



State of New Jersey
 DEPARTMENT OF BANKING AND INSURANCE
 DIVISION OF BANKING
 PO Box 040
 TRENTON, NJ 08625-0040

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

THOMAS B. CONSIDINE
Commissioner

DATE:

LICENSE REF#

RE:

 MORTGAGE BANKERS, CORRESPONDENCE MORTGAGE BANKERS AND BROKERS LICENSE EXAMINATION
 SECOND MORTGAGE LICENSE EXAMINATION
 CONSUMER LOAN LICENSE EXAMINATION
 SALES FINANCE EXAMINATION

Dear Licensee:

Pursuant to the authority granted to the Commissioner by the laws of the State of New Jersey, the Department of Banking and Insurance has scheduled an examination of your operations conducted under the above captioned license(s). The Examiner-in-Charge, _____ has scheduled your examination date for _____.

You may contact the examiner via email _____ @dobi.state.nj.us or phone number _____.

In order to **expedite** the examination, the enclosed Scope/Licensee Questionnaire must be completed and given to the Examiner-in-Charge on the first day of the examination. Failure to have the requested information ready for the examiner may result in a lower rating for your company, a lengthier examination and more frequent monitoring.

In addition to furnishing the requested information, please have the designated licensed individual or a responsible designee available during the course of the examination. Please make available **adequate private working space** for the examiner(s) with a convenient electrical outlet for their computer equipment.

Your immediate attention to the above is requested. If you have any questions please contact Maryann Moticha at 609-292-7272, ext. 50219.

Sincerely,

John Pavlovsky
 Field Manager
 Office of Consumer Finance

SCOPE INDEX

<u>PAGE NO.</u>	<u>CONTENTS</u>
2	Index
3-4	Instructions
5	Attorney's Letter
6	Warehouse Line Confirmation Letter
7	Lending Activity Form
8-10	Rate and Fee Schedule
11	Statement of Assets and Liabilities
11	Statement of Income and Expense
13-23	Licensees' Questionnaire
24	Affidavit

SCOPE INSTRUCTIONS

Please have the following items ready for the examiner's review:

1. **Loan application system as required by N.J.A.C. 3:15-6.4. Separate printed hard copy closed loan reports are required showing all New Jersey total closed loan volume for the following time frames:**
 - a) 1/1/ to 12/31/ c) 1/1/ to current period 12/31/
 - b) * 1/1/ to 12/31/ * (include total closed loan volume and dollar amount)
2. All individual file folders for each loan closed during the review period, containing complete documentation for each borrower as selected by the examiner.
3. A printed hard copy report for denied, withdrawn, adverse loans for the period under review and an in process (pipeline) loan report for the present date.
4. Provide a copy of the current surety bond, relevant riders and proof of coverage showing the most current effective dates and coverage amounts.
5. All files containing information concerning **complaints**, foreclosures, **pending litigation**, and **any enforcement actions issued or pending by the NJ Department of Banking**.
6. Statements of all checking or other transactional type accounts with cancelled checks (copies are acceptable) included as requested by the examiner.
7. A sample application kit for each type of loan you are licensed to make.
8. Attach a separate schedule listing the names, addresses and phone numbers for the following:
 - a) All investors, to whom you sold, assigned or brokered loans during the period in review.
 - b) All mortgage bankers or brokers from whom you acquire or purchase loans.
9. Provide a copy of the New Jersey Department of Banking Annual Report filed for the year(s) ended 20 .
10. Provide copies of all NJ Department of Banking licenses and registrations issued and all correspondence with the Department since the previous examination.
11. Provide a copy of any executed In-State or Out-of-State Agreements (with the Department) concerning the maintenance of records off site.
12. Provide copies of each written advertisement and include the written copy of any radio, newspaper, magazine or television advertisements. Also, provide a copy of the home page of your website. If the same advertisement runs repeatedly, only one copy is necessary.
13. Records of all credit life or accident and health insurance written, premiums collected refunds of the unearned premiums due to payment in full or renewal and a detailed record of all claims paid by the insurer.

