

NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

-----X
In the Matter of

SOUTH FORK FUNDING, INC.
A005569

SETTLEMENT AGREEMENT

A Registered Mortgage Broker Pursuant To
Article XII-D of the New York Banking Law
-----X

This Settlement Agreement (“Agreement”) is made and entered into by and between South Fork Funding, Inc. (“South Fork”) and the New York State Department of Financial Services (the “Department,” and collectively, with South Fork, the “Parties”) to address the violations of Section 591-a (2) of the Banking Law, and Part 420.18(a)(3)(v) of the General Regulations of the Superintendent (the “General Regulations”).

I.

RECITALS

1. South Fork, headquartered at 2000 Arctic Avenue, Bohemia, NY 11716, was registered by the Department as a mortgage broker on January 2, 2003, pursuant to Article 12-D of the Banking Law.

2. Sections 44 and 598 of the Banking Law provide, in part, that 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/or any regulation promulgated thereunder.

3. Section 38.8 of the General Regulations provides that a mortgage broker may be subject to disciplinary action by the 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 brokering or making mortgage loans in this state.

UNAUTHORIZED DOMAIN NAME

4. Pursuant to the Department's All Industry Letter, dated June 1, 2000 (the "2000 Industry Letter"), the domain name of any website used by a licensee or registrant to conduct mortgage banking or mortgage brokering activities qualifies as a separate business address that must be registered with the Department.

5. The Department determined that South Fork used the domain names and websites, www.longislandnyhomeloans.com for a period during December 2014, and www.southforkfunding.net, www.bohemiahomeloan.com and www.sffreversefunding.com for a period during January 2015, to promote mortgage loans relating to residential real property located in New York State, without prior authorization from the Department. A sample of each website is annexed as Exhibits "A", "B", "C" and "D", respectively.

6. Accordingly, the Department has concluded that South Fork has violated Section 591-a (2) of the Banking Law, which requires registrants, such as South Fork, to apply for and receive permission prior to using a specific business address.

ASSIGNED TO UNREGISTERED LOCATION

7. Additionally, mortgage brokers such as South Fork are required to "assign [Mortgage Loan Originators ('MLOs')] to locations licensed or registered by the superintendent." 3 NYCRR Section 420.18(a)(3)(v).

8. The Department determined that during a period, including December 2014, Justin Schiatta, NMLS #115343, a MLO sponsored by South Fork, used the domain name "schiattamt.com" to solicit Mortgage Loans relating to properties in New York state, on behalf of South Fork. A sample of the website is annexed as Exhibits "E"

9. The Department's records reveal that South Fork failed to obtain authorization to utilize the domain name "schiattamt," to conduct mortgage loan activities, relating to properties in New York state.

10. Accordingly, pursuant to the directives of the 2000 Industry Letter, the Department has concluded that South Fork has violated 3 NYCRR Section 420.18(a)(3)(v), by allowing its sponsored MLO to originate loans from an unregistered location.

II.

SETTLEMENT TERMS AND CONDITIONS

South Fork freely and voluntarily waives its right to a hearing under Banking Law Sections 44 and 598 on such violations and agrees to take the actions listed below to redress the violation cited herein. Therefore, in consideration of the promises and covenants set forth herein:

1. South Fork 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 Article 12-D of the Banking Law, and 3 NYCRR Sections 38 and 420;
- b. ensuring that it will provide appropriate training for its employees regarding the utilization of any location to conduct regulated mortgage business, assumed name or any website, domain, or other name; and
- c. not conducting or transacting business in this state under any

name, assumed name or designation using any website, domain, or other name that has not been approved by the Superintendent.

2. South Fork 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 advertisement 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 South Fork and its employees involved in loan origination understand all applicable federal and state laws, regulations, supervisory requirements and guidance letters.

3. South Fork agrees to pay a fine of \$10,000 payable in ten (10) equal monthly installments as follows:

- \$1,000 upon execution of this Agreement, and
- \$1,000 each on or before the 15th day of each consecutive month for the following nine (9) months.

4. South Fork further agrees that such payment will be made in immediately available funds in accordance with the Department's payment instructions.

III.

MISCELLANEOUS TERMS AND CONDITIONS

1. South Fork acknowledges that its failure to comply with any of the terms and conditions of this Agreement may result in the Department taking action to revoke South Fork's registration to engage in the business of a mortgage broker under Article 12-D of the Banking

Law.

2. South Fork acknowledges 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 South Fork, 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 her designee.

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

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

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

Attention:

Rholda L. Ricketts
Deputy Superintendent
New York State Department of Financial Services
One State Street,
New York, New York 10004

7. All written communications to South Fork regarding this Agreement shall be sent as follows.

Attention:

Lawrence Frances McDonnell
President
South Fork Funding, Inc.
2000 Arctic Avenue
Bohemia, NY 11716

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

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

South Fork Funding, Inc.

By: _____/s/_____

Lawrence Frances McDonnell
President

Dated: _____

**New York State Department of Financial
Services**

By: _____/s/_____

Rholda L. Ricketts
Deputy Superintendent

Dated: _____