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IN THE MATTER OF:  
  
1ST ALLIANCE LENDING, LLC  
NMLS # 2819  
  
("Respondent")  
  
\*\*\*\*\*

AMENDED AND RESTATED  
NOTICE OF INTENT TO REVOKE  
MORTGAGE LENDER LICENSE  
  
AMENDED AND RESTATED  
NOTICE OF INTENT TO ISSUE  
ORDER TO CEASE AND DESIST  
  
AMENDED AND RESTATED  
NOTICE OF INTENT TO IMPOSE  
CIVIL PENALTY  
  
AND  
  
NOTICE OF RIGHT TO HEARING

**I. LEGAL AUTHORITY AND JURISDICTION**

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".

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 investigated and 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.

Section 36a-17 of the Connecticut General Statutes provides, in pertinent part, that:

- (a) The commissioner, in the commissioner's discretion and as often as the commissioner deems necessary to carry out the purposes of applicable law and the duties of the commissioner, may, subject to the provisions of section 36a-21 and the Freedom of Information Act, as defined in section 1-200: (1) Make, within or outside this state, such

public or private investigations or examinations concerning any person subject to the jurisdiction of the commissioner . . . .

(d) In addition to any authority provided under this section, the commissioner shall have the authority to conduct investigations and examinations as follows:

(1) For the purposes of issuing, renewing, suspending, conditioning, revoking or terminating any license issued on the system, or for any general or specific inquiry or investigation of persons engaged in a business or activity subject to licensure by the commissioner on the system to determine compliance with applicable law, the commissioner may access, receive and use any records, information or evidence, including, but not limited to: . . . (C) any other records, information or evidence the commissioner deems relevant to the inquiry or investigation, regardless of the location, possession, control or custody of such records, information or evidence.

As a result of the investigation conducted by the Division, on December 5, 2018, the Commissioner issued a Notice of Intent to Revoke 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, which is hereby amended and superseded.

As a result of further investigation conducted by the Division, the Commissioner finds that facts exist that warrant, pursuant to Section 36a-1-22 of the Regulations of Connecticut State Agencies, the issuance of this Amended and Restated Notice of Intent to Revoke Mortgage Lender License, Amended and Restated Notice of Intent to Issue Order to Cease and Desist, Amended and Restated Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing.

Section 36a-1-22 of the Regulations of Connecticut State Agencies provides, in pertinent part, that:

The commissioner may amend the notice of hearing at any stage of the contested case prior to the close of evidence. . . . A party that has requested a hearing on the original notice need not request a hearing on the amended notice and any such hearing shall proceed on the amended notice as if it were the original notice.

Subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes provides, in pertinent part, that:

(a) The commissioner may . . . revoke . . . any license issued by the commissioner under any provision of the general statutes by sending a notice to the licensee by registered or certified mail, return receipt

requested, or by any express delivery carrier that provides a dated delivery receipt, or by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the licensee on the earlier of the date of actual receipt or seven days after mailing or sending, and the case of a notice sent by electronic mail, the notice shall be deemed received by the licensee in accordance with section 36a-52a. Any such notice such include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes, regulations, rules or orders involved; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that that the licensee may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. . . .

(b) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless the licensee fails to appear at the hearing. After the hearing, the commissioner shall . . . revoke . . . the license for any reason set forth in the applicable licensing provisions of the general statutes if the commissioner finds sufficient grounds exist for such suspension, revocation or refusal to renew. If the licensee does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner shall suspend, revoke or refuse to renew the license. No such license shall be suspended or revoked except in accordance with the provisions of chapter 54.

Section 36a-52(a) of the Connecticut General Statutes provides, in pertinent part, that:

Whenever it appears to the commissioner that any person has violated, is violating or is about to violate any provision of the general statutes within the jurisdiction of the commissioner, . . . the commissioner may send a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, unless such person is licensed by the commissioner, in which case the notice may be provided by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the person on the earlier of the date of actual receipt, or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the person in accordance with section 36a-52a. Any such notice shall include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes . . . alleged to have been violated; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that such person may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice, unless the person fails to appear at the hearing. After the hearing, the commissioner shall determine whether an

order to cease and desist should be issued against the person named in the notice. If the person does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner shall issue an order to cease and desist against the person. No such order shall be issued except in accordance with the provisions of chapter 54.

Section 36a-50(a) of the Connecticut General Statutes provides, in pertinent part, that:

(1) Whenever the commissioner finds as the result of an investigation that any person has violated any provision of the general statutes within the jurisdiction of the commissioner, . . . the commissioner may send a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, unless such person is licensed by the commissioner, in which case the notice may be provided by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the person on the earlier of the date of actual receipt or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the person in accordance with section 36a-52a. Any such notice shall include: (A) A statement of the time, place, and nature of the hearing; (B) a statement of the legal authority and jurisdiction under which the hearing is to be held; (C) a reference to the particular sections of the general statutes . . . alleged to have been violated; (D) a short and plain statement of the matters asserted; (E) the maximum penalty that may be imposed for such violation; and (F) a statement indicating that such person may file a written request for a hearing on the matters asserted not later than fourteen days after receipt of the notice.

(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such person fails to appear at the hearing. After the hearing, if the commissioner finds that the person has violated any such provision, . . . the commissioner may, in the commissioner's discretion and in addition to any other remedy authorized by law, order that a civil penalty not exceeding one hundred thousand dollars per violation be imposed upon such person. If such person does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner may, as the facts require, order that a civil penalty not exceeding one hundred thousand dollars per violation be imposed upon such person.

(3) Each action undertaken by the commissioner under this subsection shall be in accordance with the provisions of chapter 54.

Section 36a-494 of the Connecticut General Statutes provides, in pertinent part, that:

(a)(1) The commissioner may . . . revoke . . . any mortgage lender . . . license or take any other action, in accordance with the provisions of section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for such license under sections 36a-485 to 36a-498e, inclusive, 36a-498h, 36a-534a and 36a-534b, or if

the commissioner finds that the licensee, any control person of the licensee . . . has done any of the following: . . . (C) violated any of the provisions of this title . . . or any other law or regulation applicable to the conduct of its business . . . .

(b) Whenever it appears to the commissioner that (1) any person has violated, is violating or is about to violate any of the provisions of sections 36a-485 to 36a-498e, inclusive, 36a-498h, 36a-534a and 36a-534b, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

## II. MATTERS ASSERTED

1. Respondent is a Connecticut limited liability company with a main office at 111 Founders Plaza, Suite 1300, East Hartford, Connecticut, and at all times relevant hereto, had a branch office at 300 East River Road, Suite #2, East Hartford, Connecticut (Branch ID 1091124).

