
IN THE MATTER OF:

LOANSNAP, INC.
d/b/a LOANSNAP
NMLS # 76967

(“Respondent”)

**TEMPORARY ORDER TO CEASE
AND DESIST**

**NOTICE OF INTENT TO REVOKE AND
REFUSE TO RENEW MORTGAGE
LENDER LICENSE**

**NOTICE OF INTENT TO ISSUE
ORDER TO CEASE AND DESIST**

**NOTICE OF INTENT TO IMPOSE
CIVIL PENALTY**

AND

NOTICE OF RIGHT TO HEARING

I. PRELIMINARY STATEMENT

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Part I of Chapter 668, Sections 36a-485 to 36a-534b, inclusive, of the Connecticut General Statutes, “Mortgage Lenders, Correspondent Lenders, Brokers and Loan Originators”.

2. Pursuant to the authority granted by Section 36a-17 of the Connecticut General Statutes, the Commissioner, through the Consumer Credit Division (“Division”) of the Department of Banking (“Department”), has examined the activities of Respondent to determine if it has violated, is violating or is about to violate the provisions of the Connecticut General Statutes within the jurisdiction of the Commissioner (“Examination”).

3. As a result of the Examination, the Commissioner has reason to believe that Respondent has violated Sections 36a-486(b)(1), 36a-498e(a)(6) and 36a-498e(a)(8) of the Connecticut General Statutes

in effect at such time, Sections 36a-498e(b)(1) and 36a-678(a) of the Connecticut General Statutes, 12 CFR Sections 1026.19(e)(2)(iii) and 1026.36(f)(2) of Regulation Z, and 15 USC Section 1681m(a).

4. As a result of the Examination, the Commissioner finds that the public welfare requires immediate action to issue a temporary order to cease and desist against Respondent from violating Sections 36a-486(b)(1), 36a-498e(a)(6) and 36a-498e(a)(8) of the Connecticut General Statutes, as amended by Public Act 23-126, Sections 36a-498e(b)(1) and 36a-678(a) of the Connecticut General Statutes, 12 CFR Sections 1026.19(e)(2)(iii) and 1026.36(f)(2) of Regulation Z, and 15 USC Section 1681m(a), pursuant to Section 36a-52(b) of the Connecticut General Statutes.

5. As a result of the Examination, the Commissioner finds that sufficient grounds exist to revoke and refuse to renew Respondent's mortgage lender license in Connecticut pursuant to Sections 36a-494(a)(1) and 36a-494(a)(1)(C) of the Connecticut General Statutes, and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes.

6. As a result of the Examination, the violations alleged by the Commissioner form the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes.

7. As a result of the Examination, the violations alleged by the Commissioner form the basis to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes.

II. MATTERS ASSERTED

8. Respondent is a California corporation with a main office at 3070 Bristol Street, Suite 200, Costa Mesa, California.

9. Respondent had been licensed to engage in the business of a mortgage lender in Connecticut since January 26, 2021. On December 24, 2023, Respondent applied for renewal of its mortgage lender license, which application is currently pending.

10. Respondent has been in the mortgage business since at least 2008. As of August 2023, Respondent was licensed to do mortgage business in approximately 40 states.

11. On July 30, 2008, the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008, 12 USC Section 5101, *et seq.* (“SAFE Act”), was enacted and required that states, at a minimum, require licensure of individuals who for compensation or gain (1) take residential mortgage loan applications **and** (2) offer or negotiate terms of residential mortgage loans (emphasis added).

12. With the enactment of Public Act 09-209, Connecticut amended its law to implement the SAFE Act, which was effective July 31, 2009. Connecticut, as did nearly every other state, exceeded the minimum requirements for mortgage loan originator licensure set forth in the SAFE Act; Connecticut defined the term “mortgage loan originator”, in pertinent part, as an individual who for compensation or gain “(A) takes a residential mortgage loan application, **or** (B) offers or negotiates terms of a residential mortgage loan” (emphasis added). A mortgage loan originator is required to be licensed in the state where the residential property securing the mortgage loan is located.

Recent Settlement and Regulatory Action

13. On or about May 11, 2021, Respondent entered into a settlement agreement with the Mortgagee Review Board of the U.S. Department of Housing and Urban Development that included a civil money penalty of \$25,000, based upon the following alleged violations of Federal Housing Administration (“FHA”) requirements: Respondent (a) failed to timely notify FHA of an operating loss in excess of twenty (20) percent of its quarter-end net worth in fiscal year 2019; and (b) failed to submit to FHA the required quarterly financial statements following a quarterly loss exceeding twenty (20) percent of its net worth.

