

**STATE OF ILLINOIS**

**DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION**

**DIVISION OF BANKING**

IN THE MATTER OF: )  
)  
) No. 2012-MLO-08  
**DIOMEDE J. CARDONE** )  
1259 West Lake Street )  
Unit 204 )  
Addison, IL 60101 )  
)

**ORDER REVOKING  
LOAN ORIGINATOR REGISTRATION & ASSESSING FINE**

The DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, Division of Banking (“Department”), having reviewed the activities of Illinois Loan Originator Registrant Diomede J. Cardone (“Cardone”), 1259 West Lake Street, Unit 204, Addison, IL 60101, and having documented violations of 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 for violations of the Act and Rules.

**STATUTORY PROVISIONS**

1. Section 7-13 of the Act provides a list of prohibited acts and practices for mortgage loan originators, in relevant part as follows: (1) directly or indirectly employ any scheme, or artifice to defraud or mislead borrowers or lenders or to defraud any person; (2) engage in any unfair or deceptive practice toward any person; (3) obtain property by fraud or misrepresentation; (7) fail to make disclosures as required by this Act and any other applicable State or federal law, including regulations thereunder; (8) fail to comply with this Act or rules or regulations promulgated under this Act, or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under this Act; (9) make, in any manner, any false or deceptive statement or representation of a material fact, required on any document or application subject to this Act; (12) collect, charge, attempt to collect or charge, or use or propose any agreement purporting to collect or charge any fee prohibited by this Act; and (15) engage in conduct that constitutes dishonest dealings.
2. Section 1050.2165 of the Rules lists averments each applicant for loan originator must aver to, which include but are not limited to: b) will not make a false or misleading statement of a material fact, omit a required statement or make a false promise regarding a material fact, through advertising or other means, or engage in a course of misrepresentation; c) will not engage in conduct that constitutes dishonest dealings; and e) will not knowingly make, propose, or solicit fraudulent, false, or misleading statements on any mortgage document or on any document related to a mortgage, including a mortgage application, real estate appraisal, or real estate settlement or closing document.

3. Section 1050.2170 (a) of the Rules gives the Secretary the authority to revoke and fine a loan originator for violating the Act or any applicable law or regulation that is committed. If the loan originator engages in a pattern of repeated violations the Secretary may impose a fine of not more than \$2,000 for each day for each violation committed.
4. Section 7-11 of the Act states the Secretary may revoke and/or fine a loan originator for violating the Act or any applicable law or regulation that is committed. If the loan originator engages in a pattern of repeated violations the Secretary may impose a fine of not more than \$2,000 for each day for each violation committed.

### **FACTUAL FINDINGS**

5. Cardone is an Illinois Loan Originator Registrant holding expired Registration No. 031.0005530 and having the last known address of 1259 West Lake Street, Unit 204, Addison, IL 60101.
6. On July 25, 2012, the Department became aware of the grand jury indictment in the United States District Court Northern District of Illinois Eastern Division (case no. 12CR568) against Cardone based on his involvement in a mortgage fraud scheme. The matter was reviewed by the Department investigator and subsequently forwarded to the Department's Legal Section and an enforcement issue was created.
7. The indictment alleges in Count One the following:
  - a. Defendant Steven Klebosits ("Klebosits") and Thomas Hyland ("Hyland") owned SNAP Holdings, LLC ("SNAP Holdings"), through which Klebosits and Hyland purchased and sold properties located in Chicago, Illinois.
  - b. Defendant Joseph Natalizio ("Natalizio") was a loan originator licensed in Illinois and the President and co-owner of JNC Mortgage, Inc., which did business under the name United Mortgage Services and had an office in Addison, Illinois.
  - c. Defendant Cardone was a loan originator licensed in the State of Illinois and employed as a mortgage broker at United Mortgage Service.
  - d. Defendant Yusef Allan ("Allan") was a loan originator licensed in the State of Illinois and owned Silver Key Lending and Investment Group, LLC, located in Orland Park, Illinois.
  - e. Beginning in at least March of 2007 through in or about November 2008, Klebosits, together with Hyland, Natalizio, Cardone, Allan, and other defendants Jason Strever ("Strever"), and Joseph Abate ("Abate") devised, intended to devise, and participated in a scheme to defraud lenders and successors and to obtain money and property from lenders by means of materially false and fraudulent pretenses, representations, and promises.
  - f. Klebosits, Hyland, Natalizio, Cardone, Jason, Abate, and Allan and others, fraudulently obtained over 20 mortgage loans in a total amount of at least approximately \$8.5 million from lenders by making and causing to be made materially false representations in documents submitted to lenders, including loan applications, real estate contracts, and HUD-1 settlement statements, concerning, among other things, the sales price of the property and the buyers' income, employment, financial condition, source of down payment, and intention to occupy property, and for purpose of executing the scheme caused interstate wire transmission and deliveries by interstate carriers.
  - g. A further part of the scheme was that Klebosits and Hyland, in their own names and using entities including SNAP Holdings, knowingly sold properties at inflated sales prices to

