

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

IN THE MATTER OF:)
)
) No. 2010-MBR-28
HARBOR FINANCIAL GROUP, LTD.)
License No. 0000754)
Attention: Matthew Fefferman)
885 River Oaks Drive)
Calumet City, IL 60409)

**ORDER REFUSING TO RENEW LICENSE,
REVOKING LICENSE, & ASSESSING FINE**

The DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, Division of Banking (the “Department”), having investigated, examined, and reviewed the activities conducted by Harbor Financial Group, Ltd., (“Harbor Financial”) and having 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 Sections 2-5 and 4-5(h)(1) & (5) of the Act. The Department makes the following:

COUNT I (Refusal to Renew) - FINDINGS

1. That Harbor Financial Group, Ltd. is an Illinois residential mortgage licensee holding license number MB.0000754 (the “License”) and located at 885 River Oaks Drive, Calumet City, Illinois, 60409;
2. That Harbor Financial has submitted application to the Department for renewal of the License which has expiration/laps date of April 30, 2010;
3. That on September 16, 2009, the Department opened an investigation of Harbor Financial and others for their alleged participation in a mortgage fraud scheme cited in The People of the State of Illinois v. United Construction of America, Inc., et al., (Case No. 09 CH 33398 in Circuit Court of Cook County, Illinois, Chancery Division; the “Complaint”);
4. That the assigned Department investigator (the “Investigator”) identified initially three (3) borrowers in connection with the Complaint (borrowers DWC, RW, and EO) and thereafter contacted Harbor Financial for a copy of its loan log and loan files for these borrowers;

5. That the Investigator received from Harbor Financial the requested loan files for borrowers DWC and RW, but Harbor Financial had no record of the EO loan; the Investigator received from Harbor Financial the requested loan log and upon review of all items noted Matthew Fefferman (“Fefferman”; Loan Originator Registration No. 031.0009437) as the loan originator for the DWC and RW loans;
6. That on September 29 & 30, 2009, the Investigator identified additional co-borrowers, DC & MW, in connection with the Complaint and requested from Harbor Financial the DC & MW loan file;
7. That on October 1, 2009, the Investigator interviewed borrower RW and relative DW about RW’s loan; RW stated that DW had contacted Mark Diamond (“Diamond”; Loan Originator Registration No. 031.0014001 formerly sponsored by OSI Financial and inactive after 6/30/2008) about remodeling work for RW; RW stated that Diamond then contacted RW about a “government-funded” home repair, and RW stated RW never applied for a loan (including through Harbor Financial), or met with or worked with Fefferman; the Investigator noted the discrepancy with Harbor Financial’s loan records showing Fefferman as having taken RW’s loan application through a face-to-face interview;
8. That on October 5, 2009, and later on November 5, 2009, the Investigator interviewed borrower DWC about DWC’s loan and DWC said OSI Financial had contacted DWC to refinance a home repair, that DWC had met with Diamond who took DWC’s loan application and upon closing the loan received a signed-over settlement check and other moneys for home repairs that were never completed; DWC further stated that DWC first became aware of Harbor Financial when DWC noticed Harbor Financial’s name on the loan paperwork at closing and only worked with Diamond on the DWC loan; the same discrepancy was noted as Paragraph 7 above with Harbor Financial’s loan records showing Fefferman as having taken DWC’s loan application; later on October 5, 2009, the Investigator contacted Fefferman as to the borrowers’ information and noted discrepancies and collected the DC & MW loan file;
9. That on October 6, 2009, the Investigator interviewed DC about the DC & MW loan and DC stated that MW had been contacted by Diamond’s secretary about a home repair, that they had subsequently met with Diamond on several occasions, but had never worked with or even heard of Fefferman or Harbor Financial and thought DC & MW loan was through OSI Financial;
10. That thereafter the Investigator conducted certain additional interviews and collected certain appraisal and other additional information, and on November 16, 2009 filed the Post Investigative Report (the “ROI”) with creation of an enforcement issue against Harbor Financial and other named respondents; Harbor Financial was cited for violations of Act Sections 1-3(f), 2-4(f) (9 counts), 2-4(k) (7 counts), and single counts of 2-4(r),(t) & (z), and 5-11, and Rules Sections 1050.350, 1050.470, 1050.1175, 1050.1350, and 1050.2125;
11. That on October 5, 2009 and during the course of the aforesaid investigation, the Department commenced a regular examination of Harbor Financial for the exam period 1/1/2006 to 9/30/2009 and the examiners found numerous and repeat violations by the Licensee of the Act and Rules as subsequently cited in the Report of Examination (the “ROE”) as follows:

