

UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU
ADMINISTRATIVE PROCEEDING

File No. 2013-CFPB-0006

In the Matter of:

Mortgage Master, Inc.

CONSENT ORDER

The Consumer Financial Protection Bureau (“CFPB”), through its examiners and other staff, has conducted an examination of the processes for managing compliance with Federal consumer financial laws implemented by Mortgage Master (hereinafter “Respondent” as defined below), and identified violations of law and deficiencies in the applicable compliance systems with respect to Respondent’s compliance with the Home Mortgage Disclosure Act (“HMDA”), 12 U.S.C. §§ 2801 - 2810, and its implementing regulation, Regulation C, 12 C.F.R. pt. 1003. The CFPB hereby issues, pursuant to 12 U.S.C. §§ 5563 and 5565, this Consent Order (“Order”).

Article I

Jurisdiction

1. The CFPB has jurisdiction to enforce HMDA pursuant to the Consumer Financial Protection Act (“CFPA”), 12 U.S.C. § 5481 *et seq.*, and 12 U.S.C. §§ 2804(b) and (d).
2. Respondent is a “covered person” as that term is defined by 12 U.S.C. § 5481(6).

3. Respondent is a nondepository covered person within the meaning of 12 U.S.C. § 5514(a)(1)(A).
4. Respondent is subject to the authority of the CFPB to initiate and maintain an administrative proceeding against it pursuant to 12 U.S.C. § 5563.

Article II

Stipulation

Respondent, by and through its Executive Officers, has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated September 23, 2013 (“Stipulation”), which is incorporated by reference and is accepted by the CFPB. By this Stipulation, Respondent has consented to the issuance of this Order by the CFPB pursuant to Sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the allegations, except that Respondent admits the CFPB’s jurisdiction over Respondent and the subject matter of this action.

Article III

Definitions

For purposes of this Order, the following definitions shall apply:

1. “Executive Officers” shall mean Respondent’s Founder, Chief Executive Officer, Treasurer, President, Vice President and Chief Operating Officer, Chief Financial Officer, Chief Compliance Officer, Board of Directors, and Managing Director of National Sales.
2. “Effective Date” shall mean the date on which the Order is issued.
3. “HMDA data” are mortgage loan data submitted in accordance with HMDA, 12 U.S.C. § 2803, and Regulation C, 12 C.F.R. § 1003.4.

4. "HMDA Loan Application Register" or "HMDA-LAR" is the compilation of information about each applicant or borrower, reported on a loan-by-loan, application-by-application basis in accordance with HMDA, Regulation C, and the staff commentary.
5. "Regional Director" shall mean the CFPB's Regional Director for the Northeast Region.
6. "Respondent" shall mean Mortgage Master, Inc., including Mortgage Master, Mortgage Master Pacific, and Mortgage Master Inc. of Massachusetts, and its successors and assigns.
7. "Service Provider" shall have the same meaning as that term is defined in Section 1002 of the CFPA, 12 U.S.C. § 5481(26).

Article IV

Findings of Fact and Conclusions of Law

Based on information collected through the CFPB's examination and supervision of Respondent's compliance with HMDA, including review of Respondent's processes for managing compliance with HMDA and completion of a data integrity review of Respondent's HMDA data, the CFPB finds, and Respondent neither admits nor denies, the following:

1. Respondent reported data on 21,015 loans in its 2011 HMDA-LAR. 12 C.F.R. § 1003.2.
2. Respondent is a for-profit mortgage-lending institution that in 2010 originated home purchase loans, including refinancings of home purchase loans, that equaled at least 10% of its total loan-origination volume measured in dollars. 12 C.F.R. § 1003.2.
3. As of December 31, 2010, Respondent had a home or branch office in a Metropolitan Statistical Area. 12 C.F.R. § 1003.2.
4. In 2010, Respondent originated at least 100 home purchase loans, including refinancings of home purchase loans. 12 C.F.R. § 1003.2.