SCOPE
INSTRUCTIONS

Please complete all of the enclosed pages. If a particular item is not applicable to your organization, please note that it is not applicable. All pages are self-explanatory except those specifically referred to below.

- The review period covers the period since the prior examination or _____ to the present day, _____.
- Audited financial statements and/or copies of a recent Annual Report submitted to the Department of Banking and Insurance may be substituted for Page 9 (**Statement of Assets and Liabilities**) and Page 10 (**Statement of Income and Expense**).
- Page 5 (**Attorney Letter**): Make as many copies of this page as you require. Complete this form by dating it, addressing it to each attorney who performs routine legal work for you, signing the release and forwarding it to each attorney to whom it is addressed. The Examiner-in-Charge must receive a response from each attorney by the completion of the examination. If you use an in house attorney, they should provide to the Examiner in Charge, a synopsis of all litigation against the licensee (including any legal actions involving consumer groups, class action lawsuits, and judgments against the licensee).
- Page 6 (**Warehouse Letter**): Make as many copies of this page as you require. Complete this form by dating it, addressing it to each institution where you maintain a warehouse line of credit, signing the release and forwarding it to each institution to which it is addressed. The Examiner-in-Charge must receive a response from each institution before the completion of the examination.
- Page 7 (**Lending Activity Form**) and Pages 18-20 (**Sub prime Lending Questions**): You must be familiar with the definitions of covered and high cost loans as detailed in the New Jersey Home Ownership Protection Act "HOEPA" and the revisions made effective June 14, 2004, in order to complete these pages. The revisions include the elimination of the covered loan category and the reduction of the high cost loan threshold from 5% to 4.5% (points and fees) on loans greater than \$40,000. For the period 11/27/03 thru 6/13/04, the original act will apply. Information regarding covered loans originated between 11/27/03 and 6/13/04 is requested in this questionnaire and will be reviewed by the examiner. Information regarding "HOEPA" is available on our web-site at www.njdobi.org



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KIM GUADAGNO
Lt. Governor

THOMAS B. CONSIDINE
Acting Commissioner

Date:

ATTORNEY LETTER

Re: Official Examination of

The above captioned licensee is regulated by this Department and is currently under examination. Please respond as soon as possible by mail or by FAX to the licensee, **addressing your response to the Examiner-in-Charge** _____ **providing** the following information:

- 1) The capacity in which you are representing the licensee.
- 2) The amount of the fee you charge for representing the licensee.
- 3) Litigation in which the licensee is involved in any capacity, including your estimate of losses or potential liability (include legal actions involving consumer groups and class action lawsuits).
- 4) Please identify any contingent liabilities of the licensee of which you have knowledge.
- 5) Describe all relationships you have with the licensee in which you represent more than one party in any loan transaction. State for whom the service is provided, the nature and purpose of the service and a schedule of fees charged.

Release of the above requested information is hereby authorized:

Signature

Title



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WAREHOUSE LETTER

Re: Official Examination of _____:

The above captioned licensee is regulated by this Department and is currently under examination. Please provide the following information concerning the warehouse line of credit maintained by the licensee with your institution. Please respond as soon as possible by mail or by FAX to the licensee, **addressing your response to the Examiner-in-Charge, _____** providing the following information:

Institution

Address

Total amount of line

Rate

Term

Amount extended as of

Date of expiration

Detailed listing of collateral pledged to secure line

Release of the above requested information is hereby authorized:

Signature

Title

LENDING ACTIVITY FORM

All licensees must complete this page

Respond to these questions based on business conducted since the previous examination (or if this is **your first examination, since date of licensing**)

Period of Examination: **to**

Closed and funded	# Of Loans	Dollar Amt. 000's	<u>Loans Purch.</u> Dollar Amt. 000's	<u>Loans Sold</u> Dollar Amt. 000's
Total conventional loans (Purchase)		\$	\$	\$
Total conventional loans (Refinance)				
Total FHA and VA Loans (include purchases and refinances)				
Total first mortgage lending activity		\$	\$	\$
Total secondary mortgage loans		\$	\$	\$
Total consumer loan activity		\$	\$	\$
Total sales finance activity		\$	\$	\$

