



The Lending Industry Update

Florida Financial Services Commission
Office of Financial Regulation, Bureau of Finance Regulation

Vol. 10 No. 1

SUMMER 2005

1 OF 3 OUT OF COMPLIANCE, WHERE ARE YOU?

Chapter 494 F.S. requires each business entity to file an initial quarterly report within 30 days of the end of the calendar quarter in which the original license is issued, and thereafter to file a quarterly report if a person became or ceased to be an associate or loan originator of the business during the immediately preceding quarter.

2,718 mortgage brokerage businesses have not filed their quarterly report. All mortgage brokerage businesses must report their associates including their principal broker. Therefore, a mortgage brokerage business should never file a zero report.

355 lenders have not filed their quarterly report. All loan originators and associates must be reported. The principal representative should be included on the quarterly report if he or she is originating loans.

All businesses who have not reported their associates and loan originators may complete the quarterly report electronically by accessing the Office of Financial Regulation's website at: www.fldfs.com/OFR/licensing/ and clicking on the link labeled: On-Line Services (under Regulatory Information)-File Quarterly Reports. To log-on you will need your FEID#(Federal Tax Id) and your authorization number which is located on the back of your main office license. You will need to create a New Quarterly Report, Submit your contact information, then click on Add New and input each loan originator/associate. You may also print quarterly report form on the above website.

MORTGAGE BROKERS CAN APPLY ON-LINE

You may now apply and pay the fee for a mortgage broker license on-line. A fingerprint card will be sent to you and you will be scheduled for the next available test after you complete the on-line process. Other license types will soon be available on-line.

MORTGAGE BROKER LICENSE ON-LINE LICENSE RENEWAL FOR AUGUST 2005

In 2000, The Office of Financial Regulation implemented a program to phase in electronic license renewals. Individual mortgage broker on-line license renewals jumped from 42% in 2001 to 72% in 2003. Our goal is to process all renewals on-line. Electronic Renewals are faster and easier than paper filings. Once you have completed the renewal process you are assured that we have the correct information and your renewal payment has been processed timely.

RENEWAL INSTRUCTIONS

- Log on to our website:
www.fldfs.com/OFR/licensing
- Click on hyperlink: ON-LINE SERVICES.
- Under Mortgage Broker Individuals click on renew license.
- Enter FEIN/SSN of the business licensee.
- Enter your private Authorization Number located on the back of your MB license.
- Update address and email information.
- The website will compute your renewal fee and display an invoice.
- Submit check electronically – no special software required – credit cards are not accepted.
- You will be asked to type in certain information such as the bank identification number, checking account number and the name of the person authorized to sign on the account.
- Upon completion, the system displays an image of your check for verification.

Once you have validated the information and selected “Finish” to complete the process, you will receive a Receipt and Confirmation Number as evidence the Office received your payment – **be sure to print this for your records.**

INDUSTRY TRENDS

Research conducted by the Office of Financial Regulation (OFR) indicates there are a significant number of licensees utilizing non-institutional or private investors. Many mortgage brokerage businesses, correspondent mortgage lenders, and mortgage lenders routinely transact business with non-institutional investors, which, as many of you know, is permissible under Chapter 494 F.S. There are, however, additional compliance requirements to be considered when licensees transact business with non-institutional investors. Section 494.0043 F.S., applies when loans are brokered to non-institutional investors. Remember that a person acting as a mortgage broker may not take control of any money from a non-institutional investor. A mortgage lender must comply with Section 494.0075 F.S, when selling a mortgage loan to a non-institutional investor. OFR recommends that anyone who either brokers or sells a mortgage loan to a non-institutional investor revisit Chapter 494 F.S., particularly the two aforementioned sections, and call our office with any questions you may have. Additionally, depending upon the way in which transactions with non-institutional investors are structured, they may require compliance with chapter 517, F.S. ("Securities Act").

