

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of the Office of Financial and Insurance Regulation

In the Matter of:

Allied Home Mortgage Corporation,
License No. FR – 0017434
Registration No. SR – 0017435

Enforcement Case No. 11-11412

Jimmy C. Hodge, President,

Respondent.

Issued and Entered,
This 10th day of November, 2011,
By R. Kevin Clinton,
Commissioner

**ORDER FOR SUMMARY SUSPENSION,
ORDER TO CEASE AND DESIST,
and
NOTICE OF OPPORTUNITY FOR ADMINISTRATIVE HEARING**

1. Allied Home Mortgage Corporation (Respondent) is currently registered with the State of Michigan, Office of Financial and Insurance Regulation (“OFIR”) as a mortgage broker, lender and servicer pursuant to the provisions of the Secondary Mortgage Loan Act (SMLA), 1981 PA 125, as amended, MCL 493.51 *et seq.*

2. The Commissioner of OFIR is statutorily charged with the authority and responsibility to exercise general supervision and control over mortgage brokers, mortgage lenders, and mortgage servicers doing business in this state pursuant to the SMLA.

3. Respondent was granted a secondary mortgage broker, lender and servicer registration by the Commissioner on November 24, 2010, pursuant to Section 3a(a)-(c) of the SMLA, MCL 493.53a(a)-(c).

4. Mark Weigold, Director of the Consumer Finance Section, Office of Financial and Insurance Regulation, Department of Licensing and Regulatory Affairs, received information from other regulatory agencies and media reports indicating that Respondent’s approvals as a

seller or servicer of Federal Home Loan Mortgage Corporation (Freddie Mac), issuer or servicer of the Government National Mortgage Association (Ginnie Mae) or seller or servicer of the Federal National Mortgage Association (Fannie Mae) have been suspended. The Commissioner conducted a full and thorough investigation pursuant to Section 6b(1)&(2) of the SMLA, MCL 493.56b(1)&(2) and Section 13(1) of the MBLSLA, MCL 445.1663(1).

5. The Commissioner made the following FINDINGS and CONCLUSIONS from such investigation:

- a. On or about November 1, 2011, the U.S. Department of Housing and Urban Development's Mortgage Review Board suspended Respondent's approval to underwrite or originate new mortgages insured by FHA.
- b. On or about November 1, 2011, Ginnie Mae suspended Respondent as an issuer or servicer.
- c. On or about November 1, 2011, Fannie Mae suspended Respondent as a seller or servicer.
- d. On or about November 9, 2011, Freddie Mac suspended Respondent as a seller or servicer of mortgage loans.
- e. HUD also suspended Respondent's president and chief executive officer, Jimmy C. Hodge, and is proposing to debar him.
- f. Respondent is presently acting as a mortgage broker, lender or servicer in the State of Michigan.

6. Respondent's first mortgage broker, lender and servicer registration was granted based upon its approved status as a seller or servicer of Freddie Mac, issuer of Ginnie Mae or seller or servicer of Fannie Mae.

7. Respondent's qualification to continue to be registered and operate as a mortgage broker, lender or servicer under the SMLA is dependent upon Respondent continuing to maintain its status as an approved Freddie Mac seller or servicer, Ginnie Mae issuer or servicer or Fannie Mae seller or servicer.

8. It is a violation of the SMLA for a registrant to fail to comply with the law or the SMLA.

9. Respondent's failure to maintain approval as a Freddie Mac seller or servicer, Ginnie Mae issuer or servicer or Fannie Mae seller or servicer renders it ineligible to register as a mortgage broker, mortgage lender, or mortgage servicer under the SMLA.

10. Respondent's failure to maintain approval as a Freddie Mac seller or servicer, Ginnie Mae issuer or servicer or Fannie Mae seller or servicer renders it ineligible to hold a registration as a mortgage broker, mortgage lender, or mortgage servicer under the SMLA or to continue to act as such in the State of Michigan.

11. Unregistered activity is a serious threat to the public health, safety, and welfare.

12. I HEREBY FIND that the alleged conduct of Respondent, if true, indicates that an emergency Order of Summary Suspension is appropriate and necessary in order to protect the public interest.

13. I FURTHER FIND that Respondent's failure to maintain its status as an approved Freddie Mac seller or servicer, Ginnie Mae issuer or servicer or Fannie Mae seller or servicer precludes it from conducting business under the SMLA and could result in disastrous financial consequences for borrowers, investors, lenders, and the residential mortgage industry. The facts alleged, if true, indicate that Respondent does not possess the requisite character and fitness to be engaged in the business as a mortgage broker, lender or servicer and further indicates that Respondent does not command the confidence of the public in the regulated area nor warrant the belief that Respondent will comply with the law.

14. Due process requirements of the SMLA and the Administrative Procedures Act require that the Respondent, subject to summary disciplinary action, be provided with an opportunity for a prompt hearing on the order for summary suspension. A summary suspension of Respondent's license is authorized by Section 92 of the Michigan Administrative Procedures Act of 1969, as amended, MCL 24.292, and Section 8 of the SMLA, MCL 493.58.