5. Respondent is a for-profit mortgage-lending institution required to report HMDA data as defined in Regulation C, 12 C.F.R. § 1003.2.
6. In February 2009, the Commonwealth of Massachusetts Division of Banks (Massachusetts DOB) reviewed Respondent's 2007 HMDA-LAR and found that Respondent's HMDA error rates exceeded applicable resubmission thresholds. In June 2010, the Massachusetts DOB and Respondent reached a settlement agreement requiring that Respondent (1) establish, implement, enhance, and continue to maintain procedures and internal controls to ensure compliance with HMDA's loan reporting requirements; (2) review, correct, and re-file all errors within its 2007 HMDA-LAR for mortgage loans and applications in Massachusetts; (3) establish, implement, and maintain operating policies and training procedures to ensure that personnel understand HMDA's reporting requirements; (4) prepare and submit a written report to the Massachusetts DOB describing the HMDA data that were re-filed; and (5) pay a \$25,000 administrative penalty.
7. Massachusetts DOB's March 2012 exam report included findings from its data integrity review of Respondent's 2009 and 2010 HMDA-LARs and concluded that Respondent's HMDA error rates exceeded applicable resubmission thresholds.
8. Massachusetts DOB's July 2012 visitation report included findings from its review of Respondent's 2010 and 2011 HMDA-LARs and concluded that Respondent's HMDA error rates exceeded applicable resubmission thresholds.
9. In May 2012, the Bureau initiated a data integrity review of Respondent's 2011 HMDA-LAR. Based on the Bureau's data integrity review of a 32-loan sample of Respondent's HMDA-LAR for the calendar year 2011, the sample error rate of Respondent's 2011 HMDA data unreasonably exceeds the CFPB resubmission threshold.

10. While Respondent maintained a HMDA compliance system, the system did not maintain procedures “reasonably adapted to avoid such errors,” 12 C.F.R. § 1003.6(b), in its HMDA-LAR.
11. Respondent’s HMDA data submissions for the calendar year of 2011 violated HMDA, 12 U.S.C. § 2803, and Regulation C, 12 C.F.R. § 1003.4.

Article V

Order to Cease and Desist and to Take Other Affirmative Action

IT IS HEREBY ORDERED, pursuant to Sections 1053 and 1055 of the CFPA, that Respondent and its officers, agents, representatives, and employees shall cease and desist, and that Respondent shall ensure that its Service Providers or other agents cease and desist, from violating HMDA and Regulation C. It is further ordered that:

1. Within 60 days from the Effective Date, Respondent shall submit to the Regional Director written evidence confirming that Respondent has reviewed, fully corrected, and resubmitted its 2011 HMDA data to the Board of Governors of the Federal Reserve System, which collects HMDA data on behalf of the CFPB.
2. Within 30 days of the Effective Date, Respondent shall retain one or more independent consultants, with specialized experience in HMDA compliance, not subject to any conflict of interest, and acceptable to the Regional Director, to conduct a review of Respondent’s program to manage compliance with HMDA.
 - a. The review shall include all systems, programs, policies, and procedures to ensure the accuracy of, and to prevent, identify, and correct errors in, HMDA data.

- b. Within 60 days of the Effective Date, the independent consultant shall submit to Respondent/the Executive Officers a written report detailing the findings of the review (“Consultant Report”).
- 3. Within 60 days of receiving the Consultant Report, Respondent shall submit to the Regional Director for review and non-objection a comprehensive written compliance plan designed to ensure that Respondent is in compliance with HMDA, has in place a compliance management system that ensures the accuracy of HMDA data, and prevents, identifies, and corrects any errors in the HMDA data (“Compliance Plan”). The Regional Director shall have the discretion to make a determination of non-objection to the Compliance Plan or direct Respondent to revise it. In the event the Regional Director directs Respondent to revise the Compliance Plan, Respondent shall make revisions and resubmit the Compliance Plan to the Regional Director within 30 days. Upon notification that the Regional Director has made a determination of non-objection to the Compliance Plan, Respondent shall implement and adhere to the steps, recommendations, deadlines, and timeframes set forth in the Compliance Plan.
- 4. The Compliance Plan shall include, at a minimum:
 - a. Detailed steps for addressing each action required by this Order;
 - b. Detailed steps to be taken by Respondent’s directors, officers, employees, and agents to:
 - i. Develop and implement any necessary improvements to Respondent’s HMDA compliance management system including policies, procedures, and internal controls to ensure compliance with the data collection and reporting requirements set forth in HMDA and Regulation C, including quarterly

reviews of HMDA reporting requirements as outlined in 12 C.F.R.

