

STATE OF NORTH CAROLINA

WAKE COUNTY

IN A MATTER
BEFORE THE COMMISSIONER OF BANKS
DOCKET NO. 07:029:MBB

IN RE:)
)
RYLAND MORTGAGE COMPANY) **CONSENT ORDER**
License No. L-108818)
)
)
)
_____)

THIS MATTER is before the undersigned Commissioner of Banks ("Commissioner") upon a Settlement Agreement and Consent to Entry of a Consent Order ("Agreement") in the above entitled matter; and it appears to the Commissioner that the terms of the Agreement fairly and equitably resolve the issues between the Office of the Commissioner of Banks and Ryland Mortgage Company ("Respondent").

NOW, THEREFORE, it is ordered that:

1. Within sixty (60) days of the date of this Order, Respondent shall pay a civil money penalty of one hundred and sixty-one thousand dollars (\$161,000). Such payment shall be made by certified funds, payable to the "Office of State Budget and Management — Civil Penalty and Forfeiture Fund."

2. Within sixty (60) days of the date of this Order, Respondent shall pay to the Office of the Commissioner of Banks the amount of eight thousand, five hundred dollars (\$8,500) as reimbursement for investigative costs. Such payment shall be made by certified funds, payable to the "Department of Commerce\Banking Commission."

3. The above referenced payments shall be marked "Personal and Confidential" and mailed to the attention of:

Lonnie Christopher, NCCP
Office of the Commissioner of Banks
4309 Mail Service Center
Raleigh, NC 27699-4309

In the alternative, same may be sent to Mr. Christopher via overnight courier, i.e., Federal Express, UPS or a similar service, to 316 West Edenton Street, Raleigh, NC 27603.

4. Respondent shall not retain or compensate any person who is not licensed as a loan officer by the OCOB for accepting mortgage loan applications or originating any mortgage loans secured by residential real estate in North Carolina.

5. Respondent shall refund to certain customers amounts found to be in excess of those permitted under N.C. Gen. Stat. § 24-1.1A(c)(1) as provided in Paragraph II.4 of the Agreement.

6. Respondent shall continue to act in accordance with its expressed undertakings as outlined in Paragraph I.2(A)-(C) of the Agreement and, within sixty (60) days of the date of this Order, Respondent shall implement the Modified Business Practices outlined in Paragraph II.5(d)(i)-(viii) of the Agreement. Respondent shall continue to act in accordance with its expressed undertakings and shall maintain such Modified Business Practices so long as Respondent continues to be licensed by the OCOB.

Ⓟ This the 25th day of ~~January~~ ^{February}, 2008.



Joseph A. Smith, Jr.
Commissioner of Banks

STATE OF NORTH CAROLINA

WAKE COUNTY

IN A MATTER
BEFORE THE COMMISSIONER OF BANKS
DOCKET NO. 07:029:MBB

IN RE:)
)
RYLAND MORTGAGE COMPANY) **SETTLEMENT AGREEMENT**
License No. L-108818) **AND CONSENT TO**
) **ENTRY OF CONSENT ORDER**
)
_____)

Ryland Mortgage Company (hereinafter "Respondent" or "Ryland") and the Office of the Commissioner of Banks ("OCOB"), hereinafter referred to collectively as the "Parties," voluntarily enter into this SETTLEMENT AGREEMENT AND CONSENT TO ENTRY OF A CONSENT ORDER ("Agreement") to settle, resolve and compromise the claims arising out of the above-captioned matter.

Respondent and the OCOB enter into this Agreement for the purpose of avoiding further costs and expenses in the matter and to resolve allegations by the OCOB of unlicensed mortgage lending activity and certain other violations of law. This Agreement is made pursuant to the authority of Chapter 150B, Article 3A, of the North Carolina General Statutes.

I. RECITALS

1. If this matter were to proceed to hearing, the OCOB would put on evidence which it contends would show that:
 - A. On or about September 20, 2002, Respondent applied to the OCOB for licensure as a mortgage lender pursuant to Article 19A, Chapter 53, of the North Carolina General Statutes, the Mortgage Lending Act ("MLA"), and on or about December 3, 2002, such application was approved and License No. L-108818 was issued.
 - B. On or about October 11, 2006, the OCOB conducted a routine examination of Respondent's mortgage lending activity.
 - C. The examination revealed thirty-one (31) instances of an unlicensed loan officer being shown as the interviewer on the loan application. The examination also revealed two (2) instances of a licensed, but inactive loan officer being shown as the interviewer on the loan application. Each loan application reflecting an unlicensed individual as the interviewer was a separate violation of the MLA.

Each loan application reflecting a licensed but inactive loan officer as the interviewer was also a separate violation of the MLA.

