

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING

IN THE MATTER OF:)
)
) No. 2009-MBR-22
FLAGSHIP MORTGAGE CORP.)
License No. MB.0005527)
Attention: Jeffrey R. Flees)
100 Old Wilson Bridge Rd, Suite 207)
Worthington, OH 43085)

ORDER REVOKING LICENSE

The DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, Division of Banking (the “Department”), having examined Flagship Mortgage Corporation, (the “Licensee”) and documented violations of the Residential Mortgage License Act of 1987 (the “Act”) [205 ILCS 635] and the rules promulgated under the Act (the “Rules”) [38 Ill. Adm. Code 1050], hereby issues this ORDER pursuant to the authority provided under Section 4-5(h) (1) of the Act. The Department makes the following:

FINDINGS

1. That Flagship Mortgage Corporation is an Illinois residential mortgage licensee holding license number MB.0005527 (the “License”) and located at 100 Old Wilson Bridge Road, Suite 207, Worthington, Ohio 43085;
2. That on May 30, 2007, the Department conducted an examination of Licensee for the exam period 07/16/2004 to 04/30/2006 and the examiner found several violations by the Licensee of the Act and Rules as subsequently cited in the Report of Examination (the “ROE”) as follows:
 - a. Report Required of Licensee; False Statements; Delay; Penalties – Licensee failed to provide an explanation regarding the possibility of franchising and/or undisclosed business affiliates, partnerships, and/or business arrangements and the ROE lists requested items that the Licensee failed to provide to the Department (violation of Section 2-4(d)(r)(t) and Section 4-4(b) of the Act);
 - b. Advertising and Internet Loan Origination – Licensee’s internet advertisement is not in compliance with the provisions of the Act or Rules, Licensee’s radio advertisement failed to contain the required wording “Illinois Residential Mortgage Licensee” or provide the address on record, Licensee failed to have the required wording of “Illinois Residential Mortgage Licensee” and the address on record for banner advertisements and mailings to potential customers, and Licensee’s monthly

- newsletter advertisement failed to contain the required wording “Illinois Residential Mortgage Licensee” (violation of Sections 1-4(w), 2-9, and 3-3(b)(c) of the Act and Sections 1050.920 and 1050.940(a)(b) of the Rules);
- c. Averments and Reporting by Licensee – Licensee failed to notify the Department of a judgment entered against Licensee in the amount of \$37,170 and that was filed by a lender in July 2004 and settled on June 5, 2007 (violation of Sections 2-4(v) & (x) and 4-4(b) of the Act);
 - d. Residential Mortgage License Renewal Application – Licensee’s 2007 License renewal application contained inaccuracies as cited in the ROE (violation of Section 4-5(i)(3) of the Act);
 - e. Affiliates – Licensee failed to disclose its affiliation with Prairie Title Services, Inc. and Target Title Services, LLC and Licensee also failed to disclose its affiliation with Starlex Financial Consulting, LLC as both Licensee and Starlex appear on the final HUD statements and are compensated for title services by borrowers at closing (violation of Section 1-4(r), Section 4-2(c), and Section 1-4(dd)(1)(3) of the Act and 24 CFR 3500.15(a)(2) RESPA);
 - f. Maintenance of Records – Licensee failed to maintain and provide a current complete log for all licensable activity during the examination period as cited the ROE (violation of Section 4-5(i)(14) of the Act and Section 1050.1175(a)(7)(8)(9)(10)(11)(12)(13) of the Rules);
 - g. Definitions; Licensee’s Accountability – Licensee failed to provide signed and dated copies of written employee agreements for all loan originators employed during the examination period (violation of Section 1-4(d)(6)(A) of the Act and Section 1050.110 of the Rules);
 - h. Continuing Education Requirements – Licensee failed to provide to the examiner proof that seventeen (17) loan originators and the owner, who also originates, completed the required education for the years 2005 and 2006 (violation of Section 1050.2120(a) of the Rules);
 - i. Changes Affecting Loans in Process – Licensee failed to provide the required Notice of Changes Affecting Loans in Process to borrowers when changes occurred prior to closing in nineteen (19) closed loan files as cited in the ROE (violation of Section 1050.1230(a) of the Rules);
 - j. Approval Notice – Licensee failed to produce evidence that it provided the required Approval Notice form to the borrowers in nine (9) closed loan files as cited in the ROE (violation of Section 1050.1305(a)(b)(c) of the Rules);
 - k. Good Faith Estimate – Licensee failed to produce evidence that it disclosed or properly disclosed the Yield Spread Premium of the Good Faith Estimate to borrowers in sixteen (16) closed loan files as cited in the ROE (violation of Section 1050.1110(d)(1), Section 1050.1250(a)(b)(c)(d), and Section 1050.1350 of the Rules and Title 24 CFR 3500.7(a)(c) Regulation Z);
 - l. Rate-Lock – per the ROE, Licensee failed to lock the interest rate in two (2) closed loan files, failed to properly fill out the Rate-Lock form in three (3) closed loan files, and failed to provide the required Rate-Lock form to borrowers in eight (8) closed loans (violation of Section 1050.1010(d), Section 1050.1230(a), and Section 1050.1335(a)(2) of the Rules);
 - m. Good Faith Requirements – per the ROE, Licensee failed to produce evidence that it provided the required initial Good Faith Estimate, re-disclosure of costs and/or fees on the Good Faith Estimate or Truth-in-Lending disclosures prior to closing in three (3) closed loan files, and Licensee provided the initial Good Faith Estimate to

borrowers with blanks or Licensee increased fees at closing without re-disclosure prior to closing in six (6) closed loan files (violation of Section 1050.1175(b)(1)(C), Section 1050.1250(a)(b), and Section 1050.1350(a)(b)(c) of the Rules and Title 24 HUD, RESPA 3500.7(a));

