

STATE OF OHIO
DEPARTMENT OF COMMERCE
Division of Financial Institutions
Consumer Finance

In the matter of:)	Case No. M2007-432
)	
GROVES FUNDING GROUP, INC.)	Notice of Intent to Deny Mortgage Broker
10700 Montgomery Road, Suite 229)	Certificate of Registration Application
Cincinnati, Ohio 45242)	&
)	Notice of Opportunity for a Hearing
)	

JURISDICTION

The Ohio Department of Commerce, by and through the Superintendent of the Division of Financial Institutions ("Division"), is charged with the responsibility of administering and enforcing the Ohio Mortgage Broker Act, codified in Ohio Revised Code ("R.C.") Chapter 1322.

RESPONDENT

GROVES FUNDING GROUP, INC. ("Respondent") is a corporation that has applied to the Division for a mortgage broker certificate of registration pursuant to R.C. Chapter 1322. Respondent's principal business address is 10700 Montgomery Road, Suite 229, Cincinnati, Ohio 45242.

NOTICE OF PROPOSED ACTION

In accordance with R.C. 1322.10 and R.C. Chapter 119, the Division intends to DENY Respondent's application for an Ohio mortgage broker certificate of registration.

BASIS FOR PROPOSED ACTION

The Division has conducted an investigation of Respondent, pursuant to R.C. § 1322.03(B) and has found the following:

1. Toby L. Groves, one-hundred (100%) percent shareholder and President of Respondent, Groves Funding Group, Inc., was one-hundred (100%) percent shareholder and President of Groves Funding Corporation, Inc ("GFC").
2. In 2006, the Division conducted an examination of GFC and found that GFC had originated and closed 23 second lien mortgage loans without at a certificate of registration in violation of R.C. § 1321.52(A)(1)(b) which prohibits a person from "engag[ing] in the business of lending or collecting the person's own or another person's money, credit, or choses in action for such loans" without first having obtained a certificate of registration.
3. In 2006, the Division conducted an examination of GFC and found that GFC had permitted two loan officers, namely James Cergol and John Reshoft, to originate loans on GFC's behalf without loan officers licenses. R.C. 1322.02(B) requires that "[n]o person on the person own behalf or on behalf of any other person, shall act as a loan officer without first having obtained a license[.]"

4. GFC's action(s) and violation(s) of law, as listed above in paragraphs 2 and 3, constitutes a violation of R.C. § 1322.07(C), which prohibits persons from "engag[ing] in conduct that constitutes improper, fraudulent, or dishonest dealings[.]"
5. On May 5, 2008, in United States District Court, Northern District of Georgia, Atlanta Division case number 1:07-cv-1333-BBM, judgment was entered in favor of Regions Bank and against Toby Groves, GFC, and Respondent in the amount of \$5,559,067.96 plus attorneys fees. Charges in that case against Toby Groves, GFC, and Respondent included Mortgage Fraud, Negligent Misrepresentation, Conversion, Conspiracy to violate the Georgia Rackateer Influenced and Corrupt Organizations Act (RICO), Violation of the Georgia RICO Act, Conspiracy to violate the Federal RICO Act, and Violation of the Federal RICO Act.
6. On November 4, 2008, in United States District Court, Southern District of Ohio at Cincinnati case number CR-1-08-72, Respondent was adjudicated guilty of Bank Fraud, in violation of 18 USC 1344, and Tax Evasion, in violation of 26 USC 7201. Respondent's convictions were related to the refinance of the mortgage of his personal residence.

As a result, the Division has determined that:

- A. Due to the GFC's violation(s) of law and conduct listed above in paragraphs 2 through 6 and Toby Groves' ownership interest and control of GFC, the Division cannot find that Respondent's character and general fitness command the confidence of the public and warrant the belief that its business will be operated honestly and fairly in compliance with the purposes of the Ohio Mortgage Broker Act. See R.C. 1322.04(A)(10).
- B. Because Respondent's sole shareholder has been pleaded guilty to and been convicted of fraud and an offense involving money as set forth in paragraph 6 above, Respondent does not meet the requirement for receiving a certificate of registration in R.C. 1322.04(A)(7).
- C. Respondent's mortgage broker certificate of registration application should be denied as permitted by R.C. 1322.10(A)(1)(a) and (b).

NOTICE OF OPPORTUNITY FOR A HEARING ON PROPOSED ACTION

Therefore, pursuant to R.C. Chapters 1322 and 119, Respondent is hereby notified that thirty-one (31) days from the date of the mailing of this Notice, the Superintendent intends to issue an order denying Respondent's mortgage broker certificate of registration application.

Respondent is further notified, pursuant to R.C. Chapter 119, that Respondent is entitled to a hearing on this matter. If Respondent desires to request a hearing, the request must be made in writing, and must be received in the offices of the Ohio Division of Financial Institutions within thirty (30) days of the time of the mailing of this Notice. Hearing requests should be addressed: Ohio Division of Financial Institutions, Attn: Anthony D. Siciliano, Consumer Finance General Counsel, 77 South High Street, 21st Floor, Columbus, Ohio 43215-6120.

At the hearing, Respondent may appear in person, by Respondent's attorney, or by such other representative as is permitted to practice before the Agency, or Respondent may present its position, arguments, or contentions in writing, and, at the hearing, may present evidence and examine witnesses appearing for and against Respondent. Note: At the hearing, corporations must have a representative that is permitted to practice before the Agency, such as an attorney.

If the Ohio Division of Financial Institutions does not receive a written request for a hearing in its offices within thirty (30) days of the time of the mailing of this Notice, the Superintendent will issue an order denying Respondent's application for a mortgage broker certificate of registration.

Signed and sealed this 31st day of December 2008.

LEIGH A. WILLIS

Deputy Superintendent for Consumer Finance
Division of Financial Institutions
Ohio Department of Commerce