

*State of New York*  
*Banking Department*

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In the Matter of

**MORTGAGE SECURITY, INC.**  
**A003874**

**SETTLEMENT AGREEMENT**

A Registered Mortgage Broker Pursuant To  
Article XII-D of the New York Banking Law  
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This Settlement Agreement ("Agreement") is made and entered into by and between Mortgage Security, Inc. 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 the Registrant of Section 102.1(c)(1) of Supervisory Procedure MB 102 and New York State Business Corporation Law Article 13 Section 1301 (a), upon and subject to the terms and conditions hereof.

**I.**

**RECITALS**

1. Mortgage Security, Inc. ("Mortgage Security", "Registrant") headquartered at 31 Teaticket Highway, Suite 2-7, East Falmouth, MA 02536 was granted a registration by the Banking Department on October 21, 1994 to engage in the business of a mortgage broker 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

registered mortgage broker to pay to the people of this State a penalty for a violation of the Banking Law and any regulation promulgated there under.

3. Part 38 Section 38.8 of the General Regulations of the Banking Board, provides that a mortgage broker 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 broker.

4. Mortgage Security received authority to engage in business from the New York Secretary of State as a foreign corporation on May 4, 1994.

5. During a review of Mortgage Security's transition request, submitted through the Nationwide Mortgage Licensing System ("NMLS") on June 24, 2009, the Banking Department noted that the New York Secretary of State records indicated that Mortgage Security's authority to do business was dissolved by proclamation on June 26, 2002.

6. On April 7, 2010, the Banking Department notified the Registrant that due to the dissolution of Mortgage Security's authority to do business, the Banking Department no longer considers Mortgage Security, Inc. a registered mortgage broker.

7. The Banking Department's Volume of Operation Reports and the Application Log from May 1, 2004 – March 31, 2010 submitted by the Registrant indicates Mortgage Security conducted New York mortgage activities without a valid corporate authority in New York.

8. As a result, the Registrant violated NYS Business Corporation Law Article 13, Section 1301(a), which states that a foreign corporation shall not do business in this state until it has been authorized to do so.

9. Furthermore, the Registrant failed to notify the Banking Department of Mortgage Security's dissolution of corporate authority in New York in violation of Supervisory Procedure MB 102.1(c) (1), which specifies that each applicant must certify that the Superintendent will

be promptly advised of any changes which may occur in the information furnished in the application subsequent to the date upon which the information was furnished.

10. Subsequently, Mortgage Security was reinstated with the New York Secretary of State effective March 15, 2011.

## II.

### **SETTLEMENT TERMS AND CONDITIONS**

Without admitting or denying the Department's findings, the Registrant 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. The Registrant 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.

2. The Registrant agrees to pay a fine of \$3,000 in six monthly installments, with the first installment of \$500 due upon execution of this Agreement. The remaining five payments of \$500 each are due by the 15th of each successive month until the fine is fully paid. The installments shall be made in electronic transfers, immediately available funds, pursuant to transfer instructions received from the Banking Department. Failure to make timely payment on any of the installments shall result in immediate revocation of Registrant's registration.

## III.

### **MISCELLANEOUS TERMS AND CONDITIONS**

1. The Settling Parties acknowledge that the Registrant'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 the Registrant's registration to engage in the business of a mortgage broker 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 the Registrant, any of its current or former owners, officers, directors, employees, or insiders, or their successors or assigns with respect to the violations cited herein, or any other matter whether related or not to such violations.

3. This Agreement may not be altered, modified or changed unless in writing and 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 the Registrant Company regarding this Agreement should be sent as follows.

Attention:

Robert Pena  
Mortgage Security, Inc.  
31 Teaticket Highway, Suite 2-7  
East Falmouth, MA 02536

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: \_\_\_\_\_

Robert Pena  
Mortgage Security, Inc.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

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

Dated: \_\_\_\_\_