

SETTLEMENT AGREEMENT

SM# 501605

This Settlement Agreement is entered into by and between the:

**OHIO DEPARTMENT OF COMMERCE
DIVISION OF FINANCIAL INSTITUTIONS**

Consumer Finance Section
77 South High Street, 21st Floor
Columbus, OH 43215-6120

and

COMMUNITY LOAN, INC.

2850 Maysville Pike- Unit B2.
Zanesville, OH 43701

The Division of Financial Institutions (“DFI”) is a state agency charged with the responsibility of administering and enforcing the Ohio Mortgage Loan Act (“OMLA”), codified in Chapter 1321.51 et seq. of the Ohio Revised Code (“R.C.”). Community Loan, Inc. (“Respondent”) is an Ohio corporation that held a certificate of registration issued by DFI to engage in business as a registrant under the OMLA. The registration period ended on June 30, 2008, and Respondent failed to renew its certificate of registration on or before June 30, 2008. Respondent filed an application for a certificate of registration under the OMLA on September 18, 2008; that application remains pending.

DFI expressly reserves the right to institute formal proceedings based upon any violation of or noncompliance with any provision of the OMLA not specifically addressed herein, whether occurring before or after the effective date of this Settlement Agreement.

Respondent voluntarily enters into this Settlement Agreement being fully informed of the right to representation by counsel, and the right to reject this Settlement Agreement and waives its right to Notice and hearing pursuant to R.C. Chapter 119.

This Settlement Agreement contains the entire Settlement Agreement between the parties. There is no other Settlement Agreement of any kind, verbal or otherwise, on the issues considered herein, which varies the terms of the Settlement Agreement.

STIPULATIONS AND ADMISSIONS

This Settlement Agreement is entered into on the basis of the following stipulations, admissions and understandings:

- A. Community Loan, Inc. (“Respondent”) is an Ohio corporation that held a certificate of registration issued by DFI to engage in business as a registrant under the OMLA, R.C. Chapter 1321.51, et seq. The registration period ended on June 30, 2008, and Respondent failed to renew its certificate of registration on or before June 30, 2008. Respondent filed

an application for a certificate of registration under the OMLA on September 18, 2008; that application remains pending.

- B. DFI is authorized to issue an applicant's certificate of registration under the OMLA if DFI finds that "[t]he financial responsibility, experience, character, and general fitness of the applicant are such as to command the confidence of the public and to warrant the belief that the business will be operated honestly and fairly in compliance with and within the purposes of sections 1321.51 to 1321.60 of the Revised Code." R.C. 1321.53(A)(4).
- C. R.C. 1321.52(A)(1) states: "[n]o person, on that person's own behalf or on behalf of any other person, shall do either of the following without having first obtained a certificate of registration from the division of financial institutions: (a) [a]dvertise, solicit, or hold out that the person is engaged in the business of making loans secured by a mortgage on a borrower's real estate which is other than a first lien on the real estate; (b) [e]ngage in the business of lending or collecting the person's own or another person's money, credit, or choses in action for such loans."
- D. R.C. 1321.52(C) allows a registrant to "make unsecured loans, loans secured by a mortgage on a borrower's real estate which is a first lien or other than a first lien on the real estate, loans secured by other than real estate, and loans secured by any combination of mortgages and security interests, on terms and conditions provided by sections 1321.51 to 1321.60 of the Revised Code."
- E. Respondent relies on the authority of its OMLA certificate of registration to make loans that are secured by real estate which is a first lien on the real property, to make loans that are secured by personal property, and to make loans that are unsecured by property. These loans typically have interest rates that exceed the interest rate allowed by R.C. 1343.01 but are allowed for loans made under the OMLA.
- F. Respondent states that during July 1, 2008 through September 10, 2008, Respondent made 116 such loans that were secured by personal property, first liens on real estate, or unsecured by property and contracted for interest rates ranging from 9.9% to 24.99%, which were higher than the 8% interest rates allowed by R.C. 1343.01. During this period, Respondent did not hold a certificate of registration under the OMLA.
- G. Respondent admits that it advertised, solicited, or held out that it was engaged in the business of making loans secured by a mortgage on the borrower's real estate which is other than a first lien on the real estate during a time period that it did not hold a certificate of registration under the OMLA. Respondent admits that it was engaged in the business of lending or collecting unsecured loans, loans secured by a mortgage on a borrower's real estate which is a first lien or other than a first lien on the real estate, loans secured by other than real estate, and loans secured by any combination of mortgages and security interests, on terms and conditions provided by sections 1321.51 to 1321.60 of the Revised Code, during a time period that it did not hold a certificate of registration under the OMLA.
- H. Respondent represents that it did not make any loans secured by a mortgage on the borrower's real estate which is other than a first lien during the period it did not hold a certificate of registration under the OMLA.
- I. Respondent represents that it has made and will make no loans under the authority of the OMLA from September 10, 2008 until it again obtains a certificate of registration under the OMLA.