2. At all times relevant hereto, Respondent had been licensed as a mortgage lender in Connecticut and John DiIorio (“DiIorio”) has been the Chief Executive Officer and Managing Member of Respondent. As of May 2018, Respondent was a mortgage lender licensed to do business in approximately 46 states and Connecticut represented approximately 7% of Respondent’s mortgage loan originations.

3. In December 2008, Respondent entered into a Settlement Agreement with the Commissioner to settle allegations that, from September 2005 to August 2007, it employed or retained at least six originators without registering them, in violation of Sections 36a-486(b) and 36a-511(b) of the Connecticut General Statutes and the 2008 Supplement to the General Statutes. Connecticut replaced mortgage loan originator registration requirements with licensure requirements effective July 1, 2008. (See, Public Acts 07-156 and 08-176.)

4. 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.

5. With the enactment of Public Act 09-209, Connecticut amended its law to implement the SAFE Act, which was effective July 31, 2009. Connecticut exceeded the minimum requirements for mortgage

loan originator licensure set forth in the SAFE Act, defining 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”. A mortgage loan originator is required to be licensed in the state where the residential property securing the mortgage loan is located.

### **Recent Settlements and Regulatory Actions**

6. On February 24, 2014, the Consumer Financial Protection Bureau issued a Consent Order against Respondent alleging violations of Section 8 of the Real Estate Settlement Procedures Act, 12 U.S.C. § 2607, and its implementing regulation, Regulation X, 12 C.F.R. Section 1024.14, and fined Respondent \$83,000.

7. On July 28, 2015, Respondent entered into a Settlement & Release Agreement with the Federal Deposit Insurance Corporation as Receiver (“FDIC-R”) for AmTrust Bank f/k/a Ohio Savings Bank (“AmTrust”) to settle a complaint filed by the FDIC-R on July 9, 2014 in the United States District Court for the Northern District of Ohio. The complaint alleged that Respondent breached its Master Correspondent Loan Purchase Agreement with AmTrust by failing or refusing to indemnify AmTrust for monetary losses sustained on mortgage loans originated and underwritten by Respondent and acquired by AmTrust for which the underwriting packages prepared by Respondent had misrepresented certain borrower information. The Settlement & Release Agreement required that Respondent make a settlement payment of \$350,000 to the FDIC-R.

8. On May 4, 2016, the New York State Department of Financial Services entered into a Settlement Agreement with Respondent concerning mortgage loan origination activity being conducted from an unlicensed branch location, in violation of Section 591(3) of the New York Banking Law and Section 420.18(a)(3)(v) of the Superintendent’s Regulations, and fined Respondent \$10,000.

9. On March 7, 2017, the Texas Department of Savings & Mortgage Lending (“Texas”) issued an Advisory Letter to Respondent as a result of it closing equity refinance loans in which the loan amounts exceeded 80% of the fair market value, in violation of Tex. Const. art. XVI, Section 50(a)(6)(b) and Tex. Fin. Code Section 157.024(a)(3), and imposed an administrative fee on Respondent of \$40,000.

10. On September 26, 2018, Texas issued an Advisory Letter to Respondent as a result of evidence of multiple incidents of it using non-compliant loan status letters, in violation of 7 Tex. Admin. Code Section 81.201(a) and Tex. Fin. Code Section 157.024(a)(14), and imposed an administrative fee on Respondent of \$38,500.

### **Examination**

11. On May 3, 2018, the Commissioner, through the Division, commenced an examination of Respondent, which was supplemented by an investigation. While a routine, unannounced examination had been scheduled for some time, in April 2018, the Division received a whistleblower inquiry from an employee of Respondent bringing to light concerns regarding potential unlicensed mortgage loan origination activity by Respondent.

12. During the examination and investigation, the Division: reviewed various records of Respondent, including, but not limited to, employee lists, employee job descriptions, mortgage loan files, payroll records and an internal audit report; observed the physical operations of Respondent's mortgage lending operations; interviewed and deposed employees; and listened to calls that had been previously recorded with consumers in Connecticut and other states (collectively, "Examination").

### **Unlicensed Mortgage Loan Origination**

13. The Examination revealed that from at least November 2016 to August 2018, Respondent utilized a "call center" location primarily comprised of individuals who were not licensed as mortgage loan originators in Connecticut, but yet acted as mortgage loan originators in Connecticut by taking mortgage applications, soliciting Connecticut borrowers for residential mortgage loans and offering or negotiating terms of residential mortgage loans.

14. 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 "Submission Coordinators" ("SC"), "Home Loan Consultants" ("HLC") and "Servicing Streamline Home Loan Consultants" ("SSHLC") (collectively, "Unlicensed MLOs"). The title of SC was replaced with HLC effective January 1, 2018. In a typical residential mortgage loan transaction, Unlicensed MLOs

made the first contact with a potential borrower by utilizing a leads management system, Velocify, to make outbound calls on purchased leads from lead generators such as Lending Tree, Realtor.com and Zillow. One Unlicensed MLO represented that he made between 200 and 250 outbound calls per day. Unlicensed MLOs also received inbound calls from individuals interested in mortgage loans.

15. 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. When a borrower expressed interest, Unlicensed MLOs would proceed to take an application, thereby triggering mortgage loan originator licensure requirements. Unlicensed MLOs obtained the following information about the borrower, including but not limited to:

- Name and address
- Date of birth
- Social Security number
- Marital status, dependents and coborrowers
- Employment history
- Income
- Expenses, including rental payments
- Assets
- Liabilities
- City, Zip Code or Actual property address of subject property

After obtaining the potential borrower's verbal authorization or simply informing the potential borrower that his or her credit was going to be pulled, Unlicensed MLOs pulled the borrower's credit report to obtain the borrower's credit score, calculated debt-to-income ratios and confirmed trade lines.

Unlicensed MLOs often would require additional supporting documentation at this point in time to support the mortgage loan application, such as bank statements, tax returns and paystubs to evidence assets and income. All information obtained by the Unlicensed MLOs was entered into a purchase inquiry screen in the software system Byte.

