

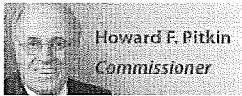


Governor Dannel P. Malloy |

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## CONNECTICUT DEPARTMENT OF BANKING

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\*

## IN THE MATTER OF:

MORTGAGE LENDERS NETWORK  
USA, INC.

("Mortgage Lenders Network")

\*\*\*\*\*  
\*CONSENT  
ORDER

## I. PRELIMINARY STATEMENT

**WHEREAS**, the Banking Commissioner ("Commissioner") is charged with the administration of Part I of Chapter 668, Sections 36a-485 to 36a-534a, inclusive, of the Connecticut General Statutes, "Mortgage Lenders, Brokers and Originators";

**WHEREAS**, the Commissioner, through the Consumer Credit Division ("Division") of the Department of Banking, conducted an investigation pursuant to Section 36a-17 of the Connecticut General Statutes into the activities of Mortgage Lenders Network to determine whether Mortgage Lenders Network had violated, was violating or was about to violate the provisions of the Connecticut General Statutes;

**WHEREAS**, on January 19, 2007, the Commissioner, acting pursuant to Sections 36a-52(b), 36a-52(a) and 36a-50(a) of the Connecticut General Statutes, issued a Temporary Order to Cease and Desist, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing (collectively "Order") against Mortgage Lenders Network, which Order is incorporated herein by reference;

**WHEREAS**, on January 30, 2007, the Commissioner, acting pursuant to Sections 36a-52(b), 36a-52(a), 36a-50(a), 36a-51(a), 36a-51(b) and 4-182(c) of the Connecticut General Statutes, issued an Amended and Restated Temporary Order to Cease and Desist, Amended and Restated Notice of Intent to Issue Order to Cease and Desist, Amended and Restated Notice of Intent to Impose Civil Penalty, Order of Summary Suspension, Notice of Intent to Refuse to Renew First and Secondary Mortgage Lender/Broker Licenses and Notice of Right to Hearing (collectively "Amended Order") against Mortgage Lenders Network, which Amended Order is incorporated herein by reference;

**WHEREAS**, the Order and Amended Order allege that:

- i. During the period from December 21 to December 29, 2006, in violation of Section 36a-758 of the Connecticut General Statutes, Mortgage Lenders Network made at least 75 loans secured by a first mortgage on real property located in Connecticut, in which it did not pay the loan proceeds to the mortgagor, the mortgagor's attorney or the mortgagee's attorney at the time of execution of the loan or at the termination of any right to rescind the transaction under 12 CFR 226;
- ii. During the period from December 22, 2006 to December 29, 2006, Mortgage Lenders Network made at least 18 loans secured by a secondary mortgage on real property located in Connecticut in which Mortgage Lenders Network agreed to fund but failed to timely disburse the loan proceeds;
- iii. During the period from December 29, 2006 to January 3, 2007, Mortgage Lenders Network issued commitments for at least 23 loans to be secured by a first or secondary mortgage on real property located in Connecticut, which it failed to close;
- iv. During the period from July 13, 2006 to January 2, 2007, Mortgage Lenders Network made at least 1,409 loans secured by a mortgage on real property located in states other than Connecticut in which Mortgage Lenders Network agreed to fund but failed to timely disburse the loan proceeds;
- v. Mortgage Lenders Network failed to provide information responsive to the Division's letters dated December 13 and 29, 2006, which letters included a request for a written statement from each of Mortgage Lenders Network's warehouse lenders detailing such lender's current position regarding its contractual relationship with Mortgage Lenders Network;
- vi. During the period from March 15, 2005 to August 26, 2006, in violation of Section 36a-498a of the Connecticut General Statutes, Mortgage Lenders Network refinanced at least four first mortgage loans for Connecticut consumers and, in connection with such refinancings, imposed prepaid finance charges that when aggregated with the prepaid finance charges imposed on previous financings by Mortgage Lenders Network within two years of the current refinancing exceeded the greater of five percent of

the principal amount of the initial loan or \$2,000;

