

State of New York
Banking Department

-----X
In the Matter of

**UNION FEDERAL MORTGAGE CORPORATION
DBA UNION FEDERAL WHOLESALE LENDING
B500520**

SETTLEMENT AGREEMENT

A Licensed Mortgage Banker Pursuant to
Article XII-D of the New York Banking Law
-----X

This Settlement Agreement ("Agreement") is made and entered into by and between Union Federal Mortgage Corporation DBA Union Federal Wholesale Lending ("Union Federal") and the State of New York Banking Department ("Banking Department"), collectively ("the Settling Parties"), evidencing an agreement between the Settling Parties to resolve, without a hearing, the violations cited herein by Union Federal of Part 38 of the General Regulations of the Banking Board, New York State General Business Law Article 22-A Sections 349 and 350, 3 N.Y.C.R.R. Part 38, Section 226.24 of Regulation Z of the Truth in Lending Act (12 C.F.R. Section 226.24), Section 5(a) of the Federal Trade Commission Act (Title 15 U.S.C. Section 45), upon and subject to the terms and conditions hereof.

I.

RECITALS

1. Union Federal, headquartered at 25 Smith Street, Suite 204, Nanuet, NY 10954 was granted a license by the Banking Department on December 16, 1997 to engage in the business of a mortgage banker pursuant to Article XII-D of the New York Banking Law ("Banking Law").

2. Section 44 of the Banking Law provides, in part, that the New York Superintendent of Banks (the “Superintendent”) may, in a proceeding after notice and a hearing, require a licensed mortgage banker to pay to the people of this state a penalty for a violation of the Banking Law and any regulation promulgated thereunder.

3. Part 38 Section 38.8 of the General Regulations of the Banking Board, provides that a mortgage banker may be subject to disciplinary action by the Banking Department for, among other things, violations of Article 12-D of the Banking Law, the regulations promulgated thereunder, or violations of state or federal law indicating that the entity is unfit to engage in the business of a mortgage banker.

4. In 2009, Union Federal sent 9,145 mail solicitations to New York homeowners (the “solicitation”). A copy of the solicitation is annexed as Exhibit A.

Misleading Statements

5. The solicitation letter’s header prominently includes “NEXT DAY PRIORITY EXPRESS”, “RE: July ’09 Payment, Immediate Reply Requested, EMIGRANT MTG CO INC.”, and “IMPORTANT: We cannot hold this offer for longer than 14 days” in the space normally occupied by the name and address of the sender of the letter. Union Federal’s name is only included on the bottom of the page with no indication that Union Federal is the sender of the letter.

6. The solicitation letter is also mailed in an envelope that states “NEXT DAY PRIORITY EXPRESS, RUSH TO ADDRESSEE, EXTREMELY IMPORTANT” on the front of the letter.

7. The phrase “RE: July ’09 Payment, Immediate Reply Requested, EMIGRANT MTG CO INC” is placed in the envelope’s display window. Union Federal’s name and address is not included on the envelope; the envelope does not identify the sender of the letter.

8. By failing to identify Union Federal as the advertiser, and by substituting the phrase “RE: July ’09 Payment, Immediate Reply Requested, EMIGRANT MTG CO INC” in the place for Union Federal’s legal name and address, the mail solicitation appears to be from the consumer’s mortgage lender, Emigrant Mortgage Company, when in fact, it is not.

9. The solicitation letter includes the statement: “A new loan enables you to **skip 2 mortgage payments**”. The letter does not explain that interest must be paid on the old loan until the closing date of the new loan and that interest must also be paid on the new loan from the closing date of the new loan.

10. The statement that consumers will be able to “skip 2 mortgage payments” without accompanying clarification is misleading and implies that consumers will have no mortgage loan obligation for two months because these payments can be “skipped”, when in fact, consumers are typically required to make the first month’s payment in advance, on the date the loan closes.

11. Accordingly, the mail solicitation violates GRBB Part 38 Section 38.2(e), which provides that no mortgage banker shall fraudulently or deceitfully advertise a mortgage loan, or misrepresent the terms, conditions or charges incident to a mortgage loan in any advertisement therefore.

12. In addition, the mail solicitation violates Section 5(a) of the Federal Trade Commission Act (Title 15 U.S.C. Section 45) which prohibits unfair or deceptive acts or practices in or affecting commerce, and New York State General Business Law Article 22-A Section 349, which declares deceptive practices unlawful, and Section 350, which declares false advertisement unlawful.

