

State of New York
Banking Department

_____ X
In the Matter of

Associated Mortgage Bankers, Inc.
B500812

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 Associated Mortgage Bankers, Inc. ("Associated") 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 Associated of Part 38 of the General Regulations of the Banking Board, 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, and New York State General Business Law Article 22-A ("GBL") Sections 349 and 350, upon and subject to the terms and conditions hereof.

I.

RECITALS

1. Associated Mortgage Bankers, Inc. headquartered at 600 Old Country Road, Suite 207, Garden City, NY 11530, was granted a license by the Banking Department on July 28, 2005 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 (“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 (“GRBB”), 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 the summer of 2010, Associated mailed at least 2,000 solicitations to New York homeowners (the “solicitations”). A copy of the June 2010 solicitation is annexed as Exhibit A, and the July 2010 solicitation is annexed as Exhibit B.

Misleading usage of FHA

5. The solicitations prominently display a misleading seal which states “FOR F.H.A. LOANS”.

6. The solicitations prominently state the letters “FHA” as part of a telephone number that begins with **1 (888) FHA**.

7. By prominently displaying a misleading FHA seal, and a telephone number which states “FHA”, the mail solicitations appear to be from FHA or from an entity that is sponsored, approved, or endorsed by FHA.

Misleading statements

8. On the solicitations’ envelope, it states the phrases “FINAL NOTICE OF RATE INCREASE” and “LOAN SERVICING DEPARTMENT” in the space normally

occupied by the sender's name and address.

9. The envelope does not state Associated's name and address.

10. By substituting the phrases "FINAL NOTICE OF RATE INCREASE" and "LOAN SERVICING DEPARTMENT" in the place for Associated's name and address on the envelope, the solicitations appear to be an alert from the consumers' mortgage lender notifying the consumers of an impending increase in their mortgage loan's interest rate.

11. The homeowners identified in Exhibit A and Exhibit B have a fixed rate mortgage, and the interest rate of their mortgage will not increase.

12. The solicitations state Associated "has reviewed your original mortgage loan in the amount of \$xxx,xxx.xx."

13. Associated purchased a list of consumers and their data from Black Book Data, Inc., a third party that sells credit bureau sourced information.

14. Associated does not have a copy of or access to the consumers' actual mortgage loan documents.

15. Associated has not reviewed the consumer's original mortgage loans, but only bought credit bureau sourced information from a third party.

16. Therefore, the statement that it "has reviewed your original mortgage loan in the amount of \$xxx,xxx.xx" is not true, and is deceptive.

17. The solicitations also prominently state "**it's possible to skip up to 2 mortgage payments**" in a refinancing.

18. By stating that consumers will be able to "skip up to 2 mortgage payments" without accompanying clarification, the solicitations mislead consumers into believing that they will have no mortgage loan obligation for two months because these payments

can be “skipped”, when in fact, consumers are typically required to pay interest on the new loan in advance, when the loan closes.

19. The solicitations state “no out of pocket closing costs.”

20. This phrase represents directly and by implication that the consumer will not have to pay any fees to Associated or to third parties to obtain financing.

21. The solicitations fail to disclose any conditions or limitations on this offer and whether the consumer was responsible for other standard third party fees such as attorney fees, property tax and title insurance.

22. The solicitations target borrowers with bad credit by stating the company is “SPECIALIZING IN LOW CREDIT SCORE LOANS!”

23. This statement directly and by implication represents that all applicants, including those with bad credit will have unqualified access to the credit advertised without disclosing what material limitations on the availability of the credit may exist.

24. Accordingly, the practices described in paragraphs five to twenty three violate GBL Section 349, which declares deceptive practices unlawful, and GBL Section 350, which declares false advertising unlawful.

25. In addition, these practices violate 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 therefor, including Section 38.2(e)(3), which specifies that an advertisement shall be deemed fraudulent, deceitful or misleading if it provides that an applicant will have unqualified access to credit without disclosing what material limitations on the availability of credit may exist.

Loan Terms

26. The solicitations promote an interest rate of 4.5%, but fail to disclose the Annual Percentage Rate (“APR”).

27. Accordingly, the solicitations violate 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, Associated 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. Associated 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 Title 18 U.S.C. §709, the Federal Truth-In-Lending Act and Regulation Z, Article 12-D of the Banking Law, and Part 38 of the General Regulations of the Banking Board;
- b. ensuring that its advertisements do not mislead consumers as to the identity of the party offering credit or that its advertised offers are sponsored, approved, or endorsed by the FHA or any other government agency; and
- c. ensuring that its advertised offers of credit are consistent with prudent lending practices, as reflected in the Banking Department's May 25, 2007 Industry Letter on Mortgage Lending Standards and its June 30, 2007 Industry Letter on Subprime Mortgage Lending (collectively, the "Guidance Letters"); and
- d. ensuring that its advertisements do not misrepresent the fees for obtaining financing, including, representing, directly or by implication, that there are no fees associated with obtaining credit when that is not the case; and
- e. ensuring that its advertisements do not otherwise 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; and
- f. 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. Associated 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 Associated 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, Associated 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, Associated 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 Associated indicating his/her approval of such policies and procedures. Associated 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. Associated agrees to pay a fine of \$ 7,500.