§ 1003.4(a);

- ii. Develop and implement any necessary improvements to Respondent's compliance program to regularly test HMDA data integrity; and
 - iii. Develop and implement any necessary improvements to Respondent's operating policies and training procedures to ensure that personnel understand HMDA standards and reporting requirements.
- c. A copy of the Consultant Report and detailed steps to be taken by Respondent's directors, officers, employees, and agents to:
- i. Correct any deficiencies identified in the Consultant Report; and
 - ii. Implement any recommendations or explain why a particular recommendation is not being implemented.
- d. Specific timeframes and deadlines for implementation of the steps described above.
5. Within 120 days of the Effective Date, and quarterly thereafter for one year, and at any time in the following four years thereafter upon the CFPB's request within 21 days, Respondent shall submit to the Regional Director a true and accurate written Compliance Progress Report, which has been approved by the Executive Officers, and which shall at a minimum:
- a. Separately list each action required by the Compliance Plan and this Consent Order; and
 - b. Describe the status of each action, including the action(s) taken or to be taken to comply with each action listed pursuant to subparagraph (a).
6. For a period of five years from the Effective Date, Respondent shall notify the CFPB of any change in Respondent that may affect compliance obligations arising under this Order, at

least 30 days prior to such change, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; the proposed proceedings or filings related to bankruptcy or insolvency by or against Respondent; or a change in Respondent's name or address. *Provided, however,* that with respect to any proposed change about which Respondent learns less than 30 days prior to the date such action is to take place, Respondent shall notify the CFPB as soon as is practicable after obtaining such knowledge.

Article VI

Role of the Executive Officers

IT IS FURTHER ORDERED that:

1. The Executive Officers shall review all submissions (including plans, reports, programs, policies, and procedures) required by this Order prior to submission to the CFPB.
2. Although this Order requires Respondent to submit certain documents for review and non-objection by the Regional Director, the Executive Officers shall have the ultimate responsibility for proper and sound management of Respondent.
3. In each instance in this Order in which the Executive Officers are required to ensure adherence to, or undertake to perform certain obligations of, Respondent, the Executive Officers shall:
 - a. Authorize and adopt such actions on behalf of Respondent as may be necessary for Respondent to perform its obligations and undertakings under the terms of this Order;
 - b. Require the timely reporting by Respondent management of such actions directed to be taken by Respondent under the terms of this Order; and

- c. Require corrective action be taken in a timely and appropriate manner of any material non-compliance with such actions.

Article VII

Distribution of the Order

IT IS FURTHER ORDERED that:

1. Within 30 days of the Effective Date, Respondent shall deliver a copy of this Order to each of its Executive Officers.
2. For a period of three years from the Effective Date, Respondent shall deliver a copy of this Order to any future Executive Officers within 30 days that an individual becomes an Executive Officer.
3. Respondent shall secure a signed and dated statement acknowledging receipt of a copy of this Order, with any electronic signatures complying with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Order pursuant to this Article.

Article VIII

Recordkeeping

IT IS FURTHER ORDERED that Respondent shall create the following business records:

1. All documents and records necessary to demonstrate full compliance with each provision of this Order, including but not limited to, reports submitted to the CFPB pursuant to Article V and copies of acknowledgments of receipt of this Order required by Article VII.
2. All business records required to be created pursuant to this Article shall be retained for at least 5 years, and shall be made available upon request to CFPB representatives.

Article IX

Notices

IT IS FURTHER ORDERED that, unless otherwise directed in writing by a CFPB representative, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and shall be sent by overnight courier (not the U.S. Postal Service) as follows:

To the CFPB:

Steve Kaplan
Regional Director, CFPB Northeast Region
Consumer Financial Protection Bureau
140 East 45th Street, 4th Floor
New York, NY 10017
The subject line shall begin: *In re* Mortgage Master, File No. 2013-CFPB-0006.