- a. Averments of Licensee – (violation of Sections 2-4(k), (q) & (z) of the Act) – as cited in ROE, and including, but not limited to, examiners identified and interviewed four other borrowers (borrowers EH, MP, HJ, and MT) who stated that Diamond was the loan originator for their loan, but Harbor Financial’s records show Fefferman as loan originator;
 - b. Requirement to provide borrower with copy of all appraisals (violation of Section 5-11 of the Act) – as cited in ROE, there is no documentary evidence in any borrower loan files reviewed with an application date after 6/1/2008 that the appraisal reports were provided to borrowers;
 - c. Loan Brokerage Agreement (violation of Section 1050.1010 of the Rules) – as cited in ROE, repeat violation of Subsection 1050.1010(h) for loan originator registration number missing on loan brokerage agreements in RH and BB loan files, and loan brokerage agreements were not in HT and MP loan files;
 - d. Loan Brokerage Disclosure (violation of Section 1050.1020 of the Rules) – as cited in ROE, loan brokerage disclosure statements were missing in the HT and MP loan files;
 - e. Borrower Information Document (violation of Section 1050.1110 of the Rules) – as cited in ROE, borrower identification documents were missing from HJ and MP loan files;
 - f. Compliance with Other Laws – (violation of Section 1050.1350 of the Rules – citing repeat violation of federal Real Estate Settlement Procedures Act (“RESPA”), Section 3500.7(c) for yield spread premium (“YSP”) expressed as percentage only on Good Faith Estimate (“GFE”) in NL/AL loan file, and citing violation of U.S. Department of Housing and Urban Development (“HUD”) Mortgagee Letter 2009-10 for failure in all of thirty-three (33) reverse mortgage loan files to provide list of at least ten HUD-approved counseling agencies; HECM counseling was performed over the phone by same counselor for all 33 files);
12. That on January 26, 2010, the Department’s Examination Section mailed the ROE to the Licensee with U.S. first class postage with due date extending for filing written response upon Harbor Financial’s request; and
13. That on February 12, 2010, Harbor Financial submitted its written response (including reference to business referral sources) to the ROE; however, the Department has reviewed the response and determined the evidence supports the violations cited in the ROI and ROE and an order has been prepared for discipline of License as hereinafter provided.

COUNT II (Revocation) - FINDINGS

The Department adopts and incorporates by reference the findings in Count I.

COUNT III (Fine) - FINDINGS

The Department adopts and incorporates by reference the findings in Count I.

COUNT I (Refusal to renew) - 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 1-3(f), 2-4(f), (k), (q), (r), (t), & (z) of the Act and Sections 1050.350, 1050.470, 1050.1010, 1050.1020, 1050.1110, 1050.1175, 1050.1350, and 1050.2125 of the Rules, and is in further violation of Sections 4-5(i) (11) and (17) of the Act.

COUNT II (Revocation) - CONCLUSIONS

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

The Department adopts and incorporates by reference the conclusions in Count I.

COUNT III (Fine) - CONCLUSIONS

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

The Department adopts and incorporates by reference the conclusions in Count I.

ORDER

NOW THEREFORE IT IS HEREBY ORDERED,

COUNT I (Refusal to renew)

The Department refuses to renew Harbor Financial's License.

COUNT II (Revocation)

The Department revokes Harbor Financial's License.

COUNT III (Fine)

The Department fines Harbor Financial in the amount of fifty thousand dollars (\$50,000) for separate counts of offense in violating the Act and Rules cited herein payable by certified check or money order within thirty (30) days of the effective date of this order.

ORDERED THIS 27TH DAY OF APRIL, 2010

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
BRENT E. ADAMS, 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, and hearing fee pursuant to 38 Ill. Adm. Code 1050.210(f), 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.*].