

**STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**Before the Commissioner of the Office of Financial & Insurance Regulation**

**In the Matter of:**

**Equity Mortgage Funding, Inc.**

**Enforcement Case No. 10-7605**

**License No. FL-0010201**

**Respondent.**

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**CONSENT ORDER REQUIRING COMPLIANCE  
AND PAYMENT OF FINES**

**Issued and entered  
on 4/9/10  
by Stephen R. Hilker  
Chief Deputy Commissioner**

Based upon the Stipulation to Entry of Consent Order and the files and records of the Office of Financial and Insurance Regulation (OFIR) in this matter, the Chief Deputy Commissioner finds and concludes that:

1. The Chief Deputy Commissioner has jurisdiction and authority to adopt and issue this Consent Order in this proceeding pursuant to the Michigan Administrative Procedures Act of 1969 (MAPA), as amended, MCL 24.201 *et seq.*, and the Mortgage Brokers, Lenders, and Servicers Licensing Act, 1987 PA 173, as amended, MCL 445.1651 *et seq.* (MBLSLA).
2. All required notices have been issued in this case, and the notices and service thereof were appropriate and lawful in all respects.
3. Acceptance of the Stipulation to Entry of Consent Order is reasonable and in the public interest.
4. All applicable provisions of the MAPA and the MBLSLA have been met.

5. Respondent violated Section 2(4) of the MBLSLA, MCL 445.1652(4); Section 5 of the MBLSLA, MCL 445.1655; and Section 22 of the MBLSLA, MCL 445.1672.

Now therefore, based upon the Stipulation to Entry of Consent Order and the facts surrounding this case, **IT IS ORDERED THAT:**

1. The Stipulation to Entry of Consent Order submitted by the parties to the Chief Deputy Commissioner is hereby accepted.
2. Respondent shall pay to the State of Michigan, through OFIR, a civil fine in the amount of \$5,000.00. Respondent shall further pay the fine within 30 days of the invoice date as indicated on the OFIR invoice.
3. Respondent shall cease and desist from violating the MBLSLA.
4. Respondent shall accurately and truthfully complete any and all reports it is required to submit to the Commissioner.
5. The Chief Deputy Commissioner retains jurisdiction over the matters contained herein and has the authority to issue such further order(s) as he shall deem just, necessary, and appropriate in accordance with the MBLSLA. Failure to abide by the terms and provisions of the Stipulation to Entry of Consent Order and this Order may result in the commencement of additional proceedings.

  
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**Stephen R. Hilker**  
**Chief Deputy Commissioner**

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DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH: 29  
OFFICE OF FINANCIAL AND INSURANCE REGULATION

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Trans Info: 61102 13867867-1 04/02/10  
CHK#: 8192 Amt: \$5,000.00  
TO: EQUITY MORTGAGE FUNDING INC

STIPULATION TO ENTRY OF CONSENT ORDER

Equity Mortgage Funding, Inc. (Respondent) and the Office of Financial and Insurance Regulation (OFIR) stipulate to the following:

1. On or about December 14, 2009, OFIR served Respondent with a Notice of Opportunity to Show Compliance (NOSC) alleging that Respondent violated provisions of the Mortgage Brokers, Lenders, and Servicers Licensing Act, 1987 PA 173, as amended, MCL 445.1651 *et seq.* (MBLSLA), and the Secondary Mortgage Loan Act, Act 125 of 1981, as amended, MCL 493.51, *et seq.* (SMLA).
2. The NOSC contained allegations that Respondent violated the MBLSLA and the SMLA, and set forth the applicable laws and penalties which could be taken against Respondent.
3. Respondent exercised its right to an opportunity to show compliance by responding to the NOSC in writing on January 12, 2010.
4. OFIR and Respondent have conferred for purposes of resolving this matter and determined to settle this matter pursuant to the terms set forth below.
5. The Chief Deputy Commissioner of OFIR has jurisdiction and authority to accept this Stipulation to Entry of Consent Order and issue a Consent Order pursuant to the Michigan Administrative Procedures Act, MCL 24.201 *et seq.* (MAPA), the MBLSLA, and the SMLA.
6. At all pertinent times, Respondent was licensed with OFIR as a mortgage broker and lender pursuant to the MBLSLA and was registered as a mortgage broker and lender under the SMLA until December 31, 2007.