To Respondent:

Paul Anastos
President
Mortgage Master, Inc.
102 Elm Street
Walpole, MA 02081

Robert Kerwin
Chief Legal Officer
Mortgage Master, Inc.
102 Elm Street
Walpole, MA 02081

Mitchel H. Kider
Weiner Brodsky Kider PC
1300 19th Street, N.W.
5th Floor
Washington, DC 20036

Article X

Order to Pay Civil Money Penalty

IT IS FURTHER ORDERED that:

1. Pursuant to Section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the alleged violations of law and regulations set forth in Article IV of this Order, and taking into account the factors set forth in 12 U.S.C. § 5565(c)(3), Respondent shall pay a civil money penalty of \$425,000 to the CFPB, as directed by the CFPB and as set forth herein.
2. Within 10 days of the Effective Date, Respondent shall pay the civil money penalty in the form of a wire transfer to the CFPB or to such agent as the CFPB may direct, and in accordance with wiring instructions to be provided by counsel for the CFPB.
3. The civil money penalty paid pursuant to this Order shall be distributed to the Civil Penalty Fund of the CFPB in accordance with Section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).
4. In the event of any default on Respondent's obligation to make payment under this Article, interest, computed pursuant to 28 U.S.C. § 1961, as amended, shall accrue on any outstanding amounts not paid from the date of default to the date of payment, and shall immediately become due and payable.
5. Respondent shall relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law. Respondent shall make no claim to or demand for return of the funds, directly or indirectly, through counsel or otherwise.
6. In accordance with 31 U.S.C. § 7701, Respondent, unless it has already has done so, shall furnish to the CFPB its taxpayer identifying numbers, which shall be used for purposes of collecting and reporting on any delinquent amount arising out of this Order.

7. Respondent shall treat the civil money penalty as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent shall not:
 - a. Claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any civil money penalty that Respondent pays pursuant to this Order; or
 - b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil money penalty that Respondent pays pursuant to this Order.
8. To preserve the deterrent effect of the civil money penalty, if Respondent receives any reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, or if Respondent secures a tax deduction or tax credit with regard to any federal, state or local tax, Respondent shall notify the CFPB and pay the amount of the reimbursement, indemnification, tax deduction, or tax credit to the U.S. Treasury within 30 days of receiving same. Such a payment shall not be deemed an additional civil money penalty and shall not be deemed to change the amount of the civil money penalty imposed in this action.

Article XI

Compliance and Extensions of Time

IT IS FURTHER ORDERED that:

Upon a written showing of good cause, the Regional Director may, in his/her discretion, modify any non-material provisions of this Order (*e.g.*, reasonable extensions of time). Any such modification by the Regional Director shall be in writing.

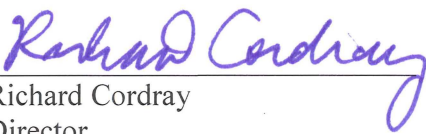
Article XII

Other Provisions

1. Except as set forth in Paragraph 2 of this Article, the provisions of this Order shall not bar, estop, or otherwise prevent the CFPB, or any other federal or state agency or department, from taking any other action against Respondent.
2. The CFPB releases and discharges Respondent from all potential liability for violations of law that have been or might have been asserted by the CFPB based on the practices described in Article IV of this Order, to the extent such practices occurred prior to the Effective Date and are known to the CFPB as of the Effective Date. Notwithstanding the foregoing, the practices alleged in this Order may be utilized by the CFPB in future enforcement actions against Respondent and its affiliates, including without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release shall not preclude or affect any right of the CFPB to determine and ensure compliance with the terms and provisions of the Order, or to seek penalties for any violations thereof.
3. This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the CFPB or the United States.
4. This Order shall terminate five years from the Effective Date. During that time, the Order shall remain effective and enforceable, except to the extent that any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the CFPB or its designated agent.

5. Calculation of time limitations shall run from the Effective Date and shall be based on calendar days, unless otherwise noted.
6. The provisions of this Order shall be binding upon Respondent, its officers, agents, servants, employees, and attorneys, and any successors and assigns thereof.
7. The provisions of this Order shall be enforceable by the CFPB. Any violation of this Order may result in the imposition by the CFPB of additional civil money penalties, as allowed under Section 1055(c) of the CFPA, 12 U.S.C. § 5565(c).
8. The provisions of this Order shall be severable and, should any provisions be declared by a court of competent jurisdiction to be unenforceable, the other provisions shall remain in full force.
9. The terms of this Order are controlling, notwithstanding any prior expression, prior agreements, or prior arrangements between the parties, whether oral or written.
10. Nothing in this Order or the accompanying Stipulation shall be construed as allowing Respondent, its Executive Officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 9th day of October, 2013.


Richard Cordray
Director
Consumer Financial Protection Bureau