

State of New York
Banking Department

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In the Matter of

**EQUITY SOURCE
IN LIEU OF ITS TRUE CORPORATE NAME
EQUITY SOURCE HOME LOANS, LLC
A005750**

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 Equity Source In Lieu of Its True Corporate Name Equity Source Home Loans, LLC ("Equity Source") 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 Equity Source of Part 38 of Part 38 of the General Regulations of the Banking Board ("GRBB"), 3 N.Y.C.R.R. Part 38, New York Banking Law Article 12-D, 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 ("FTC Act") (Title 15 U.S.C. Section 45), Title 16 C.F.R. Part 255, Title 18 U.S.C. § 709, and New York State General Business Law Article 22-A Sections 349 and 350, upon and subject to the terms and conditions hereof.

I.

RECITALS

1. Equity Source, headquartered at 1120 Campus Drive West, Morganville, New Jersey 07751, was granted a registration by the Banking Department on July 8, 2003 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 thereunder.

3. Part 38 Section 38.8 of the General Regulations of the Banking Board (“GRBB”), 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. In April 2010, Equity Source sent 3,500 mail solicitations to New York homeowners (the “solicitation”). A copy of the solicitation is annexed as Exhibit A.

Unauthorized Branch Locations

5. The solicitation stated the name “Equity Source” and an address “1133 Broadway, Ste. 706, New York, NY 10010” on the top of the letter.

6. The solicitation also stated a telephone number 1-866-767-3420, which belongs to the address 1688 Meridian Ave., #803, Miami Beach, FL 33139.

7. Both addresses are locations that were not authorized by the Banking Department for Equity Source to conduct regulated mortgage activities.

8. Accordingly, the Department alleges that Equity Source violated §590.2(c) of the New York Banking Law, which requires a registrant to apply for authority to open and maintain one or more branch offices.

Misleading Usage of HUD and FHA Seals

9. The solicitation displays both the seals of the U.S. Department of Housing and Urban Development (“HUD”) and the Federal Housing Administration (“FHA”) on the top of the letter.

10. The solicitation also displays both these seals on the envelope in the space normally occupied by the sender’s return address.

11. The solicitation’s envelope did not state the name and address of the sender.

12. By prominently displaying both the HUD and FHA seals, the mail solicitation appears to be from HUD and FHA or from an entity that is sponsored, approved, or endorsed by HUD and FHA.

13. Accordingly, the solicitation violates Title 18 U.S.C. § 709, which prohibits usage of the letters “HUD and “FHA” to convey the false impression that such business has some connection with, authorization from, or is endorsed by the Federal Housing Administration, which in fact does not exist.

14. The solicitation also violates Section 5(a) of the FTC Act which prohibits unfair or deceptive acts or practices in or affecting commerce.

Other Disclosures

15. The solicitation promoted an adjustable rate mortgage (“ARM”), stating a new monthly payment amount of \$1,277.99.

16. The solicitation stated the amount of a payment, and is required to disclose the terms of repayment.

17. The solicitation failed to disclose the actual terms of repayment of the loan, including that the advertised low interest rate and low monthly payments are subject to increase and do not last over the life of the loan. The fact that rates are subject to change

is disclosed only in small print at the bottom of the advertisement.

18. Accordingly, the solicitation violates Regulation Z of the Truth in Lending Act Section 226.24(d) which provides any advertisement stating the amount of any payment shall also state certain specific terms, including the terms of repayment.

19. The solicitation failed to state a New York office address of Equity Source.

20. Accordingly, Equity Source has violated GRBB Part 38 Section 38.2(b) which provides that any advertisement by a mortgage broker in New York in print or electronic media must indicate the name of the entity and a street address of any one of its offices in New York State.

21. Additionally, the deceptive practices described in paragraphs five to nineteen also violate New York State General Business Law Article 22-A Section 349 which declares deceptive practices unlawful, Section 350 which declares false advertising unlawful, and GRBB Part 38 Section 38.2(e), which provides that no mortgage broker shall fraudulently or deceitfully advertise a mortgage loan, or misrepresent the terms, conditions or charges incident to a mortgage loan in any advertisement therefor.

II

SETTLEMENT TERMS AND CONDITIONS

Without admitting or denying the Department's findings, Equity Source 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. Equity Source 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, Title 18 U.S.C. §709, Article 12-D of the Banking Law, and Part 38 of the General Regulations of the Banking Board; and
- b. ensuring that its advertisements do not utilize the name or the seal of any government agency, including HUD and FHA, to imply that the advertisements are from or your services or products has some connection with, authorization from, or are endorsed by such government agency; and
- c. ensuring that Equity Source does not conduct New York mortgage origination activities at locations which have not been authorized by the Banking Department;
- d. 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; and
- e. 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. Equity Source agrees to develop appropriate written advertisement policies and procedures designed to ensure compliance with all applicable federal and state laws, regulations, supervisory requirements and guidance letters. 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 guidance letters; and (ii) establish a training program to ensure that Equity Source and its employees involved in preparing or approving advertisements understand all applicable federal and state laws, regulations, supervisory requirements and guidance letters.

3. Within ninety (90) days from the effective date of this Agreement, Equity Source 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, Equity Source 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 Equity Source indicating his/her approval of such policies and procedures. Equity Source 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. Equity Source agrees to pay a fine of \$ 12,000 payable in four (4) equal quarterly installments as follows:

- \$3,000 upon execution of this Agreement
- \$3,000 each on or before the 15th day in the months of
September 2011, December 2011, and March 2012.

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

Attention:

Michael Chaim Finkelstein
Equity Source
In Lieu of Its True Corporate Name
Equity Source Home Loans, LLC
1120 Campus Drive West,
Morganville, NJ 07751

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: _____

Michael Chaim Finkelstein
Equity Source
In Lieu of Its True Corporate Name
Equity Source Home Loans, LLC

Dated: _____

By: _____

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

Dated: _____