16. 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, primarily FHA and USDA mortgage loans, and, based on the information obtained from the borrower, made an initial determination as to the product and down payment amount for which



the potential borrower would qualify. Unlicensed MLOs performed origination activities indiscriminately without distinction based on the state where the property or potential borrower was located.

17. The activity, as more fully described in paragraphs 15 and 16 above, constitutes taking an application and 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).)

18. The Examination found that once an Unlicensed MLO deemed a potential borrower qualified for one of the loan products from the information he or she gathered, the Unlicensed MLO would then mark the record ready to be sent to a licensed mortgage loan originator for the issuance of a prequalification letter. The letter would be signed by a licensed mortgage loan originator, but usually would be transmitted by an Unlicensed MLO. As one licensed mortgage loan originator stated during a deposition:

Q: So when you generate those pre-qualification letters do you generally talk to a consumer prior to issuing a pre-qual letter?

A: Not unless they have questions in regards to interest rates and terms . . . .

Q: Right. So you generate the pre-qual letter based on the information you can obtain from Byte?

A: Correct. . . .

Q: So basically based on information that you would get in Byte from the home loan consultant, assets, income, credit score, you could most likely quote a rate back to a borrower?

A: Yes.

19. The SAFE Act further clarifies through Appendix A to Regulation H that an individual takes an 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. . . .

20. Unlicensed MLOs also took applications for streamline refinancing loans with knowledge of the property addresses of the borrowers and offered or negotiated terms of residential mortgage loan refinance products. For example, in May 2018, an SSHLC solicited an existing Connecticut borrower for an FHA Streamline Refinance product, stating that the borrower's good payment history qualified her for the FHA Streamline Refinance product, which would lower her interest rate. After verifying the property address and asking if the property was in good condition, the SSHLC proceeded to inform the

Connecticut borrower of the additional documentation that would be needed, the estimated amount of cash to close and which future monthly payment would be cancelled.

21. The Examination also found that Unlicensed MLOs discussed ranges of interest rates offered by Respondent, counseled borrowers on steps that could be taken to improve credit scores, communicated application denials to potential borrowers and, in certain instances, were listed as the primary contact for further information on denial notices issued after the underwriting process, since, in the words of one deposed HLC, HLCs maintained the “relationships” with the potential borrowers. Another deposed HLC stated “MLOs were limited in the relationships”, “were not salespeople” and “were kind of kept out” of communications with borrowers.

22. As a result of Unlicensed MLOs being the primary contact and maintaining the relationship with potential borrowers, borrowers often considered the Unlicensed MLOs to be the mortgage loan originator or “loan officer” for their residential mortgage transaction. For example, by e-mail dated October 6, 2017, to an insurance representative, a potential Connecticut borrower affirmatively identifies an Unlicensed MLO as the “loan officer” on his transaction. Contributing to this misconception by borrowers is the fact that communications from Unlicensed MLOs also failed to indicate they were not licensed in accordance with the SAFE Act and state mortgage loan origination laws.

23. Unlicensed MLOs also triggered licensure requirements through advertisements and solicitations. In particular, Section 36a-486(b)(1) states, in pertinent part, that, “[a]n individual . . . shall be deemed to be engaged in the business of 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 . . .”

24. On December 19, 2017, an Unlicensed MLO, representing that he specialized in “not so perfect credit”, issued several tweets to solicit mortgage loan business, including:

- “I can work with buyers with a 500 credit score!! I also have a lot of flexibility when it comes to the timing issues surrounding bankruptcy, foreclosure and shortsales! Give me a call today or fill out your info below and I’ll call you at your convenience!”

- “Here at 1st Alliance, we’re a direct portfolio lender, so we keep all of the loans that we write in house. Since we don’t sell off any of the loans we write, we don’t have the same overlays as other lenders.”
- “#mortgage #lenders #mycreditsucks #iwanttomove #helpme”; and
- “If you’re looking to get approved for a mortgage loan and you have not-so-perfect credit, give me a call! I’d love to get some more information and hopefully get you pre-approved today!”

25. In February 2018, another Unlicensed MLO posted an ad on Facebook stating:

ATTN REALTORS:

I’m posting this because not many people are aware of this, but with 1st Alliance Lending’s FHA loan program, we are able to get clients prequalified and into a home with credit scores as low as 500! With a credit score of 500-579, there is a down payment requirement of 10%. So if you have any clients that are having trouble getting prequalified, they have funds to buy a home but have had a troublesome credit history they are trying to bounce back from, but need to get into a home now, then please reach out to me! I’d love to see how I can help!

...  
P.S.

FHA 580+ FICO is 3.5% down. We also have USDA, Fannie and Freddie as well.

### **The 1003**

26. Information entered into Byte by Unlicensed MLOs was also used to complete the physical form of a mortgage loan application, the Uniform Residential Loan Application, Form 1003 (“1003”). While neither state law nor the SAFE Act reference a 1003, Respondent has stated to the Department that “anyone who takes all of the information contained in a 1003 is ‘taking an application’ and must be licensed.”

27. Respondent has consistently conveyed the position that its Unlicensed MLOs do not obtain the subject property address and, therefore, are not “taking an application” under state law or the SAFE Act. In fact, the first bullet point of the job description created by Respondent for HLCs states: “Obtain all applicable information to complete 1003 (no property information or final loan amount)”. However, depositions and recorded telephone calls reveal that often Unlicensed MLOs obtain the complete property addresses. In fact, when questioned, several deposed employees stated that since there is not a field in Byte to enter the property address, HLCs enter the information in the notes section.

28. In addition, during depositions, employees of Respondent admitted that all the information in 1003s is taken by Unlicensed MLOs. As admitted by a licensed mortgage loan originator:

Q: What is your understanding of what constitutes taking a mortgage application?

A: Well, it's going through the uniform residential loan application with the borrower, all pieces, . . . income, assets, liabilities, the declarations questions, borrower information, . . . to have a complete 1003. . . .

Q: . . . So would the information that was gathered by the HLC, not necessarily what was inputted into the 1003, but the information that was gathered by the HLC, is that most, if not all of the information that's required by the 1003?

A: Yes. . . .

Q: . . . [J]ust the information piece of it that would go into the 1003, that's gathered by the HLC, would that information . . . have the ability to complete the information on the 1003?

A: Yes.