Recent Legal Action

14. On August 25, 2023, Wells Fargo Bank, N.A. (“Wells Fargo”) filed suit against Respondent in the United States District Court of Minnesota alleging breach of contract relating to a mortgage loan Respondent sold to Wells Fargo which did not meet contractual requirements. Specifically, Wells Fargo

alleged that Respondent sold it a mortgage loan with an excessive or unsupported debt-to-income ratio, and subsequently refused to honor its contractual obligation to repurchase the nonconforming loan. Respondent failed to appear in this lawsuit, and a Judgment by Default was entered against Respondent on November 7, 2023, in the amount of \$431,511.75.

Examination

15. On July 19, 2022, the Commissioner, through the Division, commenced the Examination of Respondent during which the Division: reviewed various records provided by Respondent, including, but not limited to, employee lists, employee job descriptions, a 2022 business plan, agreements with vendors, commission and pay structures, sales call flows, call scripts, FAQs, residential mortgage loan files and payroll records; and listened to calls that had been previously recorded with consumers in Connecticut and other states.

Unlicensed Mortgage Loan Origination Activity

16. The Examination revealed systemic unlicensed mortgage loan origination activity in Connecticut by Respondent. In particular, from at least August 29, 2022 to December 2, 2022, Respondent employed individuals who were not licensed as mortgage loan originators in Connecticut, yet acted as mortgage loan originators by taking residential mortgage loan applications, soliciting Connecticut borrowers for residential mortgage loans and offering or negotiating terms of residential mortgage loans.

17. The Examination found that nationwide, Respondent employed a business model by which the bulk of the origination work was performed by unlicensed mortgage loan originators, generally titled as “Sales Development Representatives” or “Call Center Representatives” (collectively, “SDRs” or “Unlicensed MLOs”). In a typical residential mortgage loan transaction, Unlicensed MLOs made the first contact with a potential borrower by utilizing purchased leads from lead generators, such as LendingTree, to make outbound calls to potential borrowers. Unlicensed MLOs also received inbound calls from individuals interested in obtaining mortgage loans.

18. Unlicensed MLOs were trained by Respondent to collect certain information about the potential borrower.

19. Unlicensed MLOs triggered mortgage loan originator licensure requirements by taking an application from potential Connecticut borrowers, gathering information from the potential borrower that is customary or necessary in a decision on whether to make an offer of residential loan terms, including financial information indicative of the consumer's particular circumstance.

20. Unlicensed MLOs typically discussed borrower situations with the leads, including where they were in the buying process, offering and reviewing requirements of mortgage loan products, and asking if potential borrowers were interested in getting preapproved or prequalified. Unlicensed MLOs would then proceed to gather information from the potential Connecticut borrower, as more fully described in paragraphs 21 and 22, below.

21. Unlicensed MLOs obtained the following information about the potential borrower, whether from information contained in the lead or directly from the potential borrower, including but not limited to:

- Potential borrower's full name and residential address;
- Potential borrower's electronic mail address;
- Potential borrower's telephone number;
- Current monthly payments and expenses, including rental payments;
- Mortgage balance;
- Employment information;
- Social Security Number;
- Existing loan amounts and payments;
- Monthly debt payments; and
- Bankruptcy history.

22. Unlicensed MLOs also obtained the following information relating to the terms of the requested loan, whether from information contained in the lead or directly from the potential borrower, including but not limited to:

- Address of the subject property;
- Whether potential borrower is in contract or seeking preapproval;
- Requested loan amount and payments;
- Whether there will be a co-borrower;
- Amount of downpayment; and

- Length of repayment period (15 years or 30 years).

23. Unlicensed MLOs used the information more fully described in paragraphs 21 and 22, above, to determine whether Respondent had any options available to the borrower. Unlicensed MLOs often would require additional supporting documentation at this point in time to support the mortgage loan application, such as bank statements, W-2s, tax returns and paystubs to evidence assets and income, and signed purchase and sale agreement or “contract”, all prior to forwarding the file to a licensed mortgage loan originator.

24. Unlicensed MLOs also triggered mortgage loan originator licensure requirements by offering or negotiating terms of a mortgage loan. In particular, Unlicensed MLOs discussed the available products offered by Respondent and, based on the information obtained from the potential borrower, made an initial determination as to whether there is a loan product or “option” available to the potential borrower, the result of which was then conveyed to the potential borrower.