- J. R.C. 1321.52(D)(1) states that “[i]f a lender that is subject to sections 1321.51 to 1321.60 of the Revised Code makes a loan in violation of division (A)(1) of this section, the lender has no right to collect, receive, or retain any interest or charges on that loan.”
- K. DFI enters into this Settlement Agreement in lieu of formal proceedings under R.C. Chapter 119 to deny Respondent’s 2008 application for a certificate of registration under the OMLA.

AGREED CONDITIONS

Wherefore, in consideration of the foregoing and mutual promises hereinafter set forth, and in lieu of continuing with any formal disciplinary proceedings at this time, Respondent knowingly and voluntarily agrees with DFI to the following terms, conditions and limitations:

- 1. For the violations of law described herein, Respondent agrees to pay a penalty of eleven thousand six hundred dollars (\$11,600). Payment for the fine shall be in the form of a **cashier’s check or money order**, made payable to “DFI Consumer Finance,” and shall be submitted to DFI with this Settlement Agreement.
- 2. Respondent agrees, pursuant to R.C. 1321.52(D), that Respondent shall not collect, receive, or retain any interest or charges on the loans it made under the authority of the OMLA from July 1, 2008 through the date it again obtains a certificate of registration under the OMLA which are secured by a mortgage on a borrower’s real estate which is other than a first lien on the real estate.
- 3. Respondent understands that for this Settlement Agreement to be considered for acceptance by DFI, Respondent must be in compliance with every provision of this Settlement Agreement, and that the ORIGINAL properly executed Settlement Agreement, with all pages attached must be received in the offices of DFI on or before **October 30, 2008**. Should Respondent fully comply with every provision of this Agreement, DFI agrees to execute the same and approve Respondent’s 2008 mortgage loan act certificate of registration application, provided there are no remaining deficiencies.
- 4. Should DFI discover that Respondent has provided DFI with false, fraudulent, misleading, or incomplete information pertaining to this Agreement, Respondent agrees that such evidence will firmly establish that Respondent’s experience, character, and general fitness do not command the confidence of the public and warrant the belief that it will conduct business honestly and fairly in compliance with the purposes of the OMLA. Respondent further agrees that such discovery is grounds for revocation of its mortgage loan act certificate of registration.
- 5. The above-described terms, conditions and limitations may be amended or terminated at any time upon the written agreement of both parties.

FAILURE TO COMPLY

If, in the discretion of DFI, Respondent appears to have violated or breached any term or condition of this Settlement Agreement, DFI reserves the right to institute formal disciplinary proceedings for any and all possible violations or breaches, including but not limited to, alleged violations of any law occurring before, on, or after the effective date of this Settlement Agreement.

ACKNOWLEDGMENTS/LIABILITY RELEASE

Respondent acknowledges that it has been advised by DFI to seek legal counsel if it has any question concerning the terms and/or effect of this Settlement Agreement and the entirety of this matter.

Respondent hereby releases DFI, its members, employees, agents, officers and representatives jointly and severally from any and all liability arising from the within matter. Respondent shall not seek attorney fees or other costs arising from the within matter.

This Settlement Agreement shall be considered a public record as that term is used in R.C. section 149.43, and may be reported to appropriate organizations, data banks, and governmental bodies, or released to the general public.

This Settlement Agreement in no way binds or limits future actions DFI may take with respect to Respondent or any other person, individual, or company, for the same or similar violations.

EFFECTIVE DATE

It is expressly understood that this Settlement Agreement shall become effective upon the last date of signature below.

The Settlement Agreement must be signed by: the owner if the mortgage broker is a sole proprietor; all partners if the licensee is a partnership; at least one member if a limited liability company; and the president and secretary, as duly authorized by resolution of the board of directors, if the licensee is a corporation. **The ORIGINAL, signed Agreement with all pages attached must be returned.** Keep a copy for your records.

PRINTED Name and Title of Authorized Signor #1: _____

SIGNATURE of Authorized Signor #1: _____
Date

PRINTED Name and Title of Authorized Signor #2: _____

SIGNATURE of Authorized Signor #2: _____
Date

LEIGH A. WILLIS Date
Deputy Superintendent for Consumer Finance
Ohio Division of Financial Institutions

MARTHA S. RHEA Date
Consumer Finance Attorney Examiner
Ohio Division of Financial Institution