Loan Terms

13. The solicitation prominently advertises a periodic interest rate of 4.875%, but only discloses the 4.99% APR in small print on the bottom of the page.

14. Accordingly, the solicitation violates Regulation Z of the Truth in Lending Act, Section 226.24(b), which provides: “if an advertisement states a rate of finance charge, it shall state the rate as an “annual percentage rate,” using that term. If the annual percentage rate may be increased after consummation, the advertisement shall state that fact. The advertisement shall not state any other rate, except that a simple annual rate or periodic rate that is applied to an unpaid balance may be stated in conjunction with, but no more conspicuously than, the annual percentage rate.”

II

SETTLEMENT TERMS AND CONDITIONS

Without admitting or denying the Department’s findings, Union Federal is willing to resolve the violations cited herein by entering into this Agreement and freely and voluntarily waives its right to a hearing under Banking Law Sections 44 and 598 on such violations. Therefore, in consideration of the promises and covenants set forth herein, the Settling Parties agree, as follows:

1. Union Federal agrees to take all necessary steps to ensure its compliance with all applicable federal and state laws, regulations, and supervisory requirements relating to its mortgage business, including, but not limited to:

- a. Complying with the requirements of the Federal Truth-In-Lending Act and Regulation Z , Article 12-D of the New York Banking Law, and Part 38 of the General Regulations of the Banking Board; and
- b. ensuring that its advertisements and solicitations do not mislead consumers as to the identity of the entity making the offer or the nature of the offer. All

advertisements and solicitations will clearly identify Union Federal as the source of the advertisement or solicitation.

- c. ensuring that its advertisements do not mislead consumers as to the terms and conditions of credit it is offering and that such advertisements disclose clearly and conspicuously the existence of material terms, conditions, and limitations relating to any advertised offer of credit;
- d. ensuring that it will not advertise terms of credit using footnotes, asterisks, small print and color contrasts that materially contradict or modify the principal message of its advertisements, and will disclose clearly and conspicuously all material information.

2. Union Federal agrees to develop appropriate written advertisement policies and procedures designed to ensure compliance with all applicable federal and state laws, regulations, supervisory requirements, and guidelines. The policies and procedures shall, at a minimum: (i) designate an individual responsible for monitoring compliance with all applicable federal and state laws, regulations, supervisory requirements, and guidelines; (ii) include a listing of all applicable laws, regulations, and truth in advertising guidelines; (iii) establish a mechanism for ensuring that all applicable laws, regulations, and truth in advertising guidelines are met; (iv) establish a training program to ensure that Union Federal and its employees involved in preparing or approving advertisements understand all applicable federal and state laws, regulations, and truth in advertising guidelines.

3. Within ninety (90) days from the effective date of this Agreement, Union Federal agrees to submit a draft of its advertisement policies and procedures to the Banking Department.

4. Within one hundred twenty (120) days from the effective date of this Agreement, Union Federal agrees to submit a copy of its final advertisement policies and procedures to

the Banking Department together with a letter from an authorized officer of Union Federal indicating his/her approval of such policies and procedures. Union Federal further agrees to provide copies of all advertisements run by it for the twelve (12) month period following the effective date of this Agreement.

5. Union Federal agrees to pay a fine of \$ 5,000 in settlement of this matter. Union Federal further agrees that such payment will be made in immediately available funds in accordance with Banking Department payment instructions.

III.

MISCELLANEOUS TERMS AND CONDITIONS

1. The Settling Parties acknowledge that Union Federal's failure to comply with any of the settlement terms and conditions of this Agreement may result in the Banking Department taking action to revoke Union Federal's license to engage in the business of a mortgage banker under Article 12-D of the Banking Law.

2. The Settling Parties acknowledge that entering into this Agreement shall not bar, estop, or otherwise prevent the Superintendent, or any state, federal or local agency or department or any prosecutorial authority from taking any other action affecting Union Federal, any of its current or former owners, officers, directors, employees, or insiders, or their successors or assigns.

3. This Agreement may not be altered, modified or changed unless in writing signed by the Superintendent or his designee.

4. This Agreement shall be enforceable and remain in effect unless stayed or terminated in writing by the Superintendent or his designee.

5. The effective date of this Agreement is the date on which it is executed by the Deputy Superintendent of Banks for Mortgage Banking.