25. The activity, as more fully described in paragraphs 17 through 24, inclusive, constitutes “taking an application” or “offering or negotiating terms of a residential mortgage loan”, both under state law and the SAFE Act. Regulation H, 12 CFR Part 1008, which implements the SAFE Act, provides, in pertinent part, that:

Application means a request, in any form, for an offer (or a response to a solicitation of an offer) of residential mortgage loan terms, and the information about the borrower or prospective borrower that is customary or necessary in a decision on whether to make such an offer.

(12 CFR Section 1008.23.)

* * * * *

(1) An individual “takes a residential mortgage loan application” if the individual receives a residential mortgage loan application for the purpose of facilitating a decision whether to extend an offer of residential mortgage loan terms to a borrower or prospective borrower . . . whether the application is received directly or indirectly from the borrower or prospective borrower.

(2) An individual “offers or negotiates terms of a residential mortgage loan for compensation or gain” if the individual:

(i)(A) Presents for consideration by a borrower or prospective borrower particular residential mortgage loan terms;

(B) Communicates directly or indirectly with a borrower, or prospective borrower for the purpose of reaching a mutual understanding about prospective residential mortgage loan terms; or

(C) Recommends, refers, or steers a borrower or prospective borrower to a particular lender or set of residential mortgage loan terms, in accordance with a duty to or incentive from any person other than the borrower or prospective borrower; and

(ii) Receives or expects to receive payment of money or anything of value in connection with the activities described in paragraph (c)(2)(i) of this section or as result of any residential mortgage loan terms entered into as a result of such activities.

(12 CFR Section 1008.103(c).)

26. The Examination found that once an Unlicensed MLO deemed a potential borrower qualified for one of Respondent's loan products based on the information gathered (via text, electronic mail, telephone call and additional verification documentation he or she required the potential borrower to submit), the Unlicensed MLO would then send the file to a licensed mortgage loan originator.

27. The Examination also found that if an Unlicensed MLO determined that Respondent did not have "beneficial options" for a potential borrower, they would so advise the potential borrower and would end the call without allowing the potential borrower the opportunity to speak with a licensed mortgage loan originator, instead advising that a "senior mortgage banker" would review the file and contact the potential borrower if they determined that there were any "beneficial options", effectively denying the potential borrower credit.

28. The SAFE Act further clarifies through Appendix A to Regulation H (12 CFR 1008, App. A) that an individual is "taking a loan application" even if the individual:

(B) Is not responsible for verifying information . . . ;

(C) Only inputs the information into an online application or other automated system; or

(D) Is not involved in approval of the loan, including determining whether the consumer qualifies for the loan. . . .

29. Unlicensed MLOs also took applications for refinancing loans with knowledge of the property addresses of the borrowers and offered or negotiated terms of residential mortgage loan refinance products.

30. Communications from Unlicensed MLOs to borrowers failed to indicate they were not licensed in accordance with the SAFE Act and state mortgage loan origination laws.

31. Unlicensed MLOs also triggered licensure requirements through advertisements and solicitations. In particular, Section 36a-486(b)(1) of the Connecticut General Statutes in effect at such time states, in pertinent part, that, “[a]n individual . . . shall be deemed to be engaged in the business of a mortgage loan originator if such individual: . . . (B) makes any representation to the public through advertising or other means of communication that such individual can or will act as a mortgage loan originator on behalf of a licensee”

32. On her LinkedIn profile, Unlicensed MLO Darlene Kong, whom Respondent identified to the Division as an SDR from March 29, 2021 to January 26, 2022, represented her job title at Respondent to be “Mortgage Loan Officer” from March 2021 to February 2022.

33. In his LinkedIn profile, Unlicensed MLO Joe Klingensmith, whom Respondent identified to the Division as an SDR from June 2, 2021 forward, included in his job description for SDR at Respondent: “Prequalified inbound leads for the Senior Mortgage Loan Officers – over 100 calls per day.”

34. In his LinkedIn profile, Unlicensed MLO Nicholas Kitchen, whom Respondent identified to the Division as an SDR from January 6, 2022 to March 2, 2022, included in his job description for SDR at Respondent: “As a SDR, I was the connection point between potential mortgage and refi-takers, and was responsible for navigating a conversation to ensure a product available and beneficial to a customer. Sale technique, conversation guiding, ability to follow script, and ability to accurately qualify customers was key to success.”

