

*State of New York*  
**Banking Department**

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In the Matter of

**MORTGAGE LENDERS NETWORK, U.S.A., INC.**

**SUSPENSION ORDER**

A Licensed Mortgage Banker pursuant  
to Article 12-D of the New York  
Banking Law

- Respondent -

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***Whereas***, **MORTGAGE LENDERS NETWORK USA, INC.**, (“MLN”) was granted a license on January 22, 1998, to engage in business as a mortgage banker pursuant to Article 12-D of the New York Banking Law (the “Banking Law”) and currently maintains a principal office at 213 Court Street, 11<sup>th</sup> Floor, Middletown, Connecticut 06457 and branch offices at 132 Welsh Road, Suite 110, Horsham, Pennsylvania; 10 North Martingale, Suite 600, Schaumburg, Illinois 60173; and 240 Gibraltar Road, Suite 220, Horsham, Pennsylvania; and

***Whereas***, on December 29, 2006, MLN notified the State of New York Banking Department, in a letter sent via facsimile, that “effective immediately Mortgage Lenders Network USA, Inc. will regrettably no longer fund residential mortgage loans. This course of action has been necessitated as a result of a lack of available warehouse funds.” Additionally, the letter stated that MLN would (1) attempt to place the loan transactions that were scheduled to fund with MLN as lender, (hereinafter referred to as “unfunded closed loans”), with another properly licensed lender; (2) ensure that all remaining loans in its pipeline scheduled to close are transferred to another properly licensed lender; and (3) cease taking further loan origination applications;

***Whereas***, on January 2, 2007, the Department held discussions with MLN, via telephone, regarding its December 29, 2006, notification and to obtain clarification about the extent of MLN’s funding problems. During such discussions, MLN informed the Department that its warehouse line providers suspended MLN’s authority to utilize the warehouse lines to fund loans received through MLN’s wholesale business. Further, such suspension resulted in a pool of unfunded closed loans.

***Whereas***, on January 2, 2007, the Department sent MLN a letter, via facsimile and first class mail, instructing MLN to immediately cease and desist from conducting any regulated

New York activities until the unfunded closed loans were funded and the Department's concerns were addressed;

*Whereas*, in response to our January 2, 2007, letter and telephone discussion, MLN emailed the Department the unfunded loan and pipeline reports listing 104 unfunded closed New York loans totaling \$35,145,447 and an application pipeline report listing 703 New York applications totaling \$199,326,908.50;

*Whereas*, on January 9, 2007, MLN notified the Department that it executed an agreement with a third party investor for the secondary market sale by MLN to the investor. The liquidity provided by that sale would allow MLN to fund the unfunded closed loans. MLN provided the Department with a nationwide listing of 906 unfunded closed loans, which included 71 loans on New York property, that the investor was reviewing for funding;

*Whereas*, on January 16, 2007, the third party investor notified the Department that it would not fund approximately 347 loans due to underwriting concerns. The investor also indicated that it was no longer interested in purchasing MLN's wholesale business and that it no longer intended to fund additional MLN loans. MLN subsequently notified the Department that it was attempting to arrange funding through another third party investor.

*Whereas*, on January 17, 2007, the State of Connecticut Department of Banking notified the Department of the existence of an additional 125 loans closed by MLN but not funded. The Department's analysis of the nationwide total indicates that as of January 17, 2007, MLN failed to fund approximately 477 closed loans, which includes 60 loans on New York property.

*Whereas*, based on the foregoing, MLN is in violation of Part 38.7(a)(8) for its failure to disburse loan funds on loans closed on New York property;

*Whereas*, MLN's failure to disburse funds is considered a default of its financial engagements;

*Whereas*, Section 592 of the Banking Law provides that the Superintendent may license an applicant as a mortgage banker if the Superintendent shall find that the applicant's financial responsibility, experience, character and general fitness are such to command the confidence of the community that the applicant's business will be operated honestly, fairly and efficiently within the purpose of Article 12-D of the Banking Law;

*Whereas*, pursuant to Section 595(1)(a) of the Banking Law, the Superintendent may revoke a mortgage banker's license after a determination that the mortgage banker, through a course of conduct, violated any provisions of Article 12-D of the Banking Law or any rule or regulation promulgated by the Banking Board, or any rule or regulation prescribed by the Superintendent under and within the authority of Article 12-D or of any law, rule or regulation of this state or the federal government; and

*Whereas*, pursuant to Section 595(1)(b) of the Banking Law, the Superintendent may revoke a mortgage banker's license if it is found that any fact or condition exists which, if it had existed at the time of original application for such license or registration, would have warranted

the Superintendent in refusing originally to issue such license. MLN's current inability to utilize its warehouse credit line to fund the outstanding unfunded closed loans demonstrates that it does not have the financial wherewithal to command the confidence of the community pursuant to Section 592 of the Banking Law;

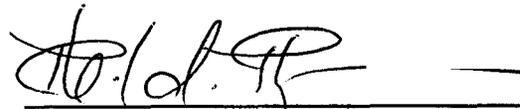
*Whereas*, pursuant to Section 595(2) of the Banking Law, the Superintendent may for good cause shown, or where there is substantial risk of public harm, suspend MLN's mortgage banking license for a period not exceeding 30 days, pending investigation;

*Whereas*, pursuant to Section 595(5) of the Banking Law, the suspension of a mortgage banker license shall not impair or affect the obligation of any pre-existing lawful contract between MLN and any person; and

*Whereas*, MLN's aforementioned actions constitute grounds for suspension or revocation of its license under Sections 595(1)(a) and (b) and 595(2),

***NOW THEREFORE***, the Superintendent hereby finds that MLN has engaged in dishonest and inequitable practices that may cause substantial harm to the persons afforded the protection of Article 12-D and has defaulted in performing its financial engagements. Consequently, good cause exists for suspending its license as there is substantial risk of public harm. The Superintendent hereby immediately suspends MLN's mortgage banker license for a period not exceeding 30 days from the date of this Order pending investigation.

***Witness, my hand and official seal of the Banking Department at the City of New York, this 19<sup>th</sup> day of January in the Year two thousand seven.***



**Rholda L. Ricketts**  
**Deputy Superintendent of Banks**