#### **Failure to Establish a System of Supervision and Compliance**

29. Respondent trained Unlicensed MLOs to perform most of the activities typically performed by licensed mortgage loan originators, including, but not limited to, reviewing borrower eligibility for various products and home purchase prices based on federal guidelines, and estimating monthly payments and closing costs. A new hire training conducted by Respondent on April 24, 2017, instructed that SCs were considered "The Voice" of Respondent and responsible for "Gaining 'Leads'", "Prequalifying" and "Sealing the Deal". In particular, the training instructed that SCs were to "[c]onnect with potential borrower, understand their needs, provide a solution" and that "[o]nce prequal is complete, information is sent to a Mortgage Loan Originator (MLO) who is licensed to issue a prequal letter" and to "seal[ing] the deal" by continuing to build the relationship with the potential borrower, securing the borrower's finances and gaining the borrower's sale agreement.

30. As an FHA lender, Respondent is required to annually complete a certification that states:

I certify that, to the best of my knowledge and after conducting a reasonable investigation, during the Certification Period, neither

the Mortgagee nor any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator employed by or under contract with the Mortgagee: . . . .

(e) Was in violation of provisions of the Secure and Fair Enforcement (SAFE) Mortgage Licensing Act of 2008 (12 U.S.C. 5101 et seq.) or its equivalent under state law, including all Nationwide Multistate Licensing System and Registry requirements.

31. In approximately October 2017, Respondent’s compliance personnel informed its management in writing that the conduct of its SCs may constitute unlicensed mortgage loan origination activity under the SAFE Act. Nonetheless, such unlicensed mortgage loan origination activity in Connecticut continued through at least August 2018.

32. To address the unlicensed mortgage loan origination activity, compliance personnel proposed to management both a short-term solution of providing training to Unlicensed MLOs and a long-term solution of obtaining state licensure of Unlicensed MLOs. While Respondent conducted training of Unlicensed MLOs in October of 2017, deposed HLCs had little to no memory of the training nor knowledge of the SAFE Act, and the long-term solution was never implemented by Respondent.

33. Compliance personnel prepared a list of acceptable and unacceptable practices by Unlicensed MLOs (“Proposed Script”) to be distributed during the training. The Proposed Script stated:

- Do not state that a consumer is qualified, eligible, pre-approved, or pre-qualified for a specific loan product and term.
- In a prequalification setting, do not state that a borrower is denied or not qualified, leave this to the MLO.
- Do not discuss the credit report with the applicant. . . .
- Do not discuss rates in any capacity. Discussion on rates is strictly prohibited for unlicensed individuals.

34. However, during the October 2017 training, management utilized a script that was substantially different from the Proposed Script, indicating that it was acceptable for SCs to:

Confirm trade lines on credit for debt-to-income ratio **without analyzing or evaluating credit**. . . .

Clarify and explain qualifications or criteria necessary to obtain a loan product;

- *“In order to qualify for an FHA loan with 3.5% down, you would need to have a median credit score of 580 or more. If you have less than 580, we may be able to still work with you, however, that product requires a 10% down payment.”*

Collect basic information about a consumer in order to provide the consumer with information on loan products for which they *generally may* qualify using the Purchase Inquiry Screen, **without presenting a specific loan offer to the consumer for acceptance, either verbally or in writing . . .**

If asked directly by a consumer, providing information regarding the interest rate is acceptable as long as only a range is provided. As a rule, all interest related conversations should be directed towards the MLO whenever possible.

- *“Generally, we see rates in the mid 5’s and low 6’s. However a Loan Originator will be able to provide you with the specific rates you qualify for.”*

35. Respondent also implemented a new process flow effective January 2018, which continued to encourage Unlicensed MLOs to engage in unlicensed mortgage loan origination activity by discussing loan products and terms with potential borrowers, pulling credit and obtaining income, assets, liabilities and letters of explanation prior to files being assigned to a licensed mortgage loan originator. For example, the job description of Home Loan Consultants created by Respondent effective January 1, 2018, lists the major responsibilities to include, but not be limited to: Obtaining letters of explanation for credit related issues, calculating income per documents received, determining eligibility and documents as needed, ensuring borrower documents provided are sufficient for initial review, and delivering high quality prequalifications to the Business Development team.

36. The new process flow also indicated that it was the responsibility of the HLCs to complete inquiry questions, import debts, check income, obtain Letter of Explanation, and gather non-traditional credit prior to the assignment of the file to an licensed mortgage loan originator. It also states that “[d]uring shopping process, HLC should be gathering any docs that were not received at 1st attempt”, “Docs must be in prior to App”, and “Once Docs in HLC to click ‘MLO ready to review’.

37. In addition, Respondent failed to establish and maintain policies and procedures reasonably designed to achieve compliance with federal and state laws and often tasked nonqualified individuals with the responsibility of supervision. For example, one Unlicensed MLO, RB, was responsible for supervising at least three Unlicensed MLOs. During one call made by RB to a potential borrower in May 2018, when the potential borrower raised an issue brought up by her realtor that RB was not licensed in Colorado, RB brushed off the realtor's knowledge of mortgage loan origination requirements and responded that Respondent was licensed in Colorado, implying that such licensure was sufficient. RB proceeded to inform the potential borrower that he was going to email her his cell phone number so that he could be reached whenever necessary.

38. The Examination also revealed apparent confusion concerning Respondent's supervisory structure. For example, on October 24, 2018, the Department deposed David R:

Q: [W]hat's your title there?

A: Vice president of production.

Q: And if you could briefly describe your responsibilities in such a position.

A: Managing the mortgage loan originators.

39. On October 25, 2018, during a deposition of another employee, the Department inquired:

Q: . . . And who is the team lead for the loan officers?

A: Steven C[ ] . . .

Q: What does David R[ ] do now?

A: He heads up our Realtor relationship department. . . .

40. Also on October 25, 2018, the Department deposed Steven C:

Q: Who supervises your work?

A: Well, I report to the senior vice president of sales. . . .

Q: Okay. So what does she do to supervise you?

A: That I can't answer specifically because it's – she's newly my supervisor.

Q: Since when?

A: About a month ago, I would say. . . .

Q: So she oversees the mortgage loan originators and the home loan consultants?

A: Yes. . . .

Q: Is she also a mortgage loan originator?

A: She is not.