Truth in Lending Act

35. 12 CFR Section 1026.19(e)(2)(iii) of Regulation Z provides that “[t]he creditor or other person shall not require a consumer to submit documents verifying information related to the consumer’s application before providing the disclosures required by paragraph (e)(1)(i) of this section” (“Loan Estimate”). Unlicensed MLOs routinely required potential borrowers to provide additional documentation to support and verify the information provided by the potential borrower prior to a Loan Estimate being provided to the potential borrower, including, but not limited to, a signed purchase and sale agreement or “contract”, bank statements, paystubs and W-2s.

36. For example, a review of a telephone call recording capturing conversation between Unlicensed MLO Lorena Ismodes and Connecticut borrower M.B. prior to the issuance of a Loan Estimate on March 31, 2022, reveals the following exchange:

Borrower: OK, so basically the situation is, my partner, her parents own her house, the house we live in We moved in together recently and we want to buy the house from her parents. We’re going to provide the downpayment. We’re going to pay them back for what they paid for the house via a 15-year mortgage, that’s kind of the plan. . . . [My partner] has lived in this house for three years, they purchased the house on her behalf. Now, we are in a position where we’d like to buy the house from them. They paid for the house in cash. And now that there’s two paychecks in the house, we’d like to go ahead and purchase it from them. Preferably because we’re a little bit older, a 15-year mortgage would be ideal.

Unlicensed MLO: OK, yes we do offer 15 years. So, you’re not in contract right, since they’re her parents? So, you do need to be in contract so that we can move forward and take a look at these numbers and get you um, like a specific option or quotes for you and [M.B.’s partner]. So, you would need to basically like put an offer, her parents would need to accept it, that way there’s a paper trail that you are in contract. And then at that point we can go ahead and move forward and see what kind of offer we can help you with. . . .

Borrower: Well, I can give you the numbers, roughly, if you want that now or we can just.

Unlicensed MLO: Is this for the property at [residential address in Connecticut]?

Borrower: That’s it, right. Yeah, yeah, it’s a condo.

Unlicensed MLO: OK, so it's the same property that you live in, correct?

Borrower: Yeah, exactly, exactly.

...

Unlicensed MLO: So, unfortunately we wouldn't be able to go through options or give you any quotes at the moment until you do put an offer and her parents accepted, everything is in writing and you have that contract, you know what I mean?

Borrower: Oh, I'm with you, of course. Just a place to start, that kind of a thing.

Unlicensed MLO: Yes, exactly, at that point, in the system, we can help generate a quote for you. Let me just see. Are you retired or are you receiving a paycheck?

...

Unlicensed MLO: So, I just sent you a link, [Borrower], so the, I can help you generate the preapproval letter in the meantime. That way, you would already know what you've been prequalified for. . . . That link, when you click on it, is going to redirect you to our website. There, you're going to click the "get started" button, then you click on the "purchase" button, and you enter your first and last name, all your information. It will prompt you to verify your identity, and that's the last four of your social. We don't do a hard credit pull at this stage. We do a soft pull, so there will be no impact on your credit report. And what will prompt you to generate the preapproval letter is that you would connect your bank statements through Plaid so that we can verify that you do have funds available for a downpayment and we can see how much you have available, so between how much you have available, and that soft pull we do, and your history, your income, because you will upload, I believe, your paystubs, your W-2s, that's how we will be able to generate and do a full preapproval letter. So, you want to connect or upload the bank statements that show the funds that you have available for a down.

37. In another example, a review of a telephone call recording capturing conversation between

Unlicensed MLO Hank Reuter (now a licensed mortgage loan originator in Connecticut,

NMLS # 2304907) and Connecticut borrower A.H. prior to the issuance of a Loan Estimate on

October 12, 2021, reveals the following exchange:

Unlicensed MLO: OK, so just give me while I see what type of options we have for you. I'm just going to put you on a brief hold. OK, it does look like we do have some options, however the next step is going to be

to verify your income. So, I just sent you an e-mail with the subject line "You have 24 hours to respond." The reason we need an income verification is to verify that there is a source of income as well as to help you find the most accurate quote for your situation. So, we want to make sure that the rate that we give you, the quote that we give you, is the most accurate that it can be. We don't want to tell you one thing and then you know you base your decision on that and then when you come back we say 'oh, it's actually this', now that we have all the information. So, if you just upload either a paystub or a w-2, either one, it's just really quick you just upload it onto that e-mail, we can then transfer you over to one of our mortgage bankers who can then discuss it with you. Do you have access to that now?

