

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

IN THE MATTER OF:)
)
PROVIDENTIAL BANCORP, LTD.) No. 2014-MBR-11
)
License No. MB.0005744)
Attention: Edward B. Smith,)
900 N. Franklin, Suite 700)
Chicago, IL 60610)

ORDER REVOKING LICENSE AND ASSESSING FINE

The **DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, DIVISION OF BANKING** (“Department”), having examined and reviewed the activities of **PROVIDENTIAL BANCORP, LTD** (“PROVIDENTIAL BANCORP”) and having found violations of the Residential Mortgage License Act of 1987 (“Act”) [205 ILCS 635] and the rules promulgated under the Act (“Rules”) [38 Ill. Adm. Code 1050], hereby issues this **ORDER REVOKING LICENSE AND ASSESSING FINE**.

STATUTORY PROVISIONS

1. Section 2-4 of the Act requires applicants and licensees to make certain averments to the Department, of which failure to fulfill the obligations of an averment shall subject the licensee to discipline, including the requirements of subsection (d) to file with the Department or Nationwide Mortgage Licensing System (“NMLS”) any required reports, and subsection (t) to comply with the Act and Rules.
2. Section 3-2 of the Act requires a licensee to file its most recent audit report, or for a mortgage broker, unaudited financial statements, with the Director of the Department (“Director”) or Nationwide Mortgage Licensing System within 90 days after the end of the licensee’s fiscal year.
3. Section 3-5 of the Act requires a mortgage broker licensee to maintain net worth at all times in an amount not less than \$50,000.
4. Section 4-1(r) of the Act authorizes the Director to impose civil penalties of up to \$50 per day against a licensee for failing to respond to a regulatory request or reporting requirement.
5. Section 4-5 of the Act provides that when the Director finds any person in violation of the grounds set forth in subsection (i), the Director may enter an order imposing the penalty of revocation of license as authorized by subsection (h)(1) and may enter an order assessing a fine up to \$25,000 for each count of separate offense as authorized by subsection (h)(5).
6. Section 4-5(i) of the Act provides grounds for discipline. A licensee failing to perform specified acts violates Section 4-5(i) of the Act. These include failing in subsection (11) to comply with any order of the Director or rule made or issued under provisions of the Act, in subsection (13) to

pay in a timely manner any fee, charge, or fine under the Act; and in subsection (17) to comply with, or violation of any provision of, the Act.

7. Section 1050.430 of the Rules provides that the failure to deliver audit reports within 90 days after the date specified in Section 3-2 of the Act, unless extended for cause by the Department, shall subject the licensee to payment of a fee at the rate of \$50 per calendar day for each day that such failure is continuing for up to three months.

FACTUAL FINDINGS

8. PROVIDENTIAL BANCORP, having its corporate office of record located at 900 N. Franklin, Chicago, Illinois 60601, holds active Illinois residential mortgage license number MB.0005744 ("License") and is engaged in Illinois loan brokering activities. PROVIDENTIAL BANCORP has reported to the Department that it has a fiscal year of January 1 to December 31.
9. PROVIDENTIAL BANCORP's financial statements for its fiscal year ending December 31, 2013 ("2013 Financial Statements") were due to the Department on or before March 31, 2014. PROVIDENTIAL BANCORP failed to file its 2013 Financial Statements with the Department.
10. On April 1, 2014, the Department posted on the NMLS a deficiency notice to PROVIDENTIAL BANCORP that the Department had not received its 2013 Financial Statements by the date due in the Act.
11. On May 1, 2014, the Department posted on the NMLS a second deficiency notice to PROVIDENTIAL BANCORP that the Department had still not received its 2013 Financial Statements, that a late audit fee was accruing, and that non-submission would affect renewal of its License.
12. On May 16, 2014, the NMLS automatically posted a deficiency notice to PROVIDENTIAL BANCORP that it had not filed its Mortgage Call Report for Quarter 1, 2014.
13. On July 9, 2014, the Department opened a supervisory case to advise PROVIDENTIAL BANCORP by letter that its late audit fee had reached the amount of \$4,500 and that it would be unable to renew its License without submitting its 2013 Financial Statements and paying its late audit fee. The Department sent this letter by United States Postal Service ("USPS") first class mail to PROVIDENTIAL BANCORP at its office of record. PROVIDENTIAL BANCORP failed to accept the letter and it was returned to the Department.
14. On July 17, 2014, the Department created an enforcement issue against PROVIDENTIAL BANCORP due to: 1) the Department being unable to verify PROVIDENTIAL BANCORP'S fiscal year 2013 net worth, 2) for PROVIDENTIAL BANCORP's failure to report its 2013 Financial Statements and Mortgage Call Reports to the NMLS, 3) for PROVIDENTIAL BANCORP owing the Department \$4,500 in late audit fees, and 4) the Department finding that Providential Bancorp's telephone, for the number it provided to the Department, was disconnected and for PROVIDENTIAL BANCORP not accepting the Department's July 9, 2014 letter at the address it provided to the Department.
15. On September 16, 2014, The Department sent a Potential Disciplinary Letter to PROVIDENTIAL BANCORP advising that the Department was prepared to revoke its License and assess a fine for the aforementioned violations of the Act and Rules. The Potential

Disciplinary Letter was sent by both USPS registered return receipt and USPS first class mail. The Department received the receipt for PROVIDENTIAL BANCORP'S registered mail confirming delivery on September 22, 2014. The Department has received no response from PROVIDENTIAL BANCORP to the Potential Disciplinary Letter.

LEGAL CONCLUSIONS

16. PROVIDENTIAL BANCORP committed violations of Sections 2-4, 3-2, 3-5, 4-1, and 4-5 of the Act and Section 1050.430 of the Rules for failing to timely file audit and financial reports, to evidence that it is maintaining net worth, to pay its late audit fee assessed by the Department, and to respond to Department regulatory requests and deficiency notices.

NOW IT IS HEREBY ORDERED THAT:

1. The Department **REVOKES** PROVIDENTIAL BANCORP'S residential mortgage license number MB.0005744 pursuant to Section 4-5(h) (1) of the Act.
2. The Department assesses a **FINE** against PROVIDENTIAL BANCORP in the amount of \$9,000 pursuant to Sections 4-1(r) and 4-5(h)(5) of the Act and Section 1050.430 of the Rules calculated at \$50 per day for 90 days for non-reporting to regulatory requests made by the Department commencing July 9, 2014 and 90 days maximum for non-reporting to the Department its 2013 financials due March 31, 2014. The fine is payable by certified check or money order within thirty (30) days after 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 18TH DAY OF NOVEMBER, 2014

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING

SHEILA SAEGH HENRETTA
ACTING 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 affected party may file a request for a hearing on a decision by the Director. The request for a hearing and \$500 hearing fee is payable by certified check or money order and must be filed with the Department at 320 West Washington Street, 5th Floor, and Springfield, IL 62786 within 10 days after the appealing party's receipt of this Order. The request for hearing must include an explicit admission, denial, or appropriate response to each allegation or issue contained in this Order pursuant to 38 Ill. Adm. Code 1050.1570. After receipt of a proper and timely request for hearing, 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].

