

STATE OF MAINE

KENNEBEC, ss.

BUREAU OF CONSUMER
CREDIT PROTECTION
Docket No. 2007-005

In the Matter of)
MORTGAGE LENDERS NETWORK USA, INC.)
Middletown, Connecticut)
)
)

SETTLEMENT AGREEMENT
AND CONSENT ORDER

PRELIMINARY STATEMENT

WHEREAS, the Superintendent of the Bureau of Consumer Credit Protection (Superintendent) has jurisdiction over the licensing and regulation of persons and entities