6. All written communications to the Banking Department regarding this Agreement should be sent as follows.

Attention:

Rholda L. Ricketts
Deputy Superintendent of Banks
Mortgage Banking Division
State of New York Banking Department
One State Street,
New York, New York 10004

7. All written communications to Union Federal regarding this Agreement should be sent as follows.

Attention:

Ari H. Moses
Union Federal Mortgage Corporation DBA
Union Federal Wholesale Lending
25 Smith Street, Suite 204
Nanuet, NY 10954

8. This Agreement is not confidential; therefore it is available to the public.

WHEREFORE, the Settling Parties hereto have caused this Agreement to be executed.

By: _____

Ari H. Moses
Union Federal Mortgage Corporation DBA
Union Federal Wholesale Lending

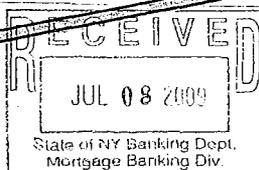
Dated: _____

By: _____

Rholda L. Ricketts
Deputy Superintendent of Banks
State of New York Banking Department

Dated: _____

**NEXT DAY PRIORITY
EXPRESS**



RE:
July '09 Payment
Immediate Reply Requested

PRSRT STD
U.S. POSTAGE
PAID
MAILED FROM 33634
PERMIT NO. 2407

EMIGRANT MTG CO INC

IMPORTANT: We cannot hold this offer for longer than **14** days.

[REDACTED]
[REDACTED] NY [REDACTED]
[POSTNET]

Dear [REDACTED]

Through public records and screening, we have done some research on your financial situation and your home located on [REDACTED]. I have good news! You qualify for a unique opportunity. Here is our simple offer: combine your mortgage and other debts PLUS get an additional \$30,000 cash in hand for a new payment of \$846.73 per month at 4.875%. If this amount is lower than your combined payments, please call us immediately.

Great News! The Fed's New Economic Stimulus Package Could Save You Thousands And You Can Skip Your July And August Mortgage Payments.

We've done our homework. You already have what it takes to qualify. A new loan enables you to skip 2 mortgage payments and you may have no out of pocket closing costs.

It's definitely worth five minutes of your time to see for yourself that you can better your financial situation with a simple phone call. Remember, there's no cost or obligation and as you may know, Fed's have reduced rates and increased the national loan limits making rates lower for those larger loans, up to \$729,750! What does that mean for you? Call and find out today!

EMIGRANT MTG CO INC

Original Loan Amount

\$130,000.00

NEW DEBT FREE

Payment

\$846.73

Proposed Loan Amount

\$160,000.00

Additional Cash

\$30,000

Case Number:

[REDACTED]

**CALL TOLL FREE
1-800-320-8646**



UnionFederal
UnionFederal Mortgage Corporation

Corporate offices: 25 Smith St., Nanuet, NY 10954

Closing Locations Throughout the Tri-State Area

Licensed Mortgage Banker and Direct Lender NY, NJ, FL, CT Banking Depts



P.S. This program covers a wide range of credit scores and special situations, such as late payments, bankruptcy, over extended credit and employment issues, just to name a few.

*4.99% APR based on 360 payments, interest only. Rates subject to change.

© 2009 RME, L.L.C.



EXT DAY PRIORITY EXPRESS

DME PROVIDES FAST AND EFFECTIVE DIRECT MAIL COMMUNICATION VIA THE UNITED STATES POSTAL SERVICE, PROVIDING IMPORTANT DELIVERED MESSAGES INTENDED FOR VARIOUS COMMERCIAL USE.

EXPRESS DOCUMENT ENCLOSED

POSTING NO.: 2433 1851 368

CONTROL	
YES	NO
<input checked="" type="checkbox"/>	<input type="checkbox"/>

PRIORITY 1
PRE-PAID
DATED MATERIAL ENCLOSED
SIGNATURE REQUIRED

**RUSH
PROCESSING**

2433 1851 368

EXTREMELY IMPORTANT

DME PROCESSES NEXT DAY, 2ND DAY AND OTHER IMPORTANT MESSAGES THAT ARE EXPEDITED AND DELIVERED ACCORDING TO THEIR SPECIFIC CLASS OF POSTAGE.

Id
lys.

RE:
July '09 Payment
Immediate Reply Requested

PRSRT STD
U.S. POSTAGE
PAID
MAILED FROM 33634
PERMIT NO. 2401

EMIGRANT MTG CO INC

[REDACTED]
[REDACTED]
[REDACTED] NY [REDACTED]



NEXT DAY PRIORITY

EXPRESS