Borrower: Um, yeah, but I'm going to black out my SSN. Can I do that?

Unlicensed MLO: Yeah, not a problem.

...

Borrower: OK, so I have your Here we go - "You have 24 hours", that's you.

Unlicensed MLO: That's us.

Borrower: OK, let me scan this, save it to my computer, and then send it to you

Unlicensed MLO: Yeah, we just need to make sure that we see your name and your address on there for now. Down the line, if you do choose to go with LoanSnap, we will need to have access to your social security information, but for now, since we are just developing a quote, that information can stay private to you.

...

Unlicensed MLO: Well, I can tell you this much. Our servers are very safe, and we are only using this to verify income. It's not going anywhere and should you leave that social security info on there and you choose to stick with us, it'll actually fast track the sub portion of the loan process, so that's up to you, you know, if you want to just upload I, but I understand too if you'd rather just...

Borrower: Yeah, there's just too much stuff going on today, you know, I'd rather not. . .

...

Borrower: OK, so now I gotta open your thing. So now I go to "[y]ou have 24 hours . . . upload your document here."

Fair Credit Reporting Act

38. Based upon a review of information communicated to the Unlicensed MLO and contained in the potential borrower's credit report, if the Unlicensed MLO determined that the potential borrower would not be eligible for any of Respondent's products, the Unlicensed MLO would communicate that there were "no options" available to the potential borrower and encourage him or her to inquire again in the near future. The Unlicensed MLO would advise that a "senior mortgage banker" would review the file and call the potential borrower if they determined that there were any loan products available to them. Unlicensed MLOs "disqualified" potential borrowers over the telephone based on personal and financial information they required potential borrowers to provide, and information contained in consumer reports, more specifically information obtained from Respondent's use of a soft inquiry into the potential borrower's credit, without issuing adverse action notices required under 15 USC Section 1681m(a).

39. In particular, the Fair Credit Reporting Act ("FCRA") requires adverse action notices be provided whenever ". . . any person takes any adverse action with respect to any consumer that is based in whole or in part on any information contained in a consumer report." 15 USC Section 1681m(a). The FCRA defines "adverse action" by referencing the term in the Equal Credit Opportunity Act, which states that "adverse action" means "a denial or revocation of credit, a change in the terms of an existing credit arrangement, or a refusal to grant credit in substantially the amount or on substantially the terms requested." 15 USC Section 1691(d)(6).

Other Issues Identified During the Examination

40. The Examination revealed that between August 29, 2022 and December 2, 2022, Respondent charged advance fees of \$200 to at least 35 applicants, disclosed through a document titled "Good Faith Deposit", which states that "Your deposit may or may not be refundable, depending on the status of your loan. . . . If your application is denied or withdrawn, for any reason, we will refund your deposit to your credit card on file minus the actual cost of your appraisal and credit report." This document does not meet the criteria set forth in Section 36a-498(d) of the Connecticut General Statutes in that, among other

things, it does not use the term “nonrefundable” in boldface type to describe the advance fee and does not contain the heading in at least ten-point boldface type titled “AGREEMENT CONCERNING NONREFUNDABILITY OF ADVANCE FEE”.

41. The Examination also revealed that on at least 13 occasions between August 29, 2022 and December 2, 2022, Respondent committed to first mortgage loan applicants on their Loan Estimates that their rate was locked until a specific date and time. However, the Loan Estimates do not satisfy Section 36a-706 of the Connecticut General Statutes requiring that a “mortgage rate lock-in”, as defined in Section 36a-705(4) of the Connecticut General Statutes, be issued under such circumstances, in that the Loan Estimates fail to explicitly state that the loan will be made at such rate provided the first mortgage loan is closed by a specified date and the applicant qualifies for the loan in accordance with Respondent’s standards of creditworthiness.

42. In response to a request from the Division, Respondent provided a “Disclosure Tracking” document as evidence of its compliance with 12 CFR 1026.25 of Regulation Z from at least August 29, 2022 to December 2, 2022. The Official Interpretation of Regulation Z, 12 CFR Section 1026.19(e)(3)(iv) states, in pertinent part, that “[i]n order to comply with § 1026.25, creditors must retain records demonstrating compliance with the requirements of § 1026.19(e). For example, if revised disclosures are provided because of a changed circumstance under § 1026.19(e)(3)(iv)(A) affecting settlement costs, the creditor must be able to show compliance with § 1026.19(e) by documenting the original estimate of the cost at issue, explaining the reason for revision and how it affected settlement costs, showing that the corrected disclosure increased the estimate only to the extent that the reason for revision actually increased the cost, and showing that the timing requirements of § 1026.19(e)(4) were satisfied.” The “Disclosure Tracking” document does not meet these requirements.