6. Associated 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 Associated'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 Associated'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 Associated, 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 Associated regarding this Agreement should be sent as follows.

Attention:

Anthony Donato
Associated Mortgage Bankers, Inc.
600 Old Country Road, Suite 207
Garden City, NY 11530

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: _____

Anthony Donato
Associated Mortgage Bankers, Inc.

Dated: _____

By: _____

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

Dated: _____

DOLLARS CENTS
\$943,675.00

June 4, 2010

DATE
June 30, 2010

OFFER EXPIRES

Merrick, NY 11566-2229

NON-NEGOTIABLE. NO CASH VALUE. THIS IS NOT A CHECK.
Dear Michele Weber,

Your rate and payment may be adjusting soon. Associated Mortgage Bankers has reviewed your original mortgage loan in the amount of \$943,675.00. Your property, located at 2265 Carley Ct. qualifies for a "Low Cost Fixed Rate Refinance." You now have the opportunity to refinance to a fixed rate that is as low as 4.5% and it's possible to skip up to 2 mortgage payments!

Your new principal and interest payment could be \$4,781.46. If this amount is lower than your current monthly payment, please call us today!

Please don't wait to act since home values are dropping at the rate of 3% per month. You may lose the equity needed to qualify for this program. This new refinance opportunity enables you to possibly skip 2 mortgage payments and have no out of pocket closing costs. It's definitely worth five minutes of your time to see for yourself that getting back on track can happen. We are "Low Credit Score Specialists." Remember, there's no cost or obligation. Call Today!



SOME BENEFITS OF REFINANCING WITH US ARE:

- ***** **CONSOLIDATE CREDIT CARD DEBT!**
- **SPECIALIZING IN LOW CREDIT SCORE LOANS!**
- **GET A FIXED RATE!**
- **LOWER YOUR MONTHLY PAYMENTS!**
- **POSSIBLE TO SKIP 2 MORTGAGE PAYMENTS!**
- **GET CASH BACK!**
- **EASY QUALIFYING!**

Please reference your loan number when calling (7800)

1(888)FHA-4YOU

(342-4968)

Para asistencia en español por favor llame a Yovani Campos al número 516-356-6712.

To find out if you qualify for this Rate Reduction Program

Associated Mortgage Bankers Inc.
600 Old Country Road, Suite 207, Garden City, NY 11530



Associated Mortgage Bankers Inc., 600 Old Country Rd., Suite 207, Garden City, New York 11530, 1(866) 244-5363. Only conducts business as Associated Mortgage Bankers, Inc. unless otherwise noted. Associated Mortgage Bankers Inc., only conducts business in the following states: FL, NY (Licensed Mortgage Banker- New York State Banking Department). This is not an offer to enter into an interest rate lock-in agreement under the law of any state.



EXHIBIT A PAGE 1 OF 2

FINAL NOTICE OF RATE INCREASE
LOAN SERVICING DEPARTMENT

First-Class Mail
Presorted
US Postage PAID
Tampa, FL
Permit 3875

*****AUTO**3-DIGIT 115 3723

t
MERRICK, NY 11566-2229



7/19/2010

mail (444x630)

FUNDING DEPARTMENT

Ofer Tchernichovski
8 Sivers Pl
Beacon, NY 12508-1554

1-800-875-2222 / 46321102

\$121,808.00

July 09, 2010

DATE

July 31, 2010

OFFER EXPIRES

NON NEGOTIABLE, NO CASH VALUE, THIS IS NOT A CHECK

Dear Ofer Tchernichovski,

Your rate and payment may be adjusting soon. Associated Mortgage Bankers has reviewed your original mortgage loan in the amount of \$121,808.00. Your property, located at 8 Sivers Pl, qualifies for a "Low Cost Fixed Rate Refinance." You now have the opportunity to refinance to a fixed rate that is as low as 4.5% and it's possible to skip up to 2 mortgage payments!

Your new principal and interest payment could be \$617.18. If this amount is lower than your current monthly payment, please call us today!



Please don't wait to act since home values are dropping at the rate of 3% per month. You may lose the equity needed to qualify for this program.

This new refinance opportunity enables you to possibly skip 2 mortgage payments and have no out of pocket closing costs. It's definitely worth five minutes of your time to see for yourself that getting back on track can happen. We are "Low Credit Score Specialists." Remember, there's no cost or obligation. Call Today!

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- GET A FIXED RATE!
- LOWER YOUR MONTHLY PAYMENTS!
- POSSIBLE TO SKIP 2 MORTGAGE PAYMENTS!
- GET CASH BACK!
- EASY QUALIFYING!

Please reference your loan number when calling (7800)

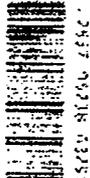
1(888)FHA-0277
(342)

Para asistencia en español por favor llame a Yovani Campos al numero 516-356-6712.

To find out if you qualify for this Rate Reduction Program.

Associated Mortgage Bankers Inc.

600 Old Country Road, Suite 207, Garden City, N.Y. 11530



7/19/2010

mail (457x235)

FINAL NOTICE OF RATE INCREASE
LOAN SERVICING DEPARTMENT

IF YOU ARE
INTERESTED
IN PAYING
FOR THIS

Ofer Tchernichovski
8 Sivers Pl
Beacon, NY 12508-1554

EXHIBIT
B