- D. During the course of the examination, the examiner found several instances in which the Respondent charged or permitted to be charged fees in excess of those permitted under N.C. Gen. Stat. § 24-1.1A(c)(1).
2. Respondent, by and through counsel, advised the OCOB in meetings held on June 29, 2007, September 14, 2007, and November 1, 2007 that it had already taken steps to correct these problems as follows:
 - A. Respondent has directed all of its loan officers and other personnel that all individuals who take loan applications must be properly licensed as loan officers in the state of North Carolina.
 - B. Respondent has ceased the use of loan officers outside the state for "overflow" capabilities, unless such loan officer is licensed by the state of North Carolina.
 - C. Respondent has retained a new Financial Services Counsel in December of 2005, who has extensive experience in mortgage lending compliance. This individual will implement additional safeguards to prevent unlicensed individuals from soliciting or accepting loan applications. This individual will also review every loan officer's pipeline periodically to ensure that only loan officers licensed in the state of North Carolina work on loans in that state.
 - D. Respondent has begun implementation of the Modified Business Practices, set forth below.
 - E. Respondent has commenced the mailing of certain borrower refunds, as described below.
 3. Respondent does not admit the foregoing allegations in paragraph 1 or to any particular violations of law, but desires to resolve this matter through a settlement agreement as set forth below.

II. THE SETTLEMENT AGREEMENT

NOW, THEREFORE, the Parties, in order to resolve the matters raised in the foregoing Recitals, agree as follows:

1. The Commissioner of Banks (the "Commissioner"), has jurisdiction over the Respondent and the subject matter of this proceeding.
2. Mark Pearce, Deputy Commissioner of the OCOB, has the authority to enter into this Agreement for and on behalf of the OCOB, subject to the approval of the Commissioner; however, once approved, it shall resolve all issues involved in, or arising out of, the above-captioned matter. This resolution shall not discharge or

relieve Respondent from its ongoing duties and obligations under this Agreement and Respondent acknowledges that it may be subject to separate proceedings to enforce the terms of this Agreement.

3. Respondent waives its right to a hearing to which it is entitled in the matter and waives an appeal of the Consent Order to be entered as part of the Agreement.
4. Upon the execution of this Agreement by the Parties, the Commissioner will issue a Consent Order which will provide that Respondent shall:
 - (a) Within sixty (60) days of the date of this Agreement, pay a civil money penalty in the sum of one hundred and sixty-one thousand dollars (\$161,000.00), which is comprised of \$5,000 for each alleged violation by an unlicensed loan officer and \$3,000 for each alleged violation of a licensed, inactive loan officer.
 - (b) Within sixty (60) days of the date of this Agreement, reimburse the OCOB the sum of \$8,500 for investigative costs and expenses.
 - (c) Refund to its borrowers certain sums alleged to be in excess of those permitted under N.C. Gen. Stat. § 24-1.1A(c)(1), which in the aggregate amount to two hundred and twenty thousand, eight hundred and fifty-one dollars and thirty five cents (\$220,851.35):
 - i. These refunds shall be made payable to certain North Carolina borrowers previously identified by Respondent and accepted by the OCOB.
 - ii. Respondent shall earnestly endeavor to locate and provide the above referenced borrowers with appropriate refund checks on or before February 29, 2008.
 - iii. On or before March 31, 2008, and on the last day of each calendar month thereafter to and including July 31, 2008, Respondent shall make a written report to the OCOB regarding its progress refunding the above referenced amounts.
 - iv. In the event that, after diligent efforts, Respondent is unable to locate or otherwise provide a refund to one or more of the affected borrowers, any undelivered sums shall escheat to the Treasurer of the State of North Carolina, subject to the provisions of Chapter 116B of the General Statutes.
 - (d) Within sixty (60) days of the date of this Agreement, implement (if not already implemented prior to the date of this Agreement) the Modified Business Practices ("Modified Business Practices"), described in (d)(i)- (viii) below.
 - i. Respondent's settlement charges (including origination fees) shall not exceed general mortgage industry standards for the type and amount of loans being

offered in North Carolina, regardless of whether or not any entity affiliated with Respondent directly or indirectly pays for any portion of these charges.