Loan Applications for First Mortgages

	Number	Percent
Loans applications accepted		100 %
Loans closed		
Loans rejected		
Loans withdrawn		
Loans in process		

Loans in Process (as of the examination date)

	Number	Amount
Loans in process:		\$
Approved and/or firm commitment issued		\$

Covered and High Cost Mortgage Loans (New Jersey Home Ownership Protection Act)

Closed and funded	Number Of Loans	Dollar Amt. 000's
Total covered loans (From 11/27/03 thru 6/13/04 only)		\$
Total high cost loans (Threshold lowered on 6/14/04)		\$
Total sub-prime loans <u>that aren't covered or high cost</u>		\$

RATE AND FEE SCHEDULE

<i>RATES AND FEES (First Mortgage loans)</i>			
	Low		High
Interest Rate		to	
Discount Points		to	
Yield Spread premium		to	
Application Fee		to	
Commitment Fee		to	
Lock-in Fee		to	
Attorney Review Fee		to	
Courier Fee		to	
Flood Certification Fee		to	
MIP and PMI Premiums		to	
Warehouse Fee		to	
Appraisal Fee			
Tax Service Fee		to	
Recording Fees		to	
Late Charges		to	
Redraw Fee		to	
Wire Transfer Fee		to	
Prepayment penalty		to	
Closing or Settlement Fee		to	
Processing Fee		to	
Underwriting Fee		to	
Administrative Fee		to	
Insurance: (Credit Life, Disability, UI, and Property) Indicate if paid to an affiliate.		to	
Title Insurance (Indicate if paid to an affiliate)		to	
VA Funding Fee		to	
Other: (Describe)		to	

RATES AND FEES (Secondary Mortgage loans)			
	Low		High
Interest Rate (Closed-end)		to	
Interest Rate (Open-end)		to	
Discount Points		to	
Yield Spread premium		to	
Application Fee		to	
Appraisal Fee		to	
Attorney Fee		to	
Flood Certification Fee		to	
Recording Fees		to	
Late Charges		to	
Title Insurance (Indicate if paid to an affiliate)		to	
Title Abstract		to	
Closing or Settlement Fee		to	
Annual Fee (open end loans)		to	
Administrative Fee		to	
Commitment Fee		to	
Prepayment penalty		to	
Processing Fee		to	
Underwriting Fee		to	

RATES AND FEES (Consumer loans)			
	Low		High
Interest Rate (Closed-end)		to	
Interest Rate (Open-end)		to	
Late Charges		to	
Prepayment penalty		to	
Fee for returned check		to	
Insurance: (Indicate if paid to an affiliate)			
Credit Life		to	
Disability		to	
Unemployment		to	
Property		to	
Travel Club Memberships		to	
Warranties sold or financed		to	
Official Fees: (Describe)		to	

<i>RATES AND FEES (Sales Finance Activity)</i>			
	Low		High
Interest Rate (Closed-end)		to	
Interest Rate (Open-end)		to	
Late Charges		to	
Prepayment penalty		to	
Fee for returned check		to	
Insurance: (Indicate if paid to an affiliate)			
Credit Life		to	
Disability		to	
Unemployment		to	
Property		to	
Travel Club Memberships		to	
Document Preparation Fee		to	
Warranties sold or financed		to	
Official Fees: (Describe)		to	

Statement of Assets and Liabilities

(Audited, if available)

For Period ending:

I hereby certify that the foregoing statement is true and correct to the best of my knowledge and belief. I understand that giving false information may subject me to penalties prescribed by law.

Licensee's Name

Date

Signature

Statement of Income and Expense

(Audited, if available)

For Period ending:

I hereby certify that the foregoing statement is true and correct to the best of my knowledge and belief. I understand that giving false information may subject me to penalties prescribed by law.

