

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

IN THE MATTER OF:)
)
) No. 2010-MBR-34
FIRST START MORTGAGE, INC.)
License No. MB.0006412)
Attention: Anthony S. Palermo)
2376 N. Neva)
Chicago, IL 60707)

ORDER 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 First Start Mortgage, Inc. (“First Start Mortgage”) 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 4-5(h)(1) & (5) of the Act. The Department makes the following:

FINDINGS

1. That First Start Mortgage is an Illinois residential mortgage holding license number MB.0006412 (the “License”), lapsed April 16, 2010, and located at 2376 N. Neva, Chicago, Illinois 60707 (the “Corporate Office”);
2. That on January 26, 2010, the Department issued Order No. 2010-MBR-05 (the “January 2010 Order”) fining First Start Mortgage \$2,850 for continued failure to supply requested supervisory items related to its financials and that First Start Mortgage has both failed to timely pay its fine as required by the Act and Rules and to supply the requested supervisory items to show that it is operating in compliance with the Act and Rules;
3. That on April 14, 2010, the Department opened a separate investigation into First Start Mortgage’s possible conduct of mortgage brokering activities at an unlicensed office located at 129 Fairfield Way, Suite 210, Bloomingdale, Illinois (the “Office”);
4. That the Department’s assigned Investigator (the “Investigator”) initially reviewed the Department’s licensing records and verified that First Start Mortgage did not hold an additional full service office license for the Office address;
5. That on April 15, 2010, the Investigator conducted an on-site visit at the Office and upon entering the Office, the Investigator was informed by the receptionist and another person present that a former licensee was located there but no longer operating as a mortgage

broker; however, two loan originators were working from an adjacent “non-branch” office area in the Office for First Start Mortgage;

6. That the Investigator observed the cubicles where the loan originators worked as well as the office space of the person in charge (referred to herein as “SG” and is known to be the former owner of First Start Mortgage) and a loan file for Borrower “JH” in plain view;
7. That the Investigator next met with the leaseholder for the Office, who stated that in approximately January 2009 the leaseholder was approached by SG who wanted to sublet some office space in order to operate a branch office for the First Start Mortgage, and SG had operated briefly as First Start Mortgage there on a handshake agreement, and that First Start Mortgage’s current owner Anthony S. Palermo (“Palermo”) had visited the Office on several occasions during that time;
8. That Borrower JH’s loan file revealed that the loan application had been completed by First Start Mortgage through Loan Originator DJ and included a pre-approval letter dated 8/17/09 on First Start Mortgage’s letterhead listing the Office and that the loan closed in March 2010;
9. That the Investigator interviewed Borrower JH who stated that Borrower JH had first contacted Loan Originator JH about an Illinois residential mortgage loan around July 2009 and on or about February 10, 2010 Borrower JH met with Loan Originator DJ at First Start Mortgage’s location at Office to fill out Borrower JH’s loan application and sign some loan documents and that Borrower JH’s loan had closed on March 29, 2010;
10. That thereafter the Investigator met on two occasions with Palermo to inquire about First Start Mortgage operating an unlicensed branch from the Office address, that Palermo stated to the Investigator that he undertook steps to license and staff the Office, but had been denied a license from the Department;
11. That the Investigator made further findings through an interview with Loan Originator DJ and a review of Department records which do not indicate that any such license application had been filed on behalf of First Start Mortgage;
12. That on May 3, 2010, the Department’s Investigations Section filed a Report of Investigation (the “ROI”) containing the findings and determination of violations by First Start Mortgage of Sections 1-3 (b) & (f), 2-4(d) & (t), and 5-11 of the Act and Sections 1050.350, 1050.910, and 1050.1175 of the Rules and referred the matter for enforcement.
13. That on May 12, 2010, the Department’s Legal Section mailed by U.S. registered, return receipt mail a Potential Disciplinary Letter to First Start Mortgage for additional violations cited in the ROI to the Office address and received back signed delivery receipt from the U.S. Postal Service on May 21, 2010;
14. That on May 20, 2010, Palermo provided a written response to the Department again asserting that First Start Mortgage had been denied a branch license and instead used the location as a conference area for meetings and indicating that First Start Mortgage was no longer originating new loans, closing its existing loan pipeline, and would not be renewing its License;

15. That on May 26, 2010, Anthony Palermo was indicted as one of the named defendants in the Circuit Court of Cook County, County Department – Criminal Division, Case 10 CR 9811 on charges of Financial Institutions Fraud, Loan Fraud, Attempted Identity Theft, Attempted Theft of an amount more than \$100,000, less than \$1,000,000, and Attempted Theft by Deception in connection with a mortgage fraud scheme involving First Start Mortgage and the use of its License; and
16. That the Department finds that First Start Mortgage is in violation of the January 2010 Order, has committed further violations of the Act and Rules as cited in the ROI and herein.

CONCLUSIONS

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

That notwithstanding notices and other efforts by the Department, First Start Mortgage is in violation of Sections 1-3 (b) & (f), 2-4(d) & (t), 3-2, 3-5, and 5-11 of the Act and Sections 1050.350, 1050.410, 1050.430, 1050.910, and 1050.1175(a) of the Rules, and is in further violation of Sections 4-5(i) (2), (11), (13), and (17) of the Act.

ORDER

NOW THEREFORE IT IS HEREBY ORDERED,

1. The Department revokes First Start Mortgage's License number MB.0006412.
2. The Department fines First Start Mortgage 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 MAY, 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.*].