FRACTIONALIZED MORTGAGES

There are a number of practices that are of concern to OFR when licensees either broker or sell loans to non-institutional investors. Companies and individuals offering fractionalized mortgage loans are of particular interest to the office. A fractionalized mortgage is one with multiple mortgagees listed on the same mortgage. (non-institutional investors). The investors are often placed in a mortgage investment (pooled) with other investors that they do not necessarily know. The office has seen, and continues to see, cases of fractionalized mortgages where the payment to the non-institutional investor is guaranteed, regardless of the performance of the underlying security (mortgage). Often times, companies operating in this manner find themselves in a negative cash flow situation and rely, in part, on new investor monies to make payments to current investors and continue

the program. Many of you are familiar with the phrase "Ponzi Scheme", which refers to new investor monies paying old investor obligations. This activity may result in action being taken by OFR for possible violations of the mortgage and/or securities acts.

NON - INSTITUTIONAL INVESTORS

Remember that in order to secure their investment, the non-institutional investor must have a recorded mortgage. If the mortgage loan was not closed in the investor's name, the investor should receive an absolute assignment of mortgage. The non-institutional investor should always receive a properly endorsed "original" mortgage note. Any method used to secure a separate note for the non-institutional investor other than the original mortgage note may be in violation of the mortgage and/or securities statutes. An example of such a potential violation would be a company maintaining the mortgages and notes in the company name and issuing a second note to the investor indicating a payment schedule at a fixed rate that may or may not correspond to the terms of the mortgage purportedly securing the investment. There have been instances where these guaranteed investments were secured by a collateral assignment of mortgage, which guaranteed the promissory note issued to the investor. OFR has seen instances where the collateral assignments have been recorded and instances where they have not. These business practices are a concern to the Office and, again, may be in violation of both the mortgage and/or securities acts.

Licensees issuing promissory notes and/or corporate notes purportedly secured by a pool of mortgages may also be in violation of the mortgage and/or securities acts.

All of these practices are major concerns to OFR. Should you see this activity, we would appreciate your bringing it to our attention. Remember, you may do so anonymously by calling the Bureau of Financial Regulation or any of our regional offices (see contact numbers on page 7).

LICENSING STATISTICS

CHAPTERS 494, 516, 520, & 559, FLORIDA STATUTES

NUMBER OF ACTIVE LICENSEES

<u>6/30/03</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>INCLUDING BRANCHES</u>
41,211	45,006	59,441	Mortgage Brokers (494)
4,912	6,362	7,326	Mortgage Brokerage Businesses (494)
6,478	8,754	9,942	Correspondent Mortgage Lenders & Mortgage Lenders (494)
568	607	532	Consumer Finance Companies (516)
3,857	4,622	3,984	Motor Vehicle Retail Installment Sellers (520 – PART I)
5,897	6,851	5,910	Retail Installment Sellers (520 – PART II)
981	1,147	1,032	Sales Finance Companies (520 – PART III)
172	199	138	Home Improvement Retail Installment Sellers (520–PART VI)
97	99	111	Commercial Collection Agencies (559 – Part V)
866	887	1,017	Consumer Collection Agencies (559 – Part VI)
<u>65,039</u>	<u>74,534</u>	<u>89,433</u>	TOTAL ACTIVE CHAPTER 494, 516, 520, & 559 LICENSEES

NEW LICENSES ISSUED

<u>FISCAL YEAR</u>			<u>INCLUDING BRANCHES</u>
<u>2003/04</u>	<u>2003/04</u>	<u>2004/05</u>	
12,453	10,737	13,228	Mortgage Brokers (494)
1,721	1,580	2,265	Mortgage Brokerage Businesses (494)
3,179	2,915	3,623	Correspondent Mortgage Lenders & Mortgage Lenders (494)
76	74	43	Consumer Finance Companies (516)
780	713	703	Motor Vehicle Retail Installment Sellers (520 – PART I)
990	935	1,023	Retail Installment Sellers (520 – PART II)
216	201	138	Sales Finance Companies (520– PART III)
27	27	25	Home Improvement Retail Installment Sellers (520 –PART IV)
29	26	20	Commercial Collection Agencies (559 – Part V)
279	308	276	Consumer Collection Agencies (559 – Part VI)
<u>19,750</u>	<u>17,516</u>	<u>21,344</u>	TOTAL NEW CHAPTER 494, 516, 520, & 559 LICENSEES

FOR YOUR INFORMATION

CHAPTERS 494, 516, 520 & 559, FLORIDA STATUTES

EXAMINATIONS & COMPLIANCE REVIEWS

The Bureau of Finance Regulation conducted examinations and compliance reviews of the following types of companies during the period July 1, 2004 through June 30, 2005:

<u>03/04</u>	<u>04/05</u>	INCLUDING BRANCHES
136	121	Mortgage Brokerage Businesses (494)
113	148	Correspondent Mortgage Lenders & Mortgage Lenders (494)
	736	Compliance Reviews (494)
32	10	Consumer Finance Companies (516)
216	172	Retail Installment Sales (520 - ALL PARTS)
<u>497</u>	<u>1,187</u>	TOTAL EXAMINATIONS & COMPLIANCE REVIEWS

COMPLAINTS

The Bureau of Finance Regulation has received complaints against the following types of companies during the prior three fiscal years:

<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	INCLUDING BRANCHES
328	311	267	Mortgage Brokerage Businesses (494)
1,570	1,557	1,750	Correspondent Mortgage Lenders & Mortgage Lenders (494)
109	99	62	Consumer Finance Companies (516)
455	356	269	Retail Installment Sales (520 – ALL PARTS)
438	495	562	Consumer & Commercial Collection Agencies (559 Part V & IV)
<u>2,900</u>	<u>2,818</u>	<u>2,910</u>	TOTAL COMPLAINTS

CHAPTERS 494, 516, 520 - LEGAL ACTIONS (JULY 2004-JUNE 2005)

NAME OF COMPANY / INDIVIDUAL	LOCATION CITY & STATE	TYPE OF LICENSE	ACTION TAKEN	DATE OF ACTION
Pedro Sanchez	Miami Lakes, FL	MB	Denial	07/14/04
Gilbert Neil Greenberg	Valley Stream, NY	MB	Denial	07/14/04
Rose Marilyn Marcelin	Plantation, FL	MB	Denial	07/28/04
Peach State Financial Group Inc.	Panama City, FL	MBB	Surrender	08/03/04
Mortgage Professionals of SW Fla	Cape Coral	MBB	Revocation	08/03/04
Freeport Auto Center, Inc.	Freeport, FL	MV	Revocation	07/13/04
Forsyth Auto Group, Inc.	Apopka, FL	MV	Revocation	09/01/04
Winvest Mortgage Corporation	Lauderdale Lakes	CL	Revocation	09/01/04
Anthony W. Blissett	Miami, FL	MB	Revocation	10/06/04
Emerald Coast Funding, Inc.	Destin, FL	CL	Revocation	10/18/04
Patricia Verlene Jones	Jacksonville, FL	MB	Denial	10/22/04
Justin Dean Barker	Jacksonville, FL	MB	Revocation	10/22/04
JustRite Mortgage, Inc.	Jacksonville, FL	MBB	Denial	10/22/04
Easy Credit, Inc.	Tampa, FL	MV	Denial	10/29/04
Five Flags Lending Inc.	Pensacola, FL	CL	Revocation	11/29/04
Diane Patricia Simmons	Palm Bch Gardens, FL	MB	Revocation	12/15/04
Express Mortgage Financial Group, Inc.	Palm Bch Gardens, FL	MBB	Revocation	12/15/04
Shelby Mortgage, Inc.	Fishers, IN	MBB	Revocation	01/12/05
Roger Wayne Upchurch	Fishers, IN	MB	Revocation	01/12/05
Priscilla Y. Davis	Riviera Beach, FL	MB	Denial	01/14/05
Tweraser Capital Corporation	Fort Lauderdale, FL	CL	Surrender	01/27/05
Campbell Financial Services LLC	St. Augustine, FL	CL	Revocation	02/16/05
Jared Michael Campbell	St. Augustine, FL	MB	Revocation	02/16/05
Jared Campbell	St. Augustine, FL	MBB	Revocation	02/16/05
First Realty Mortgage Corporation	Cooper City, FL	MBB	Surrender	02/18/05
Ronald F. Collins II	Green Cove Spgs, FL	MB	Denial	02/25/05

CHAPTERS 494, 516, 520 - LEGAL ACTIONS (JULY 2004-JUNE 2005)
(CONT.)