Now, therefore, it is hereby ORDERED that:

1. A copy of this Order shall be served upon Respondent forthwith. The Order of Summary Suspension shall be immediately effective upon service of this Order on the Respondent. Respondent's registration to engage in the business of mortgage brokering, lending or servicing, pursuant to the provisions of the SMLA, is hereby SUMMARILY SUSPENDED upon service of

this Order upon Respondent. An administrative hearing on this Order for Summary Suspension shall be promptly afforded Respondent, if requested in writing within 20 days. Requests for a hearing on this matter shall be made to:

Office of Financial and Insurance Regulation
Office of General Counsel
Attn.: Tracy Janousek, Hearings Coordinator
611 West Ottawa Street, Floor Three
Lansing, Michigan 48933

2. Respondent shall immediately make available to OFIR for examination any and all books, accounts, papers, records, files, documents, safes and vaults pertaining to its activities under the SMLA.

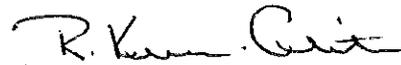
3. Respondent shall immediately allow OFIR to conduct any examination or investigation of Respondent's activities under the SMLA as it deems necessary to protect the public interest and to assure compliance with provisions of the law.

4. Respondent shall within seven (7) days of the effective date of this ORDER, file with the Commissioner a Special Report which, at a minimum, provides, the name, address, and telephone number of each Michigan consumer that closed a residential mortgage with Respondent that was not funded following the time at which Respondent failed to be approved as a Freddie Mac seller or servicer, Ginnie Mae issuer or servicer or Fannie Mae seller or servicer. Respondent shall file with the Commissioner a Special Report which, at a minimum, provides the name, mailing address, property address, and telephone number of each Michigan consumer that holds a Michigan residential property that Respondent is servicing. In addition, Respondent shall file with the Commissioner a Special Report which, at a minimum, provides the name, mailing address, property address, and telephone number of each Michigan consumer that has a mortgage application pending in its pipeline.

5. Respondent shall contact forthwith Marlon F. Roberts, Staff Attorney, OFIR Office of General Counsel, at 611 West Ottawa Street, Floor 3, Lansing, Michigan 48933, telephone (517) 335-4593, to discuss and resolve any and all issues pertaining to transactions currently pending with Respondent under the SMLA.

6. Respondent and its officers, directors, employees, and agents shall immediately CEASE AND DESIST from engaging in any mortgage broker, lender or servicer activities which are or should be regulated under the provisions of the SMLA.

7. The Commissioner of the OFIR specifically retains jurisdiction of the matters contained herein to issue such further order or orders as he may deem just, necessary or appropriate so as to assure compliance with the law and protect the public interest.



R. Kevin Clinton
Commissioner

APPLICABLE LAW AND PENALTIES

Section 8 of the Secondary Mortgage Loan Act, MCL 493.58, provides as follows:

(1) The commissioner may issue an order summarily suspending a license or registration under section 92 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.292, supported by an affidavit that an imminent threat of financial loss or imminent threat to the public welfare exists. The order to summarily suspend a license or registration shall be served upon the licensee or registrant.

(2) A licensee or registrant upon which an order to summarily suspend its license or registration has been served shall have 20 days after the date of service of the order within which to file with the commissioner a request for a hearing.

(3) A hearing shall be promptly held upon receipt of a request for a hearing filed by a licensee or registrant.

(4) A summary suspension of a license or registration shall continue until the commissioner finds that the imminent threat of financial loss and imminent threat to the public welfare no longer exist.

(5) The record created at the hearing of the summary suspension shall become part of the record on the complaint at a subsequent hearing in a contested case.

Section 92 of the Michigan Administrative Procedures Act, MCL 24.292, provides as follows:

(1) Before the commencement of proceedings for suspension, revocation, annulment, withdrawal, recall, cancellation or amendment of a license, an agency shall give notice, personally or by mail, to the licensee of facts or conduct which warrant the intended action. Except as otherwise provided in the support and parenting time enforcement act, Act No. 295 of the Public Acts of 1982, being sections 552.601 to 552.650 of the Michigan Compiled Laws, or the regulated occupations support enforcement act, the licensee shall be given an opportunity to show compliance with all lawful requirements for retention of the license.

(2) If the agency finds that the public health, safety or welfare requires emergency action and incorporates this finding in its order, summary suspension of a license may be ordered effective on the date specified in the order or on service of a certified copy of the order on the licensee, whichever is later, and effective during the proceedings. The proceedings shall be promptly commenced and determined.

Section 3a of the Secondary Mortgage Loan Act, MCL 493.53a, provides as follows:

The following persons shall register with the commissioner on a form prescribed by the commissioner:

(a) A broker, lender, or servicer approved as a seller or servicer by the federal national mortgage association or the federal home loan mortgage corporation.

(b) A broker, lender, or servicer approved as an issuer or servicer by the government national mortgage association.

(c) A broker, lender, or servicer that is licensed under the mortgage brokers, lenders, and servicers licensing act, 1987 PA 173, MCL 445.1651 to 445.1684, or a registrant under that act if the registrant is a mortgage broker, mortgage lender, or mortgage servicer approved as a seller or servicer by the federal national mortgage association or the federal home loan mortgage corporation, or a mortgage broker, mortgage lender, or mortgage servicer approved as an issuer or servicer by the government national mortgage association.