41. Respondent fostered an environment in which Unlicensed MLOs competed amongst each other for high volume of loan originations and were incentivized to close loans through various internal promotions and by receiving significant commissions upon consummation of residential mortgage loans. One internal promotion in December 2017 encouraged Unlicensed MLOs to work withdrawn files in order to win a gift card – “[w]homever can flip the most withdrawn files will get a gift card... Why did they fill out that long form on lending tree, Zillow, or on our website and then suddenly not want to buy anymore?” The promoting email referenced a quote of Jim Young from the 2000 movie Boiler Room. “A sale is made on every call you make. Either you sell the client some stock or he sells you a reason he can’t. Either way a sale is made, the only question is who is gonna close?” One Unlicensed MLO touted he “Closed 8.7 Million for 2017” on his LinkedIn page.

42. Respondent turned the typical compensation model for mortgage loan originators on its head, paying Unlicensed MLOs according to a commission structure usually reserved for licensed mortgage loan originators. Unlicensed MLOs were commissioned according to a tiered basis point structure based on dollar volume of loans closed, making thousands of dollars per month in commissions on closed loans, while licensed mortgage loan originators received a small flat fee per closed mortgage loan.

43. As of the May 3, 2018 examination, Respondent employed over 50 unlicensed mortgage loan originators as Home Loan Consultants and only 11 individuals as licensed mortgage loan originators nationwide for the 46 states in which it was licensed to conduct mortgage lending business. Of the 11 individuals, only 8 individuals had closed residential mortgage loans in Connecticut in the prior quarter, and 5 of such individuals averaged between 80 and 102 closed mortgage loans nationwide for the prior quarter, or approximately one loan per day, well in excess of industry norms. For example, one survey reported an average of 8.5 closed loans per month per originator for consumer direct originations in 2017. *See Stratmor Insights*, Vol. 3, Issue 4 April 2018, [www.stratmorgroup.com](http://www.stratmorgroup.com).

44. Respondent identified licensed mortgage loan originators on loan documents as the individuals primarily responsible for mortgage loan origination even though the Unlicensed MLOs had the primary relationship with the borrower, spent more time with each borrower and received a larger commission on

each mortgage loan transaction than the licensed mortgage loan originator. Respondent also paid commissions to its underwriters for certain FHA loans and incentivized the underwriters to clear files to close and underwrite new files.

45. Statistics published by the U.S. Department of Housing and Urban Development (“HUD”) indicate that beginning with the quarter ending June 30, 2017, FHA loans made by Respondent experienced significantly greater delinquencies within the first year of consummation than its peers in the Hartford area, as detailed below:

<b>Quarter Ending</b>	<b>Seriously Delinquent Percentage within the first year for 1ST ALLIANCE LENDING, LLC (27301) in HARTFORD HUD Office</b>	<b>Seriously Delinquent Percentage within the first year for HARTFORD HUD Office</b>
03/31/2017	0.00	1.65
06/30/2017	2.65	1.71
09/30/2017	3.82	1.55
12/31/2017	4.20	1.68
03/31/2018	3.64	1.85
06/30/2018	6.17	1.94
09/30/2018	8.50	2.09
12/31/2018	9.46	2.15
03/31/2019	11.28	2.29

**Fair Credit Reporting Act**

46. 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 what he or she considered a “disqualification at inquiry” to the potential borrower and encourage him or her to inquire again in the near future. Unlicensed MLOs “disqualified” potential borrowers over the telephone based on credit score or debt-to-income ratios without issuing adverse action notices.

47. In particular, the Fair Credit Reporting Act 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 Act 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).

48. In approximately April or May 2018, compliance personnel estimated that approximately 1,000 files a month required adverse action notices that were not being sent, and recommended that such notices be sent whenever a potential borrower was disqualified by an Unlicensed MLO based on information communicated to the Unlicensed MLO or contained in the credit report.

#### **Truth in Lending Act**

49. 12 CFR Section 1026.19(e)(2)(iii) 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 additional documentation to support and verify the information provided by the potential borrower prior to a Loan Estimate being provided to the borrower. For example, by e-mail dated June 24, 2017, an Unlicensed MLO, in connection with the issuance of a prequalification letter to a Connecticut applicant, provided a list of documents “needed for verification”, including, but not limited to, a list of personal references, explanation letter concerning every address on the credit report, explanation letter for every inquiry on the credit report, paystub, bank statements, 401k statement, W2s and tax returns. However, records of Respondent indicate that the borrower’s application wasn’t received until August 7, 2017, the same date that the Loan Estimate was issued.

50. In addition, Respondent required that the purchase and sales contract be provided by the borrower before the information would be considered an “application” triggering Loan Estimate requirements, regardless of whether Respondent was otherwise aware of the property address. The Official Interpretation to 12 CFR Section 1026.19(e)(2)(iii) provides that “[a] creditor may ask for the sale price and address of the property, but the creditor may not require the consumer to provide a

purchase and sale agreement to support the information the consumer provides orally before the creditor provides the disclosures required by § 1026.19(e)(1)(i).”

51. On certain occasions, Unlicensed MLOs would provide unofficial loan estimates to Connecticut borrowers for certain properties and loan amounts. For example, by e-mail dated July 28, 2017, an Unlicensed MLO provided an estimated monthly payment after a 3.5% down payment on a loan in the amount of \$209,405 with the disclaimer that “[t]hese are estimates not actual numbers. At time of contract we send [an] Official Loan Estimate.”

### **Failure to Cooperate and Provide Access to Records**

52. During the Examination, the Department requested a list of all Connecticut applications taken and loans closed during the examination period. The list provided to the Department was substantially incomplete because of Respondent’s definition of an application as a 1003. As a result, the list failed to provide all applications that had been initiated by an Unlicensed MLO but had never made it to a licensed mortgage loan originator due to disqualification by the Unlicensed MLO or being withdrawn.

53. On September 19, 2018, the Division requested that, no later than September 26, 2018, Respondent provide, among other items: (1) copies of any and all communications made to employees laid off or otherwise terminated in September 2018 informing them of cessation of employment, and (2) certain e-mail records of 10 identified employees, several of which the Department sought to depose at the end of October 2018.

54. With respect to the first request, by e-mail dated September 26, 2018, Respondent stated that “the terminations were conducted in person” and failed to provide to the Division any communications to employees. In fact, by letter dated October 5, 2018, the Director of Human Resources stated to the Commissioner that, “[t]o my knowledge, no employees were informed of their termination in writing”. However, contrary to the Director’s representation, upon termination, employees received a copy of an “Employee Termination Form” that the employee signed, which stated Respondent’s reason for termination, among other items.

