

for closing as required by an unknown number of agreements it had entered into with New Jersey resident mortgage loan customers, in violation of N.J.S.A. 17:11C-22h, with each such failure to disburse representing a separate violation of N.J.S.A. 17:11C-22h; and

COUNT TWO

IT APPEARING that, beginning on or about April 2, 2007, Southstar failed to deliver mortgage loan proceeds funds within the required time after a mortgage loan closing with respect to an unknown number of agreements Southstar had entered into with New Jersey resident mortgage loan customers, in violation of N.J.S.A. 17:11C-22i, with each such failure to disburse representing a separate violation of N.J.S.A. 17:11C-22i; and

COUNT THREE

IT FURTHER APPEARING that, prior to April 2, 2007, Southstar took an unknown number of pending mortgage loan applications that have not closed (hereinafter referred to as the "Loans in the Pipeline") and that Southstar knew or should have known it would be unable to process through to closing and funding in accordance with the mortgage agreements, thereby misrepresenting or concealing a material particular of the transaction in violation N.J.S.A. 17:11C-22g, with each such misrepresentation or concealment representing a separate violation of N.J.S.A. 17:11C-22g; and

COUNT FOUR

IT FURTHER APPEARING that, effective on or about April 2, 2007, Southstar shut down operations in New Jersey without appropriate advance notice to the Commissioner or other interested parties, in a manner that demonstrated unworthiness, incompetence and bad faith in the transaction of business as a licensee in violation of N.J.S.A. 17:11C-18a(5); and

COUNT FIVE

IT FURTHER APPEARING that Southstar has failed to make all books, accounts, records and documents pertaining to its business available for examination, in violation of N.J.S.A. 17:11C-19c and N.J.S.A. 17:11C-18a(1); and

COUNT SIX

IT FURTHER APPEARING that Southstar has failed to maintain the required net worth or become insolvent, in violation of N.J.S.A. 17:11C-14 and N.J.S.A. 17:11C-18a(4);

NOW, THEREFORE, in accordance with authority provided in the Act and at N.J.S.A. 17:1-15g, IT IS on this ~~12th~~ ^{13th} day of April 2007, **ORDERED** that:

A. **ORDER TO CEASE AND DESIST**

1. Southstar shall immediately **CEASE AND DESIST** from closing loans without available funding, for New Jersey mortgage loan customers;
2. Southstar shall immediately **CEASE AND DESIST** from taking any new applications in New Jersey until further notice from the Commissioner;

B. **ORDER TO TAKE CERTAIN ACTIONS**

3. Southstar shall immediately **TAKE ACTION** to fund those loans that have closed without funding or to redirect such loans to a viable alternative funding source;
4. Southstar shall immediately **TAKE ACTION** to secure a viable funding source for the Loans in the Pipeline before proceeding any further with such loans or to redirect the Loans in the Pipeline to a viable alternative lender;
5. Southstar shall immediately **TAKE ACTION**, on a daily basis, to provide to the Commissioner with a daily report, in electronic format, with all such information as the Commissioner may require, including where appropriate proof of funding (by Federal ID Wire Number), detailing the status of all loans closed but not funded; and
6. Southstar shall immediately **TAKE ACTION**, on a daily basis, to provide to the Commissioner a daily report, in electronic format, with all such information as the Commissioner may require, detailing the status of each Loan in the Pipeline; and
7. Southstar shall immediately **TAKE ACTION** to make available for examination any and all other books, accounts, records and documents pertaining to its business as the Commissioner may request; and
8. Southstar shall immediately **TAKE ACTION** to place into escrow until further order of the Commissioner all monies representing fees of any kind paid by customers for a loan that has not been closed and funded; and
9. Failure to comply with the terms of this Order shall subject Southstar to further administrative proceedings pursuant to N.J.S.A. 17:11C-18 and N.J.S.A. 17:11C-48; and

C. **ORDER TO SHOW CAUSE - LICENSE REVOCATION**

10. Southstar shall appear and show cause why its licensed lenders license should not be **REVOKED** pursuant to N.J.S.A. 17:11C-43 and N.J.S.A. 17:11C-18(a)(1) for such violations;

11. Southstar shall appear and show cause why it should not be liable for administrative **PENALTIES** for such violations of the Act pursuant to N.J.S.A. 17:11C-48; and

IT IS PROVIDED that Southstar shall have the right to request an administrative hearing pursuant to the Administrative Procedures Act, N.J.S.A. 52:14B-1 et seq., as to the terms of paragraphs 1 through 11 of this Order; and

IT IS FURTHER PROVIDED that unless a request for a hearing on paragraphs 1 through 11 of this Order is received within twenty (20) days of receipt of this Order, the right to a hearing in this matter shall be deemed to have been waived by Southstar, and the Commissioner may dispose of this matter by issuing a final order pursuant to law.


A hearing may be requested by mailing the request to:

Leona B. Joyner, Chief of Enforcement
Office of Consumer Finance
Department of Banking and Insurance
P.O. Box 040
Trenton, New Jersey 08625-0040

The request shall contain:

- (1) Your name, address and daytime telephone number;
- (2) A copy of this Order;
- (3) A statement requesting a hearing;
- (4) A specific admission or denial of each fact alleged in this Order. Where the licensee has no specific knowledge regarding a fact alleged in the Order, a statement to that effect must be contained in the hearing request. Allegations of this Order not answered in the manner set forth above shall be deemed to have been admitted; and
- (5) A concise statement identifying any factual or legal defense intended to be asserted in response to each charge in this Order. Where the defense relies on facts not contained in the Order, those specific facts must be stated.

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE



STEVEN M. GOLDMAN, COMMISSIONER