- vii. On July 26, 2006, in violation of Section 36a-498a of the Connecticut General Statutes, Mortgage Lenders Network refinanced at least one first mortgage loan for Connecticut consumers and, in connection with such refinancing, imposed prepaid finance charges that exceeded the greater of five percent of the principal amount of the initial loan or \$2,000; and
- viii. During the period from August 2004 to August 2006, in violation of Sections 36a-486(b) or 36a-511 (b) of the Connecticut General Statutes, Mortgage Lenders Network employed or retained at least 40 originators without first registering such originators under Sections 36a-485 to 36a-498a, inclusive, or 36a-510 to 36a-524, inclusive, of the Connecticut General Statutes;

**WHEREAS**, on or about January 24, 2007, Mortgage Lenders Network received the Order;

**WHEREAS**, on or about January 30, 2007, Mortgage Lenders Network received the Amended Order;

**WHEREAS**, on February 2, 2007, Mortgage Lenders Network requested a hearing on the Order and Amended Order, which is currently scheduled to commence on September 26, 2007;

**WHEREAS**, on February 5, 2007, Mortgage Lenders Network filed a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 through 1330, in the United States Bankruptcy Court for the District of Delaware, in a case captioned *In re Mortgage Lenders Network USA, Inc.*, Case No. 07-10146 (the "Bankruptcy Proceeding"), and is currently engaged in the winding down of its business operations (the "Winding Down");

**WHEREAS**, as a result of the events and circumstances leading up to the Bankruptcy Proceeding, the filing of the Bankruptcy Proceeding and the Winding Down, Mortgage Lenders Network is unable to reconstruct the records needed to confirm the accuracy of the specific numbers recited in Paragraphs i-iv of this Preliminary Statement, but acknowledges through its execution of this Consent Order that the available evidence regarding such numbers is sufficient to authorize the Commissioner to enter findings and impose sanctions after granting Mortgage Lenders Network an opportunity for a hearing;

**WHEREAS**, Section 4-177(c) of the Connecticut General Statutes provides, in pertinent part, that "[u]nless precluded by law, a contested case may be resolved by . . . consent order";

**WHEREAS**, Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provides, in pertinent part, that "[p]ursuant to subsection (c) of section 4-177 of the Connecticut General Statutes, unless precluded by law, any contested case may be resolved by . . . consent order";

**WHEREAS**, Mortgage Lenders Network and the Commissioner now desire to resolve the matters alleged in the Order and Amended Order;

**AND WHEREAS**, Mortgage Lenders Network agrees to the issuance of this Consent Order for the purpose of obviating the need for formal administrative proceedings concerning the allegations contained in the Order and Amended Order.

#### STIPULATIONS

**NOW THEREFORE**, in consideration of the foregoing and the mutual promises set forth herein, and subject to the approval of the Bankruptcy Court, the parties agree to the following:

1. With respect to the allegations contained in the Order and Amended Order, Mortgage Lenders Network agrees to waive any rights to a hearing pursuant to Sections 36a-52, 36a-50 and 36a-51 of the Connecticut General Statutes; proceedings before a presiding officer; a proposed final decision by a presiding officer; a final decision by the Commissioner; all post-hearing procedures; and waives the right to seek judicial review or otherwise challenge or contest the validity of this Consent Order;
2. Upon the issuance of this Consent Order and approval by the Bankruptcy Court, this matter will be resolved and the Commissioner will not take any future enforcement action based upon the allegations contained in the Order and Amended Order;
3. Mortgage Lenders Network, through its execution of this Consent Order, stipulates that the following statements are true and correct:
  - A. During the period from December 21 to December 29, 2006, Mortgage Lenders Network, in violation of Section 36a-758 of the Connecticut General Statutes, failed to timely disburse the loan proceeds for certain loans secured by a first mortgage on real property located in Connecticut;
  - B. During the period from December 22, 2006 to January 2, 2007, Mortgage Lenders Network failed to perform agreements with borrowers, within the meaning of Sections 36a-494(a)(1)(D), 36a-494(b), 36a-517(a)(1)(D) and 36a-517(b) of the Connecticut General Statutes, by failing to timely disburse the loan proceeds for certain loans secured by a secondary mortgage on real property located in Connecticut and certain loans secured by a mortgage on real property located in states other than Connecticut;
  - C. During the period from December 29, 2006 to January 3, 2007, Mortgage Lenders Network failed to perform agreements with borrowers, within the meaning of Sections 36a-494(a)(1)(D), 36a-494(b), 36a-517(a)(1)(D) and 36a-517(b) of the Connecticut General Statutes, by failing to close certain loans for which it had issued commitments;
  - D. Mortgage Lenders Network failed to cooperate with the Commissioner, within the meaning of Section 36a-17(d) of the Connecticut General Statutes, in that it failed to provide information responsive to the Division's request on December 13, 2006, and letter dated December 29, 2006, specifically, a

written statement from each of Mortgage Lenders Network's warehouse line providers indicating the amount currently outstanding, and the currently available funds and total line of credit available for future use;