55. Respondent also failed to provide a single e-mail record for the 10 employees requested even after the Division's repeated requests and numerous attempts to facilitate their production. By e-mail dated September 27, 2018, the Division established a new rolling production schedule for the email records, allowing selections of e-mails to be produced by October 5, October 12, October 19 and October 26, 2018.

56. On October 5, 2018, the Department again engaged in discussions with Respondent's counsel to facilitate the e-mail production. Later such date, Respondent's counsel advised DiIorio that there was "movement" and possibly enough to do "an initial review and production." Nevertheless, Respondent failed to heed counsel's advice and produce the requested e-mail records.

57. On October 12, 2018, after still not receiving any requested emails, the Division reiterated its request and issued a subpoena to Respondent for the e-mail records which required production of the records no later than October 26, 2018. Despite the Department's numerous requests, Respondent failed to produce the e-mails.

58. Executive meeting minutes dated October 9, 2018, reflect that Respondent may have sought to hinder the Department's investigation by not producing the requested e-mails and coaching its employees on the testimony that ought to be provided to the Department during depositions:

- DiIorio stated there was "going to be some bad e-mails" and "testimony that they give should not be in conflict with [Respondent's policies and procedures]", and
- "[the general counsel] doesn't think they'll go through with those [depositions] because they don't have the e-mails".

### **Aiding and Abetting**

59. Respondent aided and abetted the conduct of at least 40 Unlicensed MLOs employed by Respondent that acted as mortgage loan originators in Connecticut without a license, in violation of Section 36a-486(b)(1). Respondent knew of the conduct of its Unlicensed MLOs, attempted to circumvent mortgage loan originator licensure requirements by instructing Unlicensed MLOs not to inquire as to residential property addresses, and should have known that such unlicensed mortgage loan

originator conduct was in violation of Section 36a-486(b)(1) as a result of its previous examination and resulting 2008 Settlement Agreement, training, legal interpretations, industry standards, and compliance concerns previously brought to management's attention. Moreover, Respondent substantially assisted such violations by Unlicensed MLOs through its business model utilizing a "call center" to solicit prospective borrowers, to take mortgage loan applications, hiring and training its Unlicensed MLOs to perform mortgage loan origination activities, failing to effectively supervise its employees and establishing a compensation structure that incentivized Unlicensed MLOs to close loans.

### **Opportunity to Show Compliance**

60. On November 6, 2018, the Department 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 ("First Compliance Letter"). On November 20, 2018, Respondent provided a response to the Department's First Compliance Letter and copies of Employee Termination Forms for approximately 35 employees. However, such response failed to include any e-mail records for the 10 identified employees requested, as more fully described in paragraph 57 above. The Division carefully reviewed and considered such response.

61. On June 14, 2019, the Department provided Respondent a second 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 ("Second Compliance Letter"), as a result of additional information obtained and reviewed since the issuance of the First Compliance Letter.

62. On July 5, 2019, Respondent provided a response to the Second Compliance Letter. The response acknowledged Respondent's failure to provide applicants with adverse action notices required by the Fair Credit Reporting Act, but rebutted certain of the Department's allegations with unpersuasive and dubious statements, such as claiming that:

- the Connecticut borrower referred to in paragraph 22 above may have referred to a submission coordinator as a loan officer because it was shorter "to type loan officer"; and

- Respondent had been examined dozens of times by other states since 2007 while “operating the same business model” with no citations for SAFE Act violations.

Former employees deposed by the Department have repeatedly stated that Respondent’s business model substantially changed in 2014 and 2015 to the model described herein whereby Unlicensed MLOs performed the initial borrower solicitation, inquiry and document gathering, functions that, prior to 2014, were almost exclusively performed by licensed mortgage loan originators.

### **III. STATUTORY BASIS FOR ORDER TO REVOKE MORTGAGE LENDER LICENSE, ORDER TO CEASE AND DESIST AND IMPOSITION OF CIVIL PENALTY**

Section 36a-17(e) of the Connecticut General Statutes provides that:

Any person who is the subject of any inquiry, investigation, examination or proceeding pursuant to this section shall (1) make its records available to the commissioner in readable form; (2) provide personnel and equipment necessary, including, but not limited to, assistance in the analysis of computer-generated records; (3) provide copies or computer printouts of records when so requested; (4) make or compile reports or prepare other information as directed by the commissioner in order to carry out the purposes of this section, including accounting compilations, information lists and dates of transactions in a format prescribed by the commissioner or such other information as the commissioner deems necessary to carry out the purposes of this section; (5) furnish unrestricted access to all areas of its principal place of business or wherever records may be located; and (6) otherwise cooperate with the commissioner.

Prior to October 1, 2018, Section 36a-486(b)(1) of the Connecticut General Statutes provided, in pertinent part, that:

No person licensed as a mortgage lender . . . shall engage the services of a mortgage loan originator or of a loan processor or underwriter required to be licensed under this section unless such mortgage loan originator or loan processor or underwriter is licensed under section 36a-489.

Section 36a-496 of the Connecticut General Statutes provides, in pertinent part, that:

No person engaged in the business of making residential mortgage loans in this state, whether licensed in accordance with the provisions of sections 36a-485 to 36a-498a, inclusive, or exempt from licensing, shall accept applications or referral of applicants from, or pay a fee to, any . . . mortgage loan originator who is required to be licensed under said sections but was not, as of the time of the performance of such . . . mortgage loan originator’s services in connection with loans made or to

be made by the mortgage lender . . . licensed to act as such by the commissioner, if the mortgage lender . . . has actual knowledge that the . . . mortgage loan originator was not licensed by the commissioner.

Prior to October 1, 2017, Section 36a-498e of the Connecticut General Statutes provided, in pertinent part, that:

No person or individual who is required to be licensed and who is subject to sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b may: . . .

(6) . . . [A]ssist or aide and abet any person in the conduct of business as a . . . mortgage loan originator . . . without a valid license as required under said sections; . . .

(8) Fail to comply with sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections;

On and after October 1, 2017, Section 36a-498e of the 2018 Supplement to the General Statutes provided, in pertinent part, that:

No person who is required to be licensed and who is subject to sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b may: . . .

(6) . . . [A]ssist or aid and abet any person in the conduct of business as a . . . mortgage loan originator . . . without a valid license as required under said sections; . . .

(8) Fail to comply with sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections . . .

On and after July 1, 2018, Section 36a-498e of the 2018 Supplement to the General Statutes, as amended by Public Acts 17-233 and 17-236, provided, in pertinent part, that:

(a) No person who is required to be licensed and who is subject to sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b, may, directly or indirectly: . . .