7. Based upon the allegations set forth in the NOSC and communications with the Respondent, the following facts were established:
  - a. Licensee paid several loan officers their earnings as independent contractors on IRS Form 1099-MISC (either to the employee directly or to a related entity) as well as IRS Form W-2. Additionally, certain loan officers were paid their IRS Form 1099-MISC wages through related entities. This described conduct is in violation of Section 2(4) of the MBLSLA, MCL 445.1652(4), which required at the time of the violation, "Unless a residential mortgage originator is otherwise licensed or registered under this act, a mortgage broker, mortgage lender, or mortgage servicer shall not pay directly or indirectly any compensation, commission, fee, points, or other remuneration or benefits to a residential mortgage originator other than an employee of the mortgage broker, mortgage lender, or mortgage servicer."
  - b. Licensee's financial statements were incomplete and could not be reasonably relied upon. Licensee's tax returns, the most authoritative financial statements to determine Licensee's net worth, revealed a net worth of \$22,500.00, an amount below the \$25,000.00 required by Section 5 of the MBLSLA, MCL 445.1655.
  - c. Licensee disclosed a yield spread premium in an unacceptably broad and unreasonable range for two consumers in violation of Section 3500.7(c) of Regulation X and Statement of Policy 1999-1 of the Real Estate Settlement Procedures Act. Conducting business not in accordance with law is a violation of Section 22 of the MBLSLA, MCL 445.1672.
  - d. Licensee failed to disclose or reasonably disclose the yield spread premium charged to the borrower on seven mortgage loan transactions in violation of Section 3500.7(c) of Regulation X. Conducting business not in accordance with law is a violation of Section 22 of the MBLSLA, MCL 445.1672.
  - e. Licensee paid unearned fees to multiple entities for the origination of mortgage loans although the entities did not provide or perform any services in connection with the mortgage loans, in violation of Section 3500.14(c) of Regulation X. Conducting business not in accordance with law is a violation of Section 22 of the MBLSLA, MCL 445.1672.
8. Based on the foregoing, Respondent has violated Section 2(4) of the MBLSLA, MCL 445.1652(4); Section 5 of the MBLSLA, MCL 445.1655; and Section 22 of the MBLSLA, MCL 445.1672.
9. Both parties have complied with the procedural requirements of the MAPA and the MBLSLA.

10. Respondent agrees to pay to the State of Michigan, through the OFIR, a civil penalty in the amount of \$5,000.00. The fines will be paid within 30 days of the invoice date as indicated on the OFIR invoice.
11. Respondent agrees to accurately and truthfully complete any and all reports it is required to submit to the Commissioner.
12. Respondent shall not engage in any violations of sections of the MBLSLA identified in paragraph 7 of this Stipulation to Entry of Consent Order.
13. Respondent understands and agrees that the Stipulation to Entry of Consent Order will be presented to the Chief Deputy Commissioner for approval. The Chief Deputy Commissioner may in his sole discretion, decide to accept or reject the Stipulation to Entry of Consent Order. If the Chief Deputy Commissioner accepts the Stipulation to Entry of Consent Order, Respondent waives the right to a hearing in this matter and consents to the entry of the Consent Order. If the Chief Deputy Commissioner does not accept the Stipulation to Entry of Consent Order, Respondent waives any objection to the Commissioner holding a formal administrative hearing and making his decision after such hearing.
14. The failure to abide by the terms and conditions of the Stipulation to Entry of Consent Order and the Consent Order may, at the discretion of the Chief Deputy Commissioner, result in further administrative compliance actions.
15. The Chief Deputy Commissioner has jurisdiction and authority under the provisions of the MAPA and the MBLSLA to accept the Stipulation to Entry of Consent Order and to issue a Consent Order resolving these proceedings.
16. Respondent has had an opportunity to review the Stipulation to Entry of Consent Order and the Consent Order and have the same reviewed by legal counsel.

**Equity Mortgage Funding, Inc.**

  
By: \_\_\_\_\_  
Its: *president*

3-30-10  
Dated

**Office of Financial & Insurance Regulation**

  
By: Scott D. Basel (P68335)  
Staff Attorney

4-8-10  
Dated