- n. Averments – Licensee provided borrowers with mortgage related documents that contained blank spaces or not completed properly in seventeen (17) closed loan files as cited in the ROE (violation of Section 1050.1140 and Section 1050.2165(f) of the Rules);
 - o. Truth-in-Lending Requirements – Licensee failed to indicate that the loan contained a variable rate feature on the initial Truth-in-Lending disclosure to borrowers in seven (7) closed loan files as cited in the ROE (violation of Section 1050.1350(a)(b)(c) of the Rules and 12 CFR 226.18(f)(1)(2)(i)(ii) Reg Z/TILA-RESPA);
 - p. Maintenance of Records – per the ROE, Licensee failed to produce evidence that it provided the required Loan Brokerage Agreement and/or Loan Brokerage Disclosure Statement and did not maintain copies in the loan file for borrowers in four (4) closed loan files and Licensee failed to provide the required Borrower Information Document and maintain a copy in the loan file for borrowers in two (2) closed loan files, refer to the ROE for specific instances (violation of Section 1050.1175(b), Section 1050.1010, Section 1050.1020(a), and Section 1050.1110 of the Rules);
 - q. Affiliates – per the ROE, Licensee failed to produce evidence that it provided the required affiliation disclosure to borrowers and was compensated on the day of settlement in ten (10) closed loan files (violation of Section 1-4(dd)(1)(A) of the Act, Section 1050.1020(b) of the Rules, and 24 CFR 3500.15(a) RESPA);
 - r. Loan Brokerage Agreement – Licensee provided borrowers with a Loan Brokerage Agreement that failed to contain certain required material as cited in the ROE (violation of Section 1050.1010(f)(g)(h) of the Rules);
 - s. Loan Brokerage Disclosure Statement - Licensee provided borrowers with a Loan Brokerage Disclosure Statement that failed to contain certain required material as cited in the ROE (violation of Section 1050.1020(b) of the Rules);
 - t. Borrower Information Document - Licensee provided borrowers with a Borrower Information Document that failed to contain certain required material as cited in the ROE (violation of Section 1050.1110(a) of the Rules);
3. That Licensee has repeat violations of Section 1050.1305(a)(b)(c), Section 1050.1175(b)(1)(C), Section 1050.1250(a)(b), Section 1050.1350(a)(b)(c) of the Rules and 24 CFR 3500.7(a) Reg Z; and
4. That on September 11, 2007, the Department received Licensee’s written response; however, the Department has determined that the response is incomplete and insufficient in addressing the numerous violations cited in the ROE and Licensee’s compliance with the Act and Rules.

CONCLUSIONS

BASED UPON THE ABOVE FINDINGS, THE DEPARTMENT IS OF THE OPINION AND CONCLUDES:

That notwithstanding notices and other efforts by the Department, Licensee is in violation of Sections 1-4, 2-4, 2-9, 3-3, 4-2, and 4-4 of the Act and Sections 1050.110, 1050.920, 1050.940,

1050.1010, 1050.1020, 1050.1110, 1050.1140, 1050.1175, 1050.1230, 1050.1250, 1050.1305, 1050.1335, 1050.1350, 1050.2120 and 1050.2165 of the Rules; and is in further violation of Sections 4-5(i) (3), (11), (14) and (17) of the Act

ORDER

NOW THEREFORE IT IS HEREBY ORDERED that the license of FLAGSHIP MORTGAGE CORPORATION, License No. MB.0005527 is revoked by Order of the Department pursuant to Section 4-5(h) (1) of the Act for failure to comply with the provisions cited herein of the Act and Rules, effective ten days after receipt of this Order, unless you request a hearing pursuant to the Act and Subpart N of the Rules, including remitting the hearing fee required by Section 1050.210 of the Rules.

ORDERED THIS 23RD DAY OF JANUARY, 2009

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
MICHAEL T. MCRAITH, ACTING SECRETARY

DIVISION OF BANKING

JORGE A. SOLIS, DIRECTOR

You are hereby notified that this Order is an administrative decision. Pursuant to 205 ILCS 635/4-12 and 38 Ill. Adm. Code, 1050.1510 *et seq.* any party may file a request for a hearing on an administrative decision. The request for a hearing shall be filed within 10 days after the receipt of an administrative decision and, if so requested, a hearing shall be held on the administrative decision, by the Department of Financial and Professional Regulation, Division of Banking. Absent a request for a hearing, this Order shall constitute a final administrative Order subject to the Administrative Review Law [735 ILCS 5/3-101 *et seq.*].