(6) . . . [A]ssist or aide and abet any person in the conduct of business as a . . . mortgage loan originator . . . without a valid license as required under said sections; . . .



(8) Fail to comply with sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections . . . .

(b)(1) No person, other than an individual, who is required to be licensed and is subject to sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b, . . . shall fail to establish, enforce and maintain policies and procedures reasonably designed to achieve compliance with subsection (a) of this section. . . .

(3) No violation of this subsection shall be found unless the failure to establish, enforce and maintain policies and procedures resulted in conduct in violation of sections 36a-485 to 36a-498f, inclusive, 36a-498h, 36a-534a to 36a-534b, inclusive, or rules or regulations adopted under said sections or any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections.

On and after October 1, 2018, Section 36a-498e of the 2018 Supplement General Statutes, as amended by Public Acts 17-233, 17-236 and 18-173, provides, in pertinent part, that:

(a) No person who is required to be licensed and who is subject to sections 36a-485 to 36a-498e, inclusive, . . . 36a-534a and 36a-534b, . . . may, directly or indirectly: . . .

(6) . . . [A]ssist or aid and abet any person in the conduct of business as a . . . mortgage loan originator . . . without a valid license as required under said sections; . . .

(8) Fail to comply with sections 36a-485 to 36a-498e, inclusive, . . . 36a-498h, 36a-534a and 36a-534b . . . or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections . . . .

(b)(1) No person, other than an individual, who is required to be licensed and is subject to sections 36a-485 to 36a-498h, inclusive, . . . 36a-534a and 36a-534b, . . . shall fail to establish, enforce and maintain policies and procedures reasonably designed to achieve compliance with subsection (a) of this section. . . .

(3) No violation of this subsection shall be found unless the failure to establish, enforce and maintain policies and procedures resulted in conduct in violation of sections 36a-485 to 36a-498e, inclusive, . . . 36a-498h, 36a-534a and 36a-534b, inclusive, . . . or rules or regulations adopted under said sections or any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections.

Section 36a-489 of the Connecticut General Statutes provides, in pertinent part, that:

(a)(1) The commissioner shall not issue an initial license for a mortgage lender . . . unless the commissioner, at a minimum, finds that: . . . (C) the applicant demonstrates that the financial responsibility, character and general fitness of the applicant, the control persons of the applicant . . . are such as to command the confidence of the community and to warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to 36a-498e, inclusive, 36a-498h, 36a-534a and 36a-534b . . . . If the commissioner fails to make such findings, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. . . .

12 CFR Section 1026.36 provides, in pertinent part, that:

(f) A loan originator for a consumer credit transaction secured by a dwelling must, when required by applicable State or Federal law, be registered and licensed in accordance with those laws, including the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act, 12 U.S.C. 5102 *et seq.*), its implementing regulations (12 CFR part 1007 or part 1008), and State SAFE Act implementing law. To comply with this paragraph (f), a loan originator organization that is not a government agency or State housing finance agency must: . . .

(2) Ensure that each individual loan originator who works for the loan originator organization is licensed or registered to the extent the individual is required to be licensed or registered under the SAFE Act, its implementing regulations, and State SAFE Act implementing law before the individual acts as a loan originator in a consumer credit transaction secured by a dwelling . . . .

(g) (1) For a consumer credit transaction secured by a dwelling, a loan originator organization must include on the loan documents described in paragraph (g)(2) of this section, whenever each such loan document is provided to a consumer or presented to a consumer for signature, as applicable:

. . .

(ii) The name of the individual loan originator (as the name appears in the NMLSR) with primary responsibility for the origination and, if the NMLSR has provided such person an NMLSR ID, that NMLSR ID.

12 CFR Section 1026.19(e)(2)(iii) provides:

The 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.

Section 36a-678(a) of the Connecticut General Statutes provides:

Except as otherwise provided in the Connecticut Truth-in-Lending Act or regulations adopted by the commissioner, each person shall comply with all provisions of the Consumer Credit Protection Act that apply to such person, including the delivery of integrated disclosures required by 12 USC 5301 et seq. and implemented through regulations adopted by the Bureau of Consumer Financial Protection.

15 USC Section 1681m(a) provides:

If 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, the person shall-

- (1) provide oral, written, or electronic notice of the adverse action to the consumer;
- (2) provide to the consumer written or electronic disclosure-
  - (A) of a numerical credit score as defined in section 1681g(f)(2)(A) of this title used by such person in taking any adverse action based in whole or in part on any information in a consumer report; and
  - (B) of the information set forth in subparagraphs (B) through (E) of section 1681g(f)(1) of this title;
- (3) provide to the consumer orally, in writing, or electronically-
  - (A) the name, address, and telephone number of the consumer reporting agency (including a toll-free telephone number established by the agency if the agency compiles and maintains files on consumers on a nationwide basis) that furnished the report to the person; and
  - (B) a statement that the consumer reporting agency did not make the decision to take the adverse action and is unable to provide the consumer the specific reasons why the adverse action was taken; and
- (4) provide to the consumer an oral, written, or electronic notice of the consumer's right-
  - (A) to obtain, under section 1681j of this title, a free copy of a consumer report on the consumer from the consumer reporting agency referred to in paragraph (3), which notice shall include an indication of the 60-day period under that section for obtaining such a copy; and
  - (B) to dispute, under section 1681i of this title, with a consumer reporting agency the accuracy or completeness of any information in a consumer report furnished by the agency.