NAME OF COMPANY / INDIVIDUAL	LOCATION CITY & STATE	TYPE OF LICENSE	ACTION TAKEN	DATE OF ACTION
Andrew S. Constantinou	Farmington, CT	MB	Surrender	03/28/05
Jason W. Hamilton	Casselberry, FL	MB	Revocation	03/28/05
Assertive Home Lending, Inc.	Jacksonville, FL	MBB	Surrender	03/28/05
Florence Ann Grice	Jacksonville, FL	MBB	Surrender	03/28/05
Samantha S. Johnson	Parkland, FL	MB	Revocation	04/07/05
Developers Funding Corp	Ocean Ridge, FL	MBB	Revocation	04/20/05
Jeff A. Phillips	Boca Raton, FL	MB	Revocation	04/20/05
Frederick D. Griffin	Jacksonville, FL	MB	Denial	04/20/05
Home Mortgage Financial Center Corp	Miami, FL	MBB	Surrender	05/05/05
Yamilet Morejon	Miami, FL	MB	Surrender	05/05/05
Irwin Millstein	Margate, FL	MB	Revocation	05/10/05
Preferred RV, Inc.	Leesburg, FL	MV	Revocation	05/23/05
Zaida Gonzalez	Lake Mary, FL	MB	Denial	06/27/05

REGIONAL OFFICE LOCATIONS

The Office of Financial Regulation, in an effort to provide current information, would like to provide the following names and addresses of our regional offices, the counties they serve, and the individuals responsible for finance regulation.

(The 800, 877, and 888 numbers listed below are toll-free in Florida.)

Bureau of Finance Regulation

Bob Tedcastle, Bureau Chief
200 East Gaines Street
Tallahassee, Florida 32399-0373

Phone Numbers

(850) 410-9805

Regional Offices

Mr. Ronn Hoover, Area Financial Manager
Pensacola Regional Office
4900 Bayou Boulevard, Suite 103
Pensacola, Florida 32503-2530

Counties

Bay, Calhoun, Escambia, Franklin, (850) 453-7908
Gadsden, Gulf, Holmes, Jackson, Leon, (888) 494-7380
Liberty, Okaloosa, Santa Rosa, Wakulla,
Walton, and Washington

Ms. Elizabeth Peters, Area Financial Manager
Jacksonville Regional Office
921 N. Davis Street, Building B - Suite 225
Jacksonville, Florida 32209

Alachua, Baker, Bradford, Clay, Columbia, (904) 798-5808
Dixie, Duval, Flagler, Gilchrist, Hamilton, (888) 434-3910
Jefferson, Lafayette, Levy, Madison,
Nassau, Putnam, St. Johns, Suwannee,
Taylor, and Union

Mr. Art James, Area Financial Manager
Tampa Regional Office
1313 North Tampa Street, Suite 615
Tampa, Florida 33602-3394

Citrus, Hernando, Hillsborough, (813) 218-5308
Manatee, Pasco, Pinellas, Polk,
and Sarasota (800) 258-8403

Mr. Richard Roll, Area Financial Manager
Orlando Regional Office
400 West Robinson Street,
Hurston South Tower, Suite 225
Orlando, Florida 32801-1799

Brevard, Lake, Marion, Orange, (407) 245-0608
Osceola, Seminole, Sumter,
and Volusia (800) 342-2247

Mr. John Kneissel, Area Financial Manager
Miami Regional Office
401 NW Second Avenue, Suite North 708
Miami, Florida 33128-1796

Dade and Monroe (305) 536-0308

Mr. Hank Nagel, Area Financial Manager
Southeast Florida Regional Office
111 South Sapodilla Avenue, Suite 211
West Palm Beach, FL 33401-5293

Glades, Henry, Highlands, (561) 837-5054
Indian River, Martin, Okeechobee, (800) 837-7946
Palm Beach, and St. Lucie

Mr. Hank Nagel, Area Financial Manager
Southwest Florida Regional Office
2000 Main Street, Suite 500
Fort Myers, Florida 33901-3062

Charlotte, Collier, DeSoto (239) 461-4008
Hardee, and Lee (877) 336-2445

Ms. Sharon Dawes, Area Financial Manager
Ft. Lauderdale Regional Office
1400 West Commercial Blvd., Suite 135
Fort Lauderdale, Florida 33309

Broward (954) 958-5508
(800) 298-0485



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