

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

IN THE MATTER OF:)
) Order No. 2018-MBR-CD-01-b
DIAMOND RESIDENTIAL MORTGAGE CORPORATION)
License No. MB.6760694; NMLS ID 186805)
582 Oakwood Ave.)
Lake Forest, IL 60045)

CONSENT ORDER

The ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, DIVISION OF BANKING (“Department”) and **DIAMOND RESIDENTIAL MORTGAGE CORPORATION** (“DRMC”) hereby enter into this Consent Order pursuant to the Residential Mortgage License Act of 1987 (“Act”) [205 ILCS 635] and the Rules of the Residential Mortgage License Act of 1987 (“Rules”) [38 Ill. Adm. Code 1050] and stipulate and agree to the following:

STIPULATIONS & AGREEMENT

The Department and DRMC stipulate that the Department, pursuant to its authority under the Act and Rules, issued Order No. 2018-MBR-CD-01 (entitled “Order Imposing Emergency Suspension of Branch License”) on March 7, 2018. The Department has now concluded its investigation of DRMC’s additional full-service or branch office located at 2921 Greenbriar Dr., Suite A, Springfield, Illinois 62704 (“Springfield Branch Office;” License No. MB.6760694.003). The Department and DRMC stipulate that DRMC, through its corporate License No. MB.6760694, is responsible for the conduct of activities at the Springfield Branch Office pursuant to the Act and Rules. DRMC has surrendered the Springfield Branch Office License and provided to the Department an enhanced Compliance Management System (“CMS”) plan for remediation. The Department’s Findings of Fact and DRMC’s enhanced CMS are as hereinafter.

FACTUAL FINDINGS

1. On or around March 2, 2018, the Department received information of alleged fraudulent loan origination activities taking place at the Springfield Branch Office. The Department commenced an investigation of said information.
2. On March 7, 2018, the Department issued an Order of Emergency Suspension against DRMC's Springfield Branch Office License. The Order suspended DRMC from conducting any licensable activities at the Springfield Branch Office during the Department's investigation for a period not exceeding 180 days.
3. The Department has now concluded its investigation pursuant to Order No. 2018-MBR-CD-01. Following interviews of DRMC Springfield Branch Office employees, borrowers, and other individuals, as well as a review of numerous loan files, the Department's investigation found evidence of fraudulent loan origination activities having been conducted under DRMC's Illinois Residential Mortgage License by Chris R. Schaller, branch manager ("Schaller") and other DRMC employees at the Springfield Branch Office. The occurrence of fraudulent loan origination activities by DRMC employees at the Springfield Branch Office evidences negligent supervision of the Springfield Branch Office by DRMC.
4. The Department further found evidence that DRMC's Springfield Branch Office had been used by Schaller for personal financial or business transactions, and that borrowers seeking a refinance of their home loans through DRMC had been diverted to engaging in a personal financial transaction with Schaller.

CMS

In response to the Department's investigation of Schaller and the Springfield Branch Office, DRMC has undertaken corrective action measures with respect to the company's CMS and as represented to the

Department. DRMC also produced the underlying amended company Policies & Procedures and the updated DRMC Employee Handbook that formally document the supplemental corrective action measures. These measures include, but are not limited to:

- an expanded Quality Control review process of the Springfield Branch Office loan pipeline, together with enhanced company-wide pre and post-closing review processes;
- updated provisions to specifically address limits on employee outside business arrangements and conflict of interests;
- expanded fraud awareness and prevention policies;
- increased document retention periods from three years to six years, specifically including the retention of all hard copy loan file documents;
- quarterly in-person supervisory visits by a DRMC Vice President to all DRMC branch offices, weekly conference calls with senior branch personnel, and at least one unannounced supervisory visit per year;
- new underwriting conditions for approving refinance government loan applications submitted within one year of the preceding loan;
- enhanced appraisal policies;
- enhanced procedures for addressing and resolving complaints from either consumers or DRMC employees;
- enhanced organizational controls, employee reporting structures, new employee hiring procedures, and employee training; and
- enhanced reporting to the DRMC Board.

During the period of probation per Terms and Conditions as hereinafter, DRMC shall self-report to the Department any material finding discovered as part of the CMS corrective action measures. The self-

reporting to the Department shall be done within 15 days of discovery of the material finding and shall include a description of any remediation taken.

TERMS AND CONDITIONS

WHEREFORE, the Department and the DRMC agree as follows:

- I. DRMC's Illinois Residential Mortgage License No. MB.6760694 (NMLS ID 186805) is placed upon Probation pursuant to Section 4-5(h)(3) of the Act for a period of 36 months. During this probationary period, the Department will conduct periodic examinations and DRMC shall self-report as heretofore provided. If after a period of 24 months, the Department determines that DRMC is operating in a safe and sound manner, the Department may terminate the probationary period.
- II. DRMC agrees to pay the Department \$1,275,000 in settlement pursuant to Section 4-5(h)(5) of the Act. DRMC shall pay the Department \$475,000 within 30 days of the effective date of this Consent Order, \$400,000 within six months of the effective date of this Consent Order, and the remaining \$400,000 within twelve months of the effective date of this Consent Order. The Department shall retain \$75,000 for costs of its investigation and transfer \$1,200,000 to the "Attorney General's Consumer Trust Account" for a compensatory consumer claim process. Any monies remaining after the distribution pursuant to the claims process shall be transferred to the Department, for deposit into the Residential Finance Regulatory Fund.
- III. DRMC agrees to comply with all of the CMS corrective action measures as represented to the Department, and further documented in all of the amended company Policies & Procedures and updated DRMC Employee Handbook, as well as any other corrective actions prescribed by the Department. In the event DRMC fails to comply with these

corrective action measures, the Department reserves the right to assess and enforce any of its disciplinary authority under the Act and Rules.

- IV. By executing this Consent Order, DRMC agrees to not file any petition for administrative hearing or judicial review of, or in connection with, this Consent Order, except in the event the Department alleges non-compliance with Paragraph III. DRMC acknowledges that it was represented by legal counsel in this matter, and that it willingly enters into this Consent Order after full review, evaluation, and consideration with full knowledge of its rights under the Act, Rules, and Illinois Administrative Procedure Act [5 ILCS 100].
- V. The Department enters into this Consent Order for the purpose of imposing measures that are fair and equitable under the circumstances and that are consistent with the best interests of the people of the State of Illinois.
- VI. This Consent Order shall become effective upon all of those hereinafter designated by signing and dating the Consent Order, and on the date that the last of those designated for the Department sign and date the Consent Order.

The foregoing Consent Order is approved in full.

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING

_____ Date: _____
KERRI A. DOLL
DIRECTOR

_____ Date: _____
Paul Diamond, President
Diamond Residential Mortgage Corporation