rules promulgated under this act. The preservation of

records by reproduction pursuant to the records media act constitutes compliance with this section. If the books, accounts, records, and documents are not made available in this state, the licensee or registrant shall pay the reasonable travel, lodging, and meal expenses of the examiner as provided in section 8.

(2) A licensee or registrant shall preserve and keep available for examination by the commissioner each mortgage loan document in its possession or control, including, but not limited to, the application, credit report, employment verification, loan disclosure statement, and settlement statement, until the mortgage loan is transferred or assigned, or the expiration of 3 years after the date the mortgage loan is closed, whichever occurs first. If the mortgage loan is transferred or assigned, the licensee or registrant shall preserve and keep available for examination by the commissioner copies of the promissory note, mortgage, land contract, truth-in-lending disclosure statements, and settlement statements in its possession or control for 3 years after the date the mortgage loan is transferred or assigned.

Notwithstanding any other provision of this act, each licensee or registrant shall preserve and keep available for examination by the commissioner all documents pertaining to a rejected application for a mortgage loan for the period of time required by state or federal law. A licensee or registrant shall preserve all other books, accounts, records, and documents pertaining to the licensee's or registrant's business and keep them available for examination by the commissioner for not less than 3 years after the conclusion of the fiscal year of the licensee or registrant in which the book, account, record, or document was created.

(3) On or before a date to be determined by the commissioner, a licensee or registrant shall annually file with the commissioner a report giving information, as required by the commissioner, concerning the business and operations of the licensee or registrant under this act during the immediately preceding calendar year. In addition, the commissioner may require a licensee or registrant to file special reports as the commissioner considers reasonably necessary for the proper supervision of licensees or registrants under this act. Reports required pursuant to this section shall be in the form prescribed by the commissioner, signed, and affirmed. A person who willfully and knowingly subscribes and affirms a false statement in a report required pursuant to this subsection is guilty of a felony, punishable by imprisonment for not more than 15 years.

Section 4 of the Consumer Mortgage Protection Act; MCL 445.1634, states that:

Person making mortgage loan; prohibited conduct.

(1) A person offering to make or making a mortgage loan shall not do either of the following:

(a) Charge a fee for a product or service if the product or service is not actually provided to the customer.

(b) Misrepresent the amount charged by or paid to a third party for a product or service.

(2) A lender in making a mortgage loan shall not finance as part of the loan single premium coverage for any credit life, credit disability, or credit unemployment.

(3) A person, appraiser, or real estate agent shall not make, directly or indirectly, any false, deceptive, or misleading statement or representation in connection with a mortgage loan

including, but not limited to, the borrower's ability to qualify for a mortgage loan or the value of the dwelling that will secure repayment of the mortgage loan.

(4) A lender shall not insert or change information on an application for a mortgage loan if the lender knows that the information is false and misleading and intended to deceive a third party that the borrower is qualified for the loan when in fact the third party would not approve the loan without the insertion or change.

(5) A statement or representation is deceptive or misleading if it has the capacity to deceive or mislead a borrower or potential borrower. The commissioner shall consider any of the following factors in deciding whether a statement or misrepresentation is deceptive or misleading:

(a) The overall impression that the statement or representation reasonably creates.

(b) The particular type of audience to which the statement is directed.

(c) Whether it may be reasonably comprehended by the segment of the public to which the statement is directed.

(6) A lender shall not condition the payment of an appraisal upon a predetermined value or the closing of the mortgage loan which is the basis of the appraisal.

(7) A person shall not directly or indirectly compensate, coerce, or intimidate an appraiser for the purpose of influencing the independent judgment of the appraiser with respect to the value of the dwelling offered as security for repayment of the mortgage loan.

(8) A mortgage loan note shall not contain blanks regarding payments, interest rates, maturity date, or amount borrowed to be filled in after the note is signed by the borrower

HUD's Regulation X

Section 3500.8 Use of HUD-1 or HUD 1-A settlement statements

(a) Use by settlement agent. The settlement agent shall use the HUD- 1 settlement statement in every settlement involving a federally related mortgage loan in which there is a borrower and a seller. For transactions in which there is a borrower and no seller, such as refinancing loans or subordinate lien loans, the HUD-1 may be utilized by using the borrower's side of the HUD-1 statement. Alternatively, the form HUD-1A may be used for these transactions. Either the HUD-1 or the HUD-1A, as appropriate, shall be used for every RESPA-covered transaction, unless its use is specifically exempted, but the HUD-1 or HUD-1A may be modified as permitted under this part. The use of the HUD- 1 or HUD-1A is exempted for open-end lines of credit (home-equity plans) covered by the Truth in Lending Act and Regulation Z.

(b) Charges to be stated. The settlement agent shall complete the HUD-1 or HUD-1A in accordance with the instructions set forth in appendix A to this part.

(c) Aggregate accounting at settlement. (1) After itemizing individual deposits in the 1000 series using single-item accounting, the servicer shall make an adjustment based on aggregate accounting. This adjustment equals the difference in the deposit required under aggregate accounting and the sum of the deposits required under single-item accounting. The computation steps for both accounting methods are set out in Sec. 3500.17(d). The adjustment will always be a negative number or zero (-0-). The settlement agent shall enter the aggregate adjustment amount on a final line in the 1000 series of the HUD-1 or HUD-1A statement.

(2) During the phase-in period, as defined in Sec. 3500.17(b), an alternative procedure is available. The settlement agent may initially calculate the 1000 series deposits for the HUD-1 and HUD-1A settlement statement using single-item analysis with only a one-month cushion (unless the mortgage loan documents indicate a smaller amount). In the escrow account analysis conducted within 45 days of settlement, however, the servicer shall adjust the escrow account to reflect the aggregate accounting balance. Appendix E to this part sets out examples of aggregate analysis. Appendix A to this part contains instructions for completing the HUD-1 or HUD-1A settlement statements using an aggregate analysis adjustment and the alternative process during the phase-in period.