- E. During the period from March 15, 2005 to August 26, 2006, Mortgage Lenders Network, in violation of Section 36a-498a of the Connecticut General Statutes, imposed prepaid finance charges in connection with the refinancing of at least 5 first mortgage loans that exceeded the greater of five percent of the principal amount of the loan or \$2,000;
  - F. During the period from August 2004 to August 2006, Mortgage Lenders Network, in violation of Section 36a-486(b) or 36a-511(b) of the Connecticut General Statutes, employed or retained at least 40 unregistered originators.
4. Mortgage Lenders Network acknowledges the possible consequences of an administrative hearing and voluntarily agrees to the Commissioner's entry of a Consent Order imposing on it the following sanctions:
- A. Mortgage Lenders Network's licenses to make first and secondary mortgage loans in Connecticut and to act as a first and secondary mortgage broker in Connecticut shall not be renewed; and
  - B. The State of Connecticut (Department of Banking) shall have an allowed prepetition claim for a civil penalty in the sum of Eight Hundred Forty-Five Thousand Dollars (\$845,000), which civil penalty shall be subordinate in priority and payment to the allowed claims of Mortgage Lenders Network's general unsecured creditors in the Bankruptcy Proceeding, and shall be paid in accordance with the Bankruptcy Code, Rules of Bankruptcy Procedure, Local Rules of Bankruptcy Procedure and Order of the Bankruptcy Court.

#### CONSENT ORDER

**NOW THEREFORE**, the Commissioner enters the following:

- 1. The Sanctions set forth above be and are hereby entered;
- 2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Mortgage Lenders Network based upon a violation of this Consent Order or the matters underlying its entry, if the Commissioner determines that compliance with the terms herein is not being observed or if any representations made by Mortgage Lenders Network and reflected herein are subsequently discovered to be untrue;
- 3. In the event that the Bankruptcy Court fails to approve this Consent Order, the Commissioner shall retain his right to take all enforcement actions he considers appropriate;
- 4. In the event of any enforcement action as specified in Paragraph 2 above, or in the event that the Bankruptcy Court fails to approve this Consent Order, nothing herein shall be construed as a waiver by Mortgage Lenders Network of its right to pursue administrative remedies in any proceedings commenced by the Commissioner, including any and all rights to an administrative hearing, as well as any and all rights to appeal such administrative proceedings;
- 5. This Consent Order shall not preclude either party from asserting any rights or pursuing any remedies in the event that the Commissioner commences any proceedings against Mortgage Lenders Network for acts or omissions not specifically addressed in this Consent Order, or for acts and/or omissions that do not arise from the facts or transactions addressed herein; and
- 6. This Consent Order shall become final upon approval of the Bankruptcy Court.

Issued at Hartford, Connecticut  
this 4th day of September 2007.

\_\_\_\_\_/s/\_\_\_\_\_  
Howard F. Pitkin  
Banking Commissioner

#### CONSENT TO ENTRY OF ORDER

I, Daniel Scouler, state on behalf of Mortgage Lenders Network USA, Inc., that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Mortgage Lenders Network USA, Inc.; that Mortgage Lenders Network USA, Inc., agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that Mortgage Lenders Network USA, Inc., consents to the issuance of this Consent Order, and, except as otherwise provided herein, waives any right to a hearing on the matters described in this Consent Order.

By: \_\_\_\_\_/s/\_\_\_\_\_  
Name: Daniel Scouler  
Title: Chief Restructuring Officer  
Mortgage Lenders Network USA, Inc.

State of: Hawaii

County of: Hawaii

On this the 15th day of August 2007, before me, Jennifer J. Souza, the undersigned officer, personally appeared Daniel Scouler, who acknowledged himself/herself to be the CRO of Mortgage Lenders Network USA, Inc., a corporation, and that he/she, as such CRO, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself/herself as CRO.

In witness whereof I hereunto set my hand.

\_\_\_\_\_/s/\_\_\_\_\_  
Notary Public  
Date Commission Expires: November 30, 2007

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Administrative Orders and Settlements

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Attorney Norman Roos had processed consumer inquiries thru 2012.  
Not sure where ~~he~~ he practices now.