43. If a consumer is permitted to shop for a settlement service in connection with its residential mortgage loan, 12 CFR Section 1026.19(e)(1)(vi)(C) of Regulation Z requires that the creditor provide the consumer with a written list identifying at least one available provider of that settlement service and stating that the consumer may choose a different provider for that service. On June 21, 2021, Respondent

provided to Connecticut co-borrowers J.S. and J.L. Loan Estimates which contained entries under “Services You Can Shop For”, but which failed to identify any available providers of such services. On March 31, 2022, Respondent provided to Connecticut co-borrowers M.B. and K.G. Loan Estimates which contained entries under “Services You Can Shop For”, but which failed to identify any available providers of such services.

Opportunity to Show Compliance

44. On August 4, 2023, the Division provided Respondent an opportunity to show compliance for the retention of its mortgage lender license in Connecticut pursuant to Section 4-182(c) of the Connecticut General Statutes (“Compliance Letter”).

45. On August 18, 2023, the Division received a written response from Respondent denying, in large part, the allegations asserted in the Compliance Letter. The response was carefully reviewed by the Division, which determined it to be unpersuasive.

III. STATUTORY AND REGULATORY BASES FOR ORDER TO REVOKE AND REFUSE TO RENEW MORTGAGE LENDER LICENSE, ORDER TO CEASE AND DESIST AND IMPOSITION OF CIVIL PENALTY

46. Respondent engaged the services of at least four individuals to act as mortgage loan originators in Connecticut who were not licensed, as more fully described in paragraphs 15 through 34, inclusive, and 36 through 38, inclusive, in violation of 12 CFR Section 1026.36(f)(2) of Regulation Z, Section 36a-486(b)(1) of the Connecticut General Statutes in effect at such time, and Section 36a-678(a) of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke and refuse to renew Respondent’s mortgage lender license pursuant to Section 36a-494(a)(1)(C) of the Connecticut General Statutes and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and form the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of

the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

47. Respondent assisted or aided and abetted the conduct of at least four individuals acting as mortgage loan originators without valid licenses, as more fully described in 15 through 34, inclusive, and 36 through 38, inclusive, in violation of Section 36a-498e(a)(6) of the Connecticut General Statutes in effect at such time. Such violation constitutes sufficient grounds to revoke and refuse to renew Respondent's mortgage lender license pursuant to Section 36a-494(a)(1)(C) of the Connecticut General Statutes and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and forms the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

48. Respondent required that Connecticut applicants submit documents verifying information related to the application before providing Loan Estimates, as more fully described in paragraphs 35 through 37, inclusive, in violation of 12 CFR Section 1026.19(e)(2)(iii) of Regulation Z and Section 36a-678(a) of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke and refuse to renew Respondent's mortgage lender license pursuant to Section 36a-494(a)(1)(C) of the Connecticut General Statutes and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and form the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

49. Respondent failed to provide Connecticut applicants the adverse action notices required by the FCRA, as more fully described in paragraphs 38 and 39, in violation of 15 USC Section 1681m(a). Such violation forms the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

50. Respondent failed to comply with Sections 36a-485 to 36a-498e, inclusive, 36a-498h, 36a-534a and 36a-534b of the Connecticut General Statutes or other state or federal law applicable to its business, as more fully described in paragraphs 8 through 43, inclusive, in violation of Section 36a-498e(a)(8) of the Connecticut General Statutes in effect at such time. Such violation constitutes sufficient grounds to revoke and refuse to renew Respondent's mortgage lender license pursuant to Section 36a-494(a)(1)(C) of the Connecticut General Statutes and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and forms the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

51. Respondent failed to establish, enforce and maintain policies and procedures reasonably designed to achieve compliance with Section 36a-498e(a) of the Connecticut General Statutes in effect at such time, as more fully described in paragraphs 8 through 43, inclusive, in violation of Section 36a-498e(b)(1) of the Connecticut General Statutes. Such violation forms the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon Respondent pursuant to

Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

52. The conduct of Respondent, as more fully described in paragraphs 8 through 43, inclusive, fails to demonstrate that its character and general fitness are such as to command the confidence of the community and to warrant a determination that Respondent will operate honestly, fairly and efficiently within the purposes of Sections 36a-485 to 36a-498e, inclusive, 36a-498h, 36a-534a and 36a-534b, as required by Section 36a-489(a)(1)(C) of the Connecticut General Statutes. Such failure constitutes sufficient grounds to deny an application for a mortgage lender license and, in turn, constitutes sufficient grounds to revoke and refuse to renew Respondent's mortgage lender license pursuant to Section 36a-494(a)(1)(C) of the Connecticut General Statutes and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes.