Section 36a-53a of the Connecticut General Statutes provides:

No person shall make or cause to be made orally or in any document filed with the commissioner or in any proceeding, investigation or examination under this title, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

Section 36a-53b of the Connecticut General Statutes provides:

No person shall, in connection with any activity subject to the jurisdiction of the commissioner: (1) Employ any device, scheme or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or (3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

1. Respondent engaged the services of at least forty individuals to act as mortgage loan originators in Connecticut who were not licensed, as more fully described in paragraphs 13 through 36, inclusive, 41 through 44, inclusive, and 46 through 51, inclusive, of the Matters Asserted, in violation of 12 CFR Section 1026.36(f)(2), and Sections 36a-486(b)(1) and 36a-678(a) of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

2. Respondent assisted or aided and abetted the conduct of at least forty individuals acting as mortgage loan originators who were not licensed, as more fully described in paragraphs 13 through 36, inclusive, 41 through 44, inclusive, 46 through 51, inclusive, and 59 of the Matters Asserted, in violation of Sections 36a-498e(6) and 36a-498e(a)(6) of the Connecticut General Statutes, as applicable. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

3. Respondent accepted applications or referrals of applicants from, or paid fees to, at least forty mortgage loan originators who were required to be licensed but were not licensed, as more fully described in paragraphs 13 through 36, inclusive, 41 through 44, inclusive, and 46 through 51, inclusive, of the Matters Asserted, in violation of Section 36a-496 of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

4. Respondent failed to comply with Sections 36a-485 to 36a-498f, 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 3 through 62, inclusive, of the Matters Asserted, in violation of Sections 36a-498e(8) and 36a-498e(a)(8) of the Connecticut General Statutes, as applicable. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

5. Respondent failed to establish, enforce and maintain policies and procedures reasonably designed to achieve compliance with Section 36a-498e(a) of the 2018 Supplement to the General Statutes,

as amended, as more fully described in paragraphs 3 through 62, inclusive, of the Matters Asserted, in violation of Section 36a-498e(b)(1) of the 2018 Supplement to the General Statutes, as amended by Public Acts 17-233, 17-236 and 18-173. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

6. Respondent failed to make records available and cooperate with the Division's Examination, as more fully described in paragraphs 52 through 58, inclusive, and 60 of the Matters Asserted, in violation of Section 36a-17(e) of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

7. Respondent failed to provide Connecticut applicants the adverse action notices required by the Fair Credit Reporting Act, as more fully described in paragraphs 46 through 48, inclusive, and 62 of the Matters Asserted, in violation of 15 USC Section 1681m(a). Such violations constitute sufficient grounds to revoke 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.

8. Respondent required that Connecticut applicants submit documents verifying information related to the application before providing Loan Estimates, as more fully described in paragraphs 15, 20, 35 through 36, inclusive, and 49 through 51, inclusive, of the Matters Asserted, in violation of 12 CFR Section 1026.19(e)(2)(iii) and Section 36a-678(a) of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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 pursuant to Sections 36a-494(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty 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.

9. Respondent failed to identify Unlicensed MLOs as mortgage loan originators on the respective loan documents even though such individuals had primary responsibility for origination, as more fully described in paragraphs 13 through 36, inclusive, 41 through 44, inclusive, and 46 through 51, inclusive, of the Matters Asserted, in violation of 12 CFR Section 1026.36(g)(1)(ii) and Section 36a-678(a) of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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.

10. Respondent made untrue statements of material fact or omitted to state a material fact necessary to make the statements not misleading or engaged in an act, practice or course of business that operated as a fraud or deceit on persons by holding out Unlicensed MLOs to potential borrowers as the individuals primarily responsible for mortgage loan origination and failing to disclose to potential borrowers that such persons were unlicensed to do so, and disclosing to investors, government agencies and regulators that the licensed mortgage loan originators were the individuals primarily responsible for the origination of the mortgage loans, as more fully described in paragraphs 13 through 36, inclusive, 41 through 44, inclusive, and 46 through 51, inclusive, of the Matters Asserted, in violation of Section

36a-53b of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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 pursuant to Section 36a-52(a) of the Connecticut General Statutes and to impose a civil penalty pursuant to Section 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.

11. Respondent made a false or misleading statement to the Department when it stated that employees were not informed of their terminations in writing, when in fact, Respondent provided Employee Termination Forms to employees informing them of their termination of employment, as more fully described in paragraphs 53 through 54, inclusive, and 60 of the Matters Asserted, in violation of Section 36a-53a of the Connecticut General Statutes. Such violations constitute sufficient grounds to revoke 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 pursuant to Section 36a-52(a) of the Connecticut General Statutes and to impose a civil penalty pursuant to Section 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.

12. The conduct of Respondent, as more fully described in paragraphs 3 through 62, inclusive, of the Matters Asserted fails to demonstrate that the financial responsibility, character and general fitness of the applicant 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 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. AMENDED AND RESTATED NOTICE OF INTENT TO REVOKE  
MORTGAGE LENDER LICENSE, AMENDED AND RESTATED NOTICE OF INTENT  
TO ISSUE ORDER TO CEASE AND DESIST, AMENDED AND RESTATED 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 Respondent's mortgage lender license in Connecticut 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 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.

**NOW THEREFORE**, notice is hereby given to Respondent that the Commissioner intends to **REVOKE** Respondent's mortgage lender license in Connecticut, issue an order requiring Respondent to **CEASE AND DESIST** from violating Sections 36a-17(e), 36a-53a, 36a-53b, 36a-486(b)(1), 36a-496, 36a-498e(a)(6), 36a-498e(a)(8), 36a-498e(b)(1), and 36a-678(a) of the Connecticut General Statutes, and 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 has been requested and has been continued to a date to be determined. The hearing 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.

If Respondent fails to appear at the hearing, the allegations herein will be deemed admitted. Accordingly, the Commissioner will issue an order revoking Respondent's mortgage lender license and

an order that Respondent cease and desist from violating Sections 36a-17(e), 36a-53a, 36a-53b, 36a-486(b)(1), 36a-496, 36a-498e(a)(6), 36a-498e(a)(8), 36a-498e(b)(1), and 36a-678(a) of the Connecticut General Statutes, 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 15th day of July 2019.

/s/  
\_\_\_\_\_  
Jorge L. Perez  
Banking Commissioner

## CERTIFICATION

I hereby certify that on this 15th day of July 2019, I transmitted the foregoing Amended and Restated Notice of Intent to Revoke Mortgage Lender License, Amended and Restated Notice of Intent to Issue Order to Cease and Desist, Amended and Restated Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing to 1st Alliance Lending, LLC, Attention: Heather Sanchez, Chief Compliance Manager, 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; by electronic mail to Ross Garber, Esq., The Garber Group LLC at rgarber@thegarbergroup.com; Craig Raabe, Esq., IZARD, KINDALL & RAABE LLP, at craabe@ikrlaw.com; and Seth Klein, Esq., IZARD, KINDALL & RAABE LLP, at sklein@ikrlaw.com; and a copy to be hand delivered to Hearing Officer Cynthia Antanaitis, State of Connecticut, Department of Banking, 260 Constitution Plaza, Hartford, Connecticut, 06103-1800.

/s/ \_\_\_\_\_  
Emily B. Bochman  
Paralegal