buyers whom Klebosits and Hyland knew were fraudulently qualified for mortgage loans, which 22 properties were located in or around the Englewood and West Englewood neighborhoods of Chicago.

- h. Another part of the scheme was that Klebosits, Hyland, Cardone, Strever, and Abate recruited and caused to be recruited buyers to purchase properties from entities that Klebosits and Hyland owned and controlled, including SNAP Holdings, knowing that the buyers would be qualified for mortgage loans to purchase properties through false statement made to lenders, including false statements about sales price of the property and about the buyers' income, assets, liabilities, employment, financial condition, source of down payment, and intention to occupy the property.
- i. A further part of the scheme was that Klebosits and Hyland prepared and submitted, and caused to be prepared and submitted, to lenders real estate contracts that Klebosits and Hyland knew contained materially false and fraudulent information, including inflated sales prices of the properties being sold.
- j. A further part of the scheme was that Klebosits, Hyland, Natalizio, and Cardone prepared and submitted and caused to be prepared and submitted, to lenders loan applications that Klebosits, Hyland, Natalizio, and Cardone knew contained materially false and fraudulent information about buyers' qualifications, including false and fraudulent information about buyers' income, assets, liabilities, employment, source of down payment, and intention to occupy the property.
- k. A further part of the scheme was that Klebosits and Hyland caused to be prepared and submitted to lenders HUD-1 settlement statements that Klebosits and Hyland knew contained materially false and fraudulent information, including false and fraudulent information about the true source of the buyers' down payments and about payments provided to the buyers for purchasing the properties.
- l. A further part of the scheme was that Klebosits, Hyland, Natalizio, Cardone, Strever prepared and submitted, and caused to be prepared and submitted, other fraudulent documents to lenders that made buyers falsely appear qualified for loans, including false verifications of deposit that inflated buyers' assets and gift letters that falsely stated that the buyers' down payments were gifts from relatives.
- m. A further part of the scheme was that Klebosits and Hyland provided funds to buyers knowing that the funds would be falsely represented to the lenders as the buyers' down payments, and knowingly caused these funds to be falsely represented to lenders as buyers' down payments.
- n. Allan, through his company, Silver Key Lending, and others received funds from Klebosits and Hyland and provided those funds to buyers knowing that the funds were being used to falsely represent to lenders that the buyers were using their own funds to make down payments for the properties purchased.
- o. Klebosits and Hyland provided funds to others knowing those funds would be given to buyers and used to falsely represent to lenders that the buyers were using their own funds to make down payments for the properties purchased.
- p. Klebosits and others paid or caused to be paid the buyers for purchasing the properties knowing that those payments had not been disclosed to lenders that made the loans to the buyers to purchase the properties.
- q. Klebosits and Hyland fraudulently obtained mortgage loan proceeds by causing materially false closing documents to be prepared that concealed from lenders that funds represented as the buyers' contribution to the purchase price were provided by Klebosits and Hyland, that the purchase price was inflated, and, therefore, lenders were financing all or a greater

portion of the transaction than represented for buyers who were contributing little or no equity.