- ii. Respondent's settlement charges shall not exceed amounts which could be directly imposed against any borrower under any North Carolina or federal law, regardless of whether or not any entity affiliated with Respondent directly or indirectly pays for any portion of such charges.
 - iii. Respondent shall not permit settlement services provided by Ryland Title (or any affiliated service provider) to be marked up above the cost of the service, and any such costs shall not exceed general mortgage industry standards.
 - iv. Respondent's non-discounted interest rates shall be risk-driven based on general mortgage industry and market rates for borrowers with similar credit qualifications.
 - v. All discount points charged by Respondent shall provide a meaningful rate reduction based on market rates, regardless of whether or not one or more of Respondent's affiliates directly or indirectly pays for any portion of these points; Respondent will not charge, impose, or receive any yield spread premium or similar fee on any loan which contains any discount points.
 - vi. Respondent shall use appraisers unaffiliated with the Ryland Group or its subsidiaries, and will monitor its third-party services providers to ensure that no single appraiser or appraisal company conducts more than thirty-three percent (33%) of the appraisals in any given development in any given calendar year.
 - vii. Respondent shall not make or broker any loan where the affiliated builder provides incentives or discounts tied to the use of Respondent where such incentives or discounts are not bona fide reductions from the market value of the home. For the purpose of this section, an incentive or discount not exceeding 3% (three percent) of the final sale price shall be presumed to be in accord with this Agreement. Nothing in this section shall prohibit the affiliate from providing additional market-driven incentives and/or discounts which are not tied to the use of the Respondent's services.
 - viii. Respondent shall provide a disclosure to its borrowers that is substantially in the form of Exhibit A or in such other form as agreed upon by Respondent and OCOB. This disclosure shall be provided at the same time as required application-related disclosures to the buyer (borrower) but shall be in addition to and not in lieu of disclosures required by applicable state and federal law.
6. The Parties further agree and acknowledge that this Agreement sets forth all of the terms and conditions among them concerning the above entitled matter and supersedes all prior oral and written statements and representations, and that there are no terms or conditions between the Parties except as specifically herein set forth.

7. No modification or waiver of any provision of this Agreement shall be effective unless it is in writing. Any modification or waiver must be signed by authorized representatives of the Parties and must be adopted and approved by the Commissioner.
8. Respondent has had the opportunity to consult with counsel concerning its terms.


IN WITNESS WHEREOF, the Parties have executed two (2) original copies of this Settlement Agreement and Consent to Entry of a Consent Order, with original copies being retained by Respondent and the OCOB.

This the 20TH day of February, 2008.

**FOR THE OFFICE OF THE
COMMISSIONER OF BANKS**


By: 
Mark Pearce
Deputy Commissioner of Banks

Date: 2/25/08


By: 
Seth Rosebrock
Counsel for the Office of the
Commissioner of Banks

Date: 2/25/08

**FOR RYLAND MORTGAGE
COMPANY**

By: 
Name: DAVID A. BROWN
Title: SR VICE PRESIDENT

Date: 2/20/2008

By: 
Donald Lampe
Womble, Carlyle, Sandridge,
& Rice, PLLC

Date: 2/21/08

Consumer Disclosure Statement

IMPORTANT: Please read and retain this Statement in connection with the Residential Mortgage Loan that you have applied for with Ryland Mortgage Company

To: _____ Property: _____

From: Ryland Mortgage Company Date: _____

Ryland Mortgage Company is an affiliate of Ryland Homes. You have applied for a mortgage loan from Ryland Mortgage Company, in order to purchase a home from Ryland Homes. Ryland Homes has offered you an initial incentive of \$ _____ if you choose to use Ryland Mortgage Company. This amount is based upon the sales price of your home and may be subject to change. This incentive may include "upgrades" or a reduced selling price of the home, if you get your mortgage loan through Ryland Mortgage Company. You understand that affiliates may receive financial or other benefits if Ryland Mortgage Company finances the purchase of a home from Ryland Homes.

You are NOT REQUIRED to get a loan from Ryland Mortgage Company, in order to purchase a home from Ryland Homes. However, if you choose to use a lender other than Ryland Mortgage Company, you will not receive this incentive from Ryland Homes.

There may be other mortgage lenders who can provide you with a loan on better terms (for example, lower fees, interest rate or closing costs) than those offered by Ryland Mortgage Company. The North Carolina Office of the Commissioner of Banks has stated that total settlement or closing costs payable by a borrower in a residential mortgage loan may vary from 1%-3% of the loan amount, depending on the lender, the loan type, the location of the property and other factors. The estimated closing costs for your loan with Ryland Mortgage Company will be provided to you with the Good Faith Estimate. **YOU ARE FREE TO SHOP AROUND TO DETERMINE THAT YOU ARE RECEIVING THE BEST MORTGAGE LOAN AND BEST SERVICE FOR YOUR NEEDS.**

ACKNOWLEDGEMENT

I/we have read this disclosure form and understand that statements set forth above referral. Our signatures below confirm our receipt of this disclosure form.

(Borrower's Signature)

(Co-Borrower's Signature)

Exhibit A