Licensee's Name

Date

Signature

State Of New Jersey
Department of Banking and Insurance
Office Of Consumer Finance

Licensee Questionnaire

LICENSEE'S QUESTIONNAIRE

NOTE: Each request for information requires a detailed answer by the licensee. Supporting schedules must be attached where space provided is inadequate. Respond to these questions based on business conducted since the previous examination (or if this is your first examination, since the date of licensing). **If any request is not applicable, insert 'N/A'.**

1. Describe the plan of operation, indicating procedures followed with respect to origination, processing, underwriting, commitments, closing and funding. Be as specific as possible, ensuring that we can determine if you issue commitments, if loans close in your name and if you fund the loans.

2. Who is the individual licensee(s) for first mortgage loans? For secondary mortgage loans?

3. List other types of businesses owned and/or operated by the licensee.

4. What type of business entity is the licensee, i.e. corporation, LLC, partnership, sole proprietorship?

5. Which office is considered the main office?

6. Where are the company's books and records located?

7. What is the mailing address of the licensee and to whom should the Transmittal Letter be sent?

8. May we contact you via e-mail? If so, please provide the name and e-mail address of the person you wish to serve as our contact.

9. List the addresses of each branch office conducting business pursuant to the New Jersey Licensed Lenders Act. For each office listed, list the type of license issued for that office.

10. If any other business is conducted at any of the licensed locations, explain:

11. If the licensee operates any branch offices, please provide detailed answers to the following questions. If no branches exist, please answer "N/A".
 - a) Does any branch office maintain its own bank account for the payment of the expenses

of the branch; i.e., employees, rent, telephone, utilities, etc.?

- b) Are the branch managers required to issue a personal check to cover the operating expenses of their branch if funds are not available from an operating account?
- c) Are contracts with vendors such as leases, telephone, utilities, and advertising written in the name of the licensee?

12. Please provide a list of all mortgage loan solicitors (include full name and dates of employment) and the offices at which they are located. Also, list all mortgage solicitors who have been terminated/resigned since the last examination. (Attach a separate sheet or schedule if necessary.)

13. Have any mortgage loan solicitors originated any loans prior to being registered with the Department? If so, please provide their names and a list of the loans originated.

14. Provide the name, address, telephone number and e-mail address of your legal counsel, registered agent and persons in charge of handling compliance and consumer complaints.

Legal Counsel:

Registered Agent:

Compliance/Complaints:

15. List the five principal officers and stockholders (10% or MORE). If necessary, attach a separate schedule using the following format:

NAME	OFFICE LOCATION	POSITION	% OF STOCK OR OWNERSHIP

16. List any professional licenses or registrations, other than motor vehicle, issued by any federal or State government held by any director, member, owner, officer, or substantial stockholder. Use the following format:

NAME/TITLE	LICENSE TYPE	ISSUE DATE	LICENSE NUMBER	ISSUING AUTHORITY

17. List the states in which the licensee engages in business as a residential mortgage lender and/or broker. If necessary, attach a separate schedule using the following format:

STATE	LICENSE NO.	ISSUE DATE	EXPIRATION DATE

18. Please respond to the following questions as they relate to *all* business conducted by the licensee since the previous examination; i.e., if the licensee's operations extend beyond New Jersey, please do not limit your responses solely to matters involving loans secured by New Jersey property. If the answer is "yes" to any of these questions, please provide details on a separate attachment. Has the licensee:
- a) Been requested to repurchase any mortgage loan, pay a settlement in lieu of repurchasing a mortgage loan, or returned a yield-spread premium to a lender/investor?
 - b) Been advised of any repurchase demand from any lender/investor on any loan originated or closed by the licensee?
 - c) Been requested to execute an Indemnity Agreement on any mortgage loan?
 - d) Been suspended or terminated by any lender/investor?
 - e) Been advised that a lender/investor discovered items of misrepresentation and/or fraud within any loan originated or closed by your company?
 - f) Terminated any employee for involvement in misrepresentation and/or fraud?
 - g) Been denied a license/registration or approval and/or had a license/registration suspended or revoked by any state or governmental agency?
 - h) Had any administrative order (i.e. cease and desist order, revocation of license, etc.) issued or action taken by any governmental agency (include any fines or refunds required)?
 - i) Had any audit report issued that did result in an opinion that the financial statements are not fairly presented or that the licensee may have going concern issues?
 - j) Had any internal or external audit report that revealed any accounting irregularities or material weaknesses?
19. Has the licensee been involved in any litigation that could materially affect the financial condition of the licensee? If so, give names of plaintiff, amounts sued for, nature and basis for litigation and probable result.