IV. FINDING AND STATUTORY BASIS FOR TEMPORARY ORDER TO CEASE AND DESIST

The Commissioner finds that the public welfare requires immediate action to issue a temporary order requiring Respondent to cease and desist from violating Sections 36a-486(b)(1), 36a-498e(a)(6) and 36a-498e(a)(8) of the Connecticut General Statutes, as amended by Public Act 23-126, Sections 36a-498e(b)(1) and 36a-678(a) of the Connecticut General Statutes, 12 CFR Sections 1026.19(e)(2)(iii) and 1026.36(f)(2) of Regulation Z, and 15 USC Section 1681m(a), and requiring Respondent to take such action as set forth herein to effectuate the purposes of Section 36a-52(b) of the Connecticut General Statutes, in that the interests of Connecticut consumer debtors are being prejudiced by Respondent's holding out unlicensed lower level employees to Connecticut consumers as licensed mortgage loan originators, who did not have equivalent training as licensed mortgage loan originators in the SAFE Act and state and federal statutes, and who did not go through the same rigorous testing and background check process required of properly licensed mortgage loan originators, and leading Connecticut consumers to believe that they were required to submit a signed

purchase and sale agreement or “contract” and provide income verification documents to Respondent before Respondent would provide a Loan Estimate, thereby creating a barrier to the Connecticut consumer from being able to properly shop around.

V. TEMPORARY ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO REVOKE AND REFUSE TO RENEW MORTGAGE LENDER LICENSE, NOTICE OF INTENT TO ISSUE ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE CIVIL PENALTY AND NOTICE OF RIGHT TO HEARING

WHEREAS, the Commissioner has reason to believe that Respondent has engaged in acts or conduct which constitutes sufficient grounds for the Commissioner to issue an order to revoke and refuse to renew Respondent’s license to engage in the business of a mortgage lender in Connecticut pursuant to Sections 36a-494(a)(1) and 36a-494(a)(1)(C) of the Connecticut General Statutes, and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and forms a basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes and to impose a civil penalty upon Respondent pursuant to Sections 36a-494(b) and 36a-50(a) of the Connecticut General Statutes in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation;

AND WHEREAS, the Commissioner has made the finding required under 36a-52(b), 36a-51(a) and 4-182(c) of the Connecticut General Statutes.

THE COMMISSIONER THEREFORE ORDERS, pursuant to the authority granted in Section 36a-52(b) of the Connecticut General Statutes, that LoanSnap, Inc. d/b/a LoanSnap immediately **CEASE AND DESIST** from violating Sections 36a-486(b)(1), 36a-498e(a)(6) and 36a-498e(a)(8) of the Connecticut General Statutes, as amended by Public Act 23-126, Sections 36a-498e(b)(1) and 36a-678(a) of the Connecticut General Statutes, 12 CFR Sections 1026.19(e)(2)(iii) and 1026.36(f)(2) of Regulation Z, and 15 USC Section 1681m(a). This Temporary Order to Cease and Desist shall become effective upon receipt by LoanSnap, Inc. d/b/a LoanSnap and, unless set aside or modified by a court,

shall remain in effect until the effective date of a permanent order or dismissal of the matters asserted in this Temporary Order to Cease and Desist.

THE COMMISSIONER FURTHER ORDERS, pursuant to the authority granted in Sections 36a-51(a) and 36a-52(b) of the Connecticut General Statutes, that LoanSnap, Inc. d/b/a LoanSnap shall take the following actions:

1. Cease and desist from engaging the services of Unlicensed MLOs to take residential mortgage loan applications by receiving requests in any form for an offer, or a response to a solicitation of an offer, of residential loan terms, and the information about the Connecticut borrower or prospective borrower that is customary or necessary in a decision on whether to make such an offer, including financial information indicative of the consumer's particular circumstance such as income, down payment or credit score along with the name and contact information of the borrower or potential borrower or to offer or negotiate terms of residential mortgage loans;
2. Require Unlicensed MLOs to disclose their Connecticut mortgage loan originator licensing status to any potential Connecticut borrower at the outset of any communication with such borrower; and
3. Require any employee seeking the submission of documents verifying information related to a potential Connecticut borrower's application to explicitly state to the borrower when asking for such documents that they are not required prior to the issuance of a Loan Estimate.