**MICHAEL BUCHAS**  
ASSOCIATE FINANCIAL EXAMINER  
CONSUMER AFFAIRS DIVISION

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Website: <a href="http://www.ct.gov/dob">www.ct.gov/dob</a>	E-Mail: <a href="mailto:michael.buchas@ct.gov">michael.buchas@ct.gov</a>

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
MORTGAGE LENDERS )  
NETWORK USA, INC.,<sup>1</sup> ) Case No. 07-10146 (PJW)  
)  
Debtor. ) Related Docket No.: 1053 , 1149

**ORDER GRANTING DEBTOR'S MOTION FOR APPROVAL  
SETTLEMENT AGREEMENTS AND CONSENT ORDERS  
WITH THE CONNECTICUT DEPARTMENT OF BANKING, MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC GROWTH, NEW HAMPSHIRE  
BANKING DEPARTMENT, AND OHIO DEPARTMENT OF COMMERCE**

Upon consideration of the *Debtor's Motion for Order Approving Settlement Agreements and Consent Orders With the Connecticut Department of Banking, Michigan Department of Labor and Economic Growth, New Hampshire Banking Department, and Ohio Department of Commerce* (the "Motion")<sup>2</sup> filed by the above-captioned debtor and debtor in possession (the "Debtor"); and it appearing that such relief is in the best interests of the Debtor, its estate, its creditors and other parties in interest; and it appearing that this Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and due and adequate notice of the Motion having been given under the circumstances; and it appearing that no other notice need be given; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED, that the Motion is GRANTED; and it is further

<sup>1</sup> Debtor's EIN: XX-XXX7394

Debtor's Address: Middlesex Corporate Center, 213 Court Street, 11<sup>th</sup> Floor, Middletown, CT 06457

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

ORDERED, that the Connecticut Consent Order, attached to the Motion as Exhibit A, the Michigan Consent Order, attached to the Motion as Exhibit B, the New Hampshire Consent Order, attached to the Motion as Exhibit C, and the Ohio Consent Order, attached to the Motion as Exhibit D (collectively, the "Consent Orders") are hereby APPROVED; and it is further

ORDERED the terms set forth in each of the Consent Orders shall have the same force and effect as an order of this Court; and it is further

ORDERED that notwithstanding the foregoing, it is not this Court's intention to cause the findings of fact and conclusions of law set forth in this Order (i) to affect any rights or defenses available to any surety company arising out of or related to any surety bonds issued to the Debtor; or (ii) to be given collateral estoppel, res judicata, or other claim or issue preclusion effects in any proceedings involving claims made by any person who is not a party to the Connecticut Consent Order, the Michigan Consent Order, the New Hampshire Consent Order or the Ohio Consent Order against the Debtor; and it is further

ORDERED that nothing in the Motion, the Connecticut Consent Order, the Michigan Consent Order, the New Hampshire Consent Order, the Ohio Consent Order or this Order shall be construed as a finding that any claims allowed against the Debtor pursuant thereto are or are not covered by any surety bond issued to the Debtor; and it is further

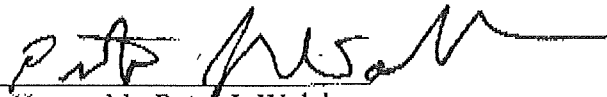
ORDERED that nothing in the Motion, the Connecticut Consent Order, the Michigan Consent Order, the New Hampshire Consent Order, the Ohio Consent Order or this Order shall be construed to expand or modify, in any way, the obligation of any surety company under any surety bonds issued to the Debtor, or be construed to abrogate, modify, or otherwise

alter any of the rights and defenses of any surety company under any surety bond issued to the Debtor; and it is further

ORDERED that the claims agent for this case is hereby authorized to amend the claims register for this case to reflect, as applicable, the terms of the Consent Orders with respect to claims provided for therein; and it is further

ORDERED that the Court shall retain jurisdiction over this matter to resolve disputes, if any, that may arise in the future.

Dated: December 27, 2007

  
The Honorable Peter J. Walsh  
United States Bankruptcy Judge

\* The exhibits cited herein  
are NOT included —

C+ DaB Public Record info may be accessed via our  
website ct.gov/dob Enforcement  
Consumer Credit  
2007