20. Has the licensee, any director, member, owner, officer, substantial stockholder or employee of the licensee criminally misused, embezzled, abstracted or willfully misapplied any funds or valuables for which the licensee is responsible? If so, explain fully.

21. Has the licensee, any director, member, owner, officer, substantial stockholder or employee at any time been convicted of, or is any such person presently under indictment for any criminal offense involving dishonesty or breach of trust? If so, give their name(s) and explain the nature of the indictment or conviction.

22. List any judgments filed against, and any bankruptcy filed by the licensee, any director, member, owner, officer, or substantial stockholder of the licensee or by any affiliate thereof.

23. Has any change of control of direct ownership of 25% or more of the licensee occurred? If so, was the Commissioner notified?

24. Is the licensee delinquent (more than 45 days past due) on any account owed to any vendors including appraisal companies, title companies or credit bureaus? If so, list the names, addresses and telephone numbers of the companies and the amounts owed.

25. List each enterprise doing business with the licensee in which any director, member, owner, officer, or substantial stockholder or personnel of the licensee has a direct or indirect interest (i.e. having an interest in a title company, appraisal company or real estate broker) that is used by the licensee. Describe any arrangement in detail.

26. Is the "Affiliated Business Arrangement" Disclosure required by the Real Estate Settlement Procedures Act (RESPA) given in cases (when required) described in the preceding question?

27. Are any real estate brokers compensated as set forth in N.J.S.A 17:11C-4d and N.J.A.C. 3:15-2.17? If so provide details.

28. List any employee or person who receives any commission, fee or rebate from outside sources (i.e., title company, appraisal company, financial advisors, etc.) or third parties or who benefits from any business placed through, by or with the licensee. Give details.
29. What is the average amount of time elapsed between accepting a loan application and issuing a commitment? Between accepting a loan application and securing a lender/investor?
30. Provide a list of borrowers who executed an Interest Rate Lock-In Agreement and who did not receive the locked-in rate. Provide details.
31. If violations were cited on the previous examination report, what type of compliance program did the licensee implement to prevent the recurrence of those violations?
32. List the name and address of all sources used to advertise the licensee's business.
33. Provide addresses of any Internet site used by the licensee (including branches) for advertising, soliciting and/or originating New Jersey loans.

34. For each warehouse line of credit you maintain, provide the following information:

Provider	Rate	Term	Expiration Date	Balance

35. For the review period, list any changes in providers of warehouse lines of credit or table funding agreements and explain the reasons for these changes.

Regarding **all** home loans originated, brokered, purchased or sold:

36. Are late payment fees limited to 5% of the amount of the payment past due, assessed only once with respect to a single payment and assessed only for payments past due 15 days or more? If any part is no, provide details.
37. Do any loan agreements finance credit insurance premiums or debt cancellation agreements?
38. Do any loans result from a recommendation or encouragement of default on an existing mortgage loan or other debt?
39. Do any loan agreements authorize the acceleration of indebtedness at the lender's sole discretion?
40. Is any fee charged for releasing payoff balance information?
41. Are payoff balances provided within seven business days after the request?

