

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

IN THE MATTER OF)
) No. 2013-MBR-40
1st STEP MORTGAGE GROUP, INC.)
License No. MB.0006407)
6876 Spring Creek Road, Suite 124)
Rockford, IL 61114)

ORDER REVOKING LICENSE AND ASSESSING FINE

The DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, DIVISION OF BANKING (“Department”), having investigated and reviewed the activities of 1st Step Mortgage Group, Inc. (“1st Step Mortgage”) and documented violations of the Residential Mortgage License Act of 1987 (“Act”) [205 ILCS 635] and rules promulgated thereunder (“Rules”) [38 Ill. Adm. Code 1050], hereby issues this order REVOKING LICENSE AND ASSESSING FINE for violations of the Act and Rules.

STATUTORY PROVISIONS

1. Section 2-4 of the Act requires applicants to make certain averments to the Department, of which failure to fulfill the obligations of an averment shall subject the application to penalty, including notifying the Department within 30 days of any changes to the information on the most recent license application.
2. Section 4-1(h-1) of the Act grants the Department the authority to issue orders against any person, if the Secretary has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the Secretary, or for the purpose of administering the provisions of this Act and any rule adopted in accordance with the Act;
3. Sections 4-5 (h)(1) and (h)(5) of the Act state, in part, that grounds for revocation and fine of license include failure to comply with any order of the Department or rule made or issued under provisions of the Act; or failure to comply with or violation of any provision of the Act.
4. Section 1050.475 of the Rules requires each licensee to provide advance written notice to the Department at least 10 business days prior to closing a full-service office or discontinuing brokering, originating or servicing under the Act.

5. Section 1050.480 of the Rules require each licensee to file a completed application for change of ownership or control at least ten (10) days prior to the proposed date of change. The Department shall either issue a new license, or a finding that the proposed change of ownership or control does not require a new license. The filing of the change of ownership or control application allows the Secretary to determine whether such a change would alter the findings for of a new license as set forth in Section 2-2(a) of the Act or would change materially any of the licensee's new license application or renewal license application.
6. Section 1050.490 of the Rules requires each licensee to submit to the Department a surety bond in the required amount that is concurrent with the term of the license.

FACTUAL FINDINGS

7. 1st Step Mortgage holds Illinois residential mortgage license number MB.0006407 (the "Corporate License") with its corporate office of record at 6876 Spring Creek Road, Suite 124, Rockford, Illinois 61114 (the "Corporate Office"). 1st Step Mortgage also holds an additional full service office license number MB.0006407-006 (the "Branch License") for its branch office at 7210 E. State Street, Suite 104A, Rockford, Illinois 61108 (the "Branch Office").
8. On December 12, 2012, the Department received a letter from the Vice President of 1st Step Mortgage stating that the change of ownership has been concluded. Documentation was included with this letter of a special joint meeting of shareholders and directors for 1st Step Mortgage held on September 14, 2012 and purportedly transferring ownership shares and company assets to individuals named therein.
9. On December 18, 2012 the Department received additional information from the attorney for the majority shareholder of 1st Step Mortgage stating that the stock sale has not been satisfactorily concluded and that the majority shareholder remained uncompensated for his ownership interest, among other issues with the transaction.
10. On December 24, 2012, the Department sent a letter to 1st Step Mortgage in which the Department asked for written notification confirming that the transaction transferring ownership of the company had been concluded. The Department advised 1st Step Mortgage that final approval of the ownership change and updating of licensing records would not be given without the required written notification.
11. In January 2013, 1st Step Mortgage applied to the Department and was approved for calendar year 2013 renewal of its Corporate License based upon the existing (and not applied for) owners in the Department's licensing records.
12. The majority shareholder through his attorney later contacted the Department as to status and concerns regarding the Department's licensing records for 1st Step Mortgage and indicating that the ownership transaction remained unresolved.

13. On July 11, 2013, the Department opened an investigation into 1st Step Mortgage and its conduct of business with its License during calendar year 2013.
14. On July 15, 2013, the assigned Department investigator (“Investigator”) made an on-site visit to the Corporate Office and Branch Office. The Investigator first called both offices and received no answer at the Corporate Office and a disconnected or out of service message at the Branch Office. On-site at the offices, the Investigator found the doors locked and lights turned off, and then proceeded to interview neighboring businesses and/or property managers. The property manager for the Corporate Office told the Investigator that 1st Step Mortgage had moved out of the office space around March 2013 and confirmed that 1st Step Mortgage was no longer a tenant at the Branch Office.
15. The Investigator confirmed through Department records that 1st Step Mortgage did not file timely notices in writing with the Department of ceasing activities and closing the full-service offices.
16. On August 20, 2013, the Department’s Licensing Section mailed a letter to 1st Step Mortgage advising that the Department had received a surety bond cancellation notice from its insurance carrier; 1st Step Mortgage was advised in this letter that it had ten days to provide a current surety bond or continuation certificate. 1st Step Mortgage has not provided the required documentation of current surety bond coverage.

LEGAL CONCLUSIONS

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

1. 1st Step Mortgage has violated Sections 2-4(s) and 4-5(i) (11) and (17) of the Act and Sections 1050.475, 1050.480, and 1050.490 of the Rules.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The License of 1st Step Mortgage is **REVOKED** pursuant to Sections 4-1(h-1) and 4-5(h)(1) of the Act.
2. The Department assesses a **FINE** against 1st Step Mortgage in the amount of \$10,000 pursuant to Section 4-5(h)(5) of the Act. The fine is payable by certified check or money order within thirty (30) days of the effective date of this Order to the:

**Department of Financial and Professional Regulation
Division of Banking
Attention: FISCAL DIVISION
320 W. Washington, 5th Floor
Springfield, Illinois, 62786**

ORDERED THIS 16TH DAY OF OCTOBER, 2013

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
MANUEL FLORES, ACTING SECRETARY

DIVISION OF BANKING

MANUEL FLORES

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 \$500 hearing fee by certified check or money order shall be filed with the Department at 320 West Washington Street, 5th Floor, Springfield, IL 62786 within 10 days after the receipt of an administrative decision. The request for hearing must include an explicit admission, denial, or appropriate response to each allegation or issue contained in the administrative decision pursuant to 38 Ill. Adm. Code 1050.1570. 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.*].