(d) A broker, lender, or servicer that is a subsidiary or affiliate of a depository financial institution or a depository financial institution holding company if the depository institution does not maintain a main office or a branch office in this state.

Section 6b of the Secondary Mortgage Loan Act, MCL 493.56b, provides as follows:

(1) The commissioner shall exercise general supervision and control over brokers, lenders, and servicers doing business in this state.

(2) In addition to the other powers granted by this act, the commissioner may do any of the following:

- (a) Deny an application for a license or registration.
- (b) Conduct examinations and investigations of any person, as necessary to enforce this act and the rules promulgated under this act.
- (c) Investigate complaints filed against licensees or registrants.
- (d) Advise the attorney general or the prosecuting attorney of a county in which a broker, lender, or servicer is conducting business that the commissioner believes a licensee, registrant, or other person is violating this act. The attorney general or prosecuting attorney shall bring a legal action to enjoin the operation of the business of the broker, lender, or servicer or prosecute violations of this act.
- (e) Bring an action in the Ingham county circuit court to enjoin a person from participating in, continuing to practice, or from engaging in a practice that is an unsafe or injurious practice or that violates this act or a rule promulgated under this act.
- (f) Order a person to cease and desist from a violation of this act or a rule promulgated under this act under section 14.
- (g) Suspend, revoke, or refuse to issue a license or registration under section 11.
- (h) Assess a civil fine under section 27.
- (i) Appoint a conservator under section 12a.
- (j) Issue an order to prohibit a person from being employed by, an agent of, or control person of, a licensee or registrant under section 14a.
- (k) Censure a licensee or registrant.

(3) In the conduct of any examination or investigation under this act, the commissioner may do any of the following:

- (a) Issue a subpoena under section 15.
- (b) Administer oaths under section 15.

(c) Interrogate a person under oath concerning the business and conduct of affairs of a person subject to this act, and require the production of books, records, or papers relative to the inquiry.

(d) Have free access during regular business hours to the offices, places of business, or other location where the licensee, registrant, or an affiliate of a licensee or registrant, maintains business-related documents, and to the books, accounts, papers, records, files, documents, safes, and vaults of a licensee or registrant. The information obtained during the examination or investigation is exempt from the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246, and shall not be available for public inspection or copying or divulged to any person except as follows:

(i) To the attorney general.

(ii) To a regulatory agency.

(iii) In connection with an enforcement action brought under this or another applicable act.

(iv) To law enforcement officials.

(v) To persons authorized by the Ingham county circuit court to receive the information.

(e) Employ independent investigators to conduct a part or all of an investigation, in the case of an investigation other than an examination.

Section 27 of the Secondary Mortgage Loan Act, MCL 493.77, provides as follows:

(1) In addition to the penalties provided by this act, a violation of this act with respect to a particular secondary mortgage loan transaction is also subject to the penalty and remedy provisions of the credit reform act, 1995 PA 162, MCL 445.1851 to 445.1864.

(2) A person, association, nonprofit corporation, common law trust, joint stock company, limited liability company, or any other group of individuals, however organized, or any owner, partner, member, officer, director, trustee, employee, agent, broker, or representative thereof who or which willfully or intentionally does any of the following is guilty of a misdemeanor punishable by a fine of not more than \$15,000.00, imprisonment for not more than 1 year, or both:

(a) Engages in this state in the business of a broker, lender, or servicer without a license or registration required under this act.

(b) Acts as a secondary mortgage loan officer in this state and is not a licensed secondary mortgage loan officer under the mortgage loan originator licensing act.

(c) Coerces or induces a real estate appraiser to inflate the value of real property used as collateral for a secondary mortgage loan, including, but not limited to, by doing any of the following:

(i) Representing or implying that a real estate appraiser will not be selected to conduct an appraisal of the real property or selected for future appraisal work unless the appraiser agrees in advance to a value, range of values, or minimum value for the real property.

(ii) Representing or implying that a real estate appraiser will not be paid for an appraisal unless the appraiser agrees in advance to a value, range of values, or minimum value for the real property.

(3) A person who violates this act or directly or indirectly counsels, aids, or abets in a violation is liable, in addition to other penalties and forfeitures imposed by this act, for a civil fine of not more than \$3,000.00 for each violation, except that a person shall not be fined more than \$30,000.00 for a transaction resulting in more than 1 violation, plus the costs of investigation. The civil fine shall be sued for and recovered by the commissioner and shall be collected and enforced by summary proceedings by the attorney general.

(4) Whether or not he or she seeks damages or has an adequate remedy at law, a person, a county prosecutor, or the attorney general may bring an action to do any of the following:

(a) Obtain a declaratory judgment that a method, act, or practice is a violation of this act.

(b) Enjoin a person from engaging in, or who is about to engage in, a method, act, or practice that violates this act.

(c) Recover actual damages resulting from a violation of this act or \$250.00, whichever is greater, together with reasonable attorneys' fees and the costs of bringing the action.