SECONDARY MORTGAGE LOANS (If you don't make secondary mortgage loans answer N/A)

42. List all institutions to which you have solicited or sold secondary mortgage loans, including the number and dollar amount of loans sold to each. Attach copies of all agreements pertaining to the sale of secondary mortgage loans.
43. If you utilize an attorney to close loans, list the name and business address of each attorney used, the services provided and amounts paid by the licensee.
44. List the names and addresses of all insurance companies used (for credit life, disability, etc.) and indicate the type of insurance provided.
45. If there is any direct or indirect relationship between any of the above insurance companies, their agents, the licensee, or any of its employees, please describe that relationship
46. Please describe any advance fees taken (prior to settlement)? Provide details.

If you don't originate, purchase or sell any sub prime loans (including but not limited to, covered loans **from 11/27/03 thru 6/13/04 only** and high cost loans) **STOP HERE.**

If you do originate, purchase or sell any sub prime loans (including but not limited to, covered loans **from 11/27/03 thru 6/13/04 only** and high cost loans) **proceed** to the following **Sub prime Lending Questions.**

Sub prime Lending Questions

47. Does your company offer any loan products to risk level borrowers?

48. If you answered yes, please provide New Jersey closed loan volume by FICO Score.

49. Please explain how your company protects itself against the origination or inclusion of loans that have predatory qualities/characteristics.

50. Do you have any policies or procedures in place that initiate anti-predatory lending protections? (If yes, please provide a copy)

51. If you originated (took application), purchased or sold any sub prime loans that don't meet the definition of covered (**from 11/27/03 thru 6/13/04 only**) or high cost loans, provide the examiner with a loan listing that discloses the borrower's name, address, interest rate and the total costs and fees (as defined by the New Jersey Home Ownership Protection Act "HOEPA") collected by the licensee.

52. Do you have any policies or procedures in place that address covered or high cost loans, as defined by the New Jersey Home Ownership Protection Act? (If yes, please provide a copy)

53. Provide the examiner with any worksheets or methodology utilized to determine if a loan meets the criteria of a covered (from 11/27/03 thru 6/13/04 only) or high cost loan (including net tangible benefit).
54. If you originated, purchased or sold any covered (from 11/27/03 thru 6/13/04 only) or high cost loans, since the enactment of the New Jersey Home Ownership Protection Act, or since the prior examination, provide the examiner with a loan listing that discloses the borrower's name, address, interest rate and the total costs and fees (as defined by "HOEPA) collected by the licensee.
55. List any correspondent lenders from whom you purchased or to whom you sold/brokered any covered (from 11/27/03 thru 6/13/04 only) or high cost loans.
56. Do you originate any loans that contain pre-payment penalties? (Provide details)
57. Provide a brief summary of your refinancing procedures.
58. Please provide a copy of any policy and/or identify what factors are utilized to set and determine interest rates to individual borrowers.
59. What model of underwriting do you utilize to prevent steering into loans that are higher cost?

60. What model of underwriting do you utilize to offer borrowers the loan product with the lowest rates and lowest fees, charges, etc?
61. Do you accept applications online?
62. Identify advertising methods utilized directly or indirectly? (i.e. telemarketing, television, newspaper, fliers, postal mail, e-mail/internet/website or any other methods).
63. List all relationship(s) with any of the following (include name, relationship, and percent of volume): Realtors, Attorneys, Appraisers, Mortgage Bankers, Mortgage Brokers, Title Companies.
64. Please provide a listing of all sources of referrals.
65. Provide an estimate of the percentage of your loan volume conducted in urban residential, suburban residential and commercial areas?
66. List all counties in which you conduct business.



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AFFIDAVIT OF PRINCIPAL OFFICER / LICENSEE

I, _____, Principal Officer/ Licensee of
do solemnly affirm that, to the best of my knowledge and belief, the information
provided in response to the Scope/Licensee's Questionnaire is complete and
correct at the time of the commencement of the examination and that any
changes thereto will be immediately reported to the Examiner-in-Charge before
the completion of the examination.

Principal Officer/Licensee

Title

Date