NOW THEREFORE, notice is hereby given to Respondent that the Commissioner intends to **REVOKE** and **REFUSE TO RENEW** Respondent's license to engage in the business of a mortgage lender in Connecticut, to issue an order requiring Respondent to **CEASE AND DESIST** from violating Sections 36a-486(b)(1), 36a-498e(a)(6) and 36a-498e(a)(8) of the Connecticut General Statutes, as amended by Public Act 23-126, Sections 36a-498e(b)(1) and 36a-678(a) of the Connecticut General Statutes, 12 CFR Sections 1026.19(e)(2)(iii) and 1026.36(f)(2) of Regulation Z, and 15 USC Section 1681m(a), and to impose a **CIVIL PENALTY** upon Respondent as set forth herein, subject to Respondent's right to a hearing on the allegations set forth above.

A hearing will be granted to Respondent if a written request for a hearing is received by the Department of Banking, Consumer Credit Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 or submitted by e-mail to DOB.hearingsupport@ct.gov within fourteen (14) days following Respondent's receipt of this Temporary Order to Cease and Desist, Notice of Intent to Revoke and Refuse to Renew Mortgage Lender License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent

to Impose Civil Penalty and Notice of Right to Hearing as set forth in subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Sections 36a-52(a) and 36a-50(a) of the Connecticut General Statutes. This Temporary Order to Cease and Desist, Notice of Intent to Revoke and Refuse to Renew Mortgage Lender License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing shall be deemed received on the earlier of the date of actual receipt, or seven (7) days after mailing or sending. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to one of the above-referenced addresses. If Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as “pro se”.

If a hearing is requested, it will be held in person at the Department’s offices. Once a written request for a hearing is received, the Commissioner may issue a notification of hearing and designation of hearing officer that acknowledges receipt of a request for a hearing, designates a hearing officer and sets the date of the hearing in accordance with Section 4-177 of the Connecticut General Statutes and Section 36a-1-21 of the Regulations of Connecticut State Agencies. At the discretion of the Hearing Officer, for good cause shown, the Hearing Officer may approve requests for remote participation in the hearing by a Respondent, witness, or attorney. If such requests are approved by the Hearing Officer, such remote participation will be conducted via videoconference. If a hearing is requested, the hearing will be held on March 13, 2024, at 10 a.m.

If a hearing is requested, it will be held in accordance with the provisions of Chapter 54 of the Connecticut General Statutes, unless Respondent fails to appear at the requested hearing. At such hearing, Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner. Remote participation in a hearing will be held in accordance with Section 1-225a of the Connecticut General Statutes, and the Remote Hearing Guidelines available on the Department’s website at <https://portal.ct.gov/dob>.

If Respondent does not request a hearing within the time prescribed or fails to appear at any such hearing, the allegations herein will be deemed admitted. Accordingly, the Commissioner will issue an

order revoking and refusing to renew Respondent’s license to engage in the business of a mortgage lender in Connecticut, issue an order that Respondent cease and desist from violating Sections 36a-486(b)(1), 36a-498e(a)(6) and 36a-498e(a)(8) of the Connecticut General Statutes, as amended by Public Act 23-126, Sections 36a-498e(b)(1) and 36a-678(a) of the Connecticut General Statutes, 12 CFR Sections 1026.19(e)(2)(iii) and 1026.36(f)(2) of Regulation Z, and 15 USC Section 1681m(a), and may order a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation be imposed upon Respondent.

So ordered at Hartford, Connecticut
this 4th day of January 2024.

/s/

Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 5th day of January 2024, the foregoing Temporary Order to Cease and Desist, Notice of Intent to Revoke and Refuse to Renew Mortgage Lender License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing was sent by certified mail, return receipt requested, to LoanSnap, Inc. d/b/a LoanSnap, Attention: Allan Carroll, President, 3070 Bristol Street, Suite 200, Costa Mesa, California 92626, Certified Mail No.: 70162070000104623214; and via electronic mail to LoanSnap, Inc. d/b/a LoanSnap, Attention: Allan Carroll, President, who is designated as the primary contact in the contact employee fields on the Nationwide Multistate Licensing System and Registry, at the electronic mail address provided therein.

/s/
Swarupa Madhavan
Paralegal