- r. Cardone purchased a property located in Chicago, Illinois knowing that he obtained a mortgage loan from a lender to finance the purchase of that property by signing and submitting documents that contained false statements, including: a) loan applications that falsely represented that Cardone intended to occupy the property as his primary residence and that he falsely listed the source of his down payment; b) a gift letter that falsely represented that Cardone obtained his down payment through a gift from another individual; and c) a HUD-1 settlement statement that falsely represented the true source of Cardone's down payment and that did not disclose a payment that Cardone received from Klebosits for purchasing the property.
  - s. Cardone also received money from another individual for his down payment to purchase the property located in Chicago, Illinois knowing that Klebosits gave the money to the other individual for Cardone's down payment and knowing that the true source of the funds was falsely represented to the lender that financed the transaction.
  - t. Cardone received approximately \$35,000 from Klebosits for purchasing the property located in Chicago, Illinois knowing that this payment was concealed from the lender that financed his mortgage loan.
  - u. Klebosits, Natalizio, Cardone, Allan and others did misrepresent, conceal, and hide, and caused to be misrepresented, concealed, and hidden, acts done in furtherance of the scheme and the purpose of those acts.
  - v. On or about 10/19/07, Klebosits and Natalizio and others knowingly deposited and caused to be deposited, to be sent and delivered by United Parcel Service, an interstate commercial carrier, according to the directions thereon, an envelope containing a payoff check in the amount of \$168,738.98, addressed to ZDE Investments, Inc., for payment relating to the purchase of a different property located in Chicago, Illinois.
8. The indictment alleges in Count Seven the following:  
On or about 06/25/08, Klebosits and Cardone and Hyland knowingly caused to be transmitted by means of wire communication in interstate commerce, an interstate wire transfer processed through the Federal Reserve System in New Jersey in the amount of \$292,147 which funds represented the proceeds of a mortgage loan from Suntrust Mortgage to finance the purchase of another property located in Chicago, Illinois.
9. The indictment alleges in Count Ten the following:  
On or about 07/30/08, Klebosits and Cardone and Hyland knowingly caused to be transmitted by means of wire communication in interstate commerce, an interstate wire transfer processed through the Federal Reserve System in New Jersey in the amount of \$284,059 which funds represented the proceeds of a mortgage loan from Countrywide Home Loans to finance the purchase of another property located in Chicago, Illinois.

### **LEGAL CONCLUSIONS**

10. Cardone violated Sections 7-13 (1), (2), (3), (7), (8), (9), (12) & (15) of the Act and Sections 1050.2165(b),(c)&(e) of the Rules.

**NOW IT IS HEREBY ORDERED THAT,**

1. The Department **REVOKES** Diomedede J. Cardone's Registration No. 031.0005530, pursuant to 7-11 of the Act and Section 1050.2170(a)(1) of the Rules.
2. The Department assesses a **FINE** against Diomedede J. Cardone in the amount of \$10,000 pursuant to 7-11 of the Act and Sections 1050.2170(a)(2) of the Rules. 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  
ATTN: Loan Originator Section  
320 W. Washington, 5<sup>th</sup> Floor  
Springfield, Illinois, 62786.**

ORDERED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2012

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION  
BRENT E. ADAMS, SECRETARY  
DIVISION OF BANKING

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MANUEL FLORES, 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 \$250 hearing fee by certified check or money order shall be filed with the Department at 320 West Washington Street, 5<sup>th</sup> Floor, Springfield, IL 62786, ATTN: Loan Originator Section 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.*].**

State of Illinois (
(ss:
County of Cook (

The undersigned, being duly sworn on oath, states that on \_\_\_\_/\_\_\_\_/\_\_\_\_, I mailed with sufficient postage affixed, a copy of the foregoing ORDER REVOKING LOAN ORIGINATOR REGISTRATION AND ASSESSING FINE by regular and certified mail, return receipt requested at 122 S. Michigan Avenue, Suite 1900, Chicago, Illinois 60603, to the address of Respondent registered with IDFPD Division of Banking listed below:

\_\_\_\_\_  
AFFIANT

Subscribed and sworn to before me,  
this \_\_\_\_ day of \_\_\_\_\_, 2012

\_\_\_\_\_  
NOTARY PUBLIC

\_\_\_\_\_

Sent to:

Diomedede J. Cardone  
1259 West Lake Street  
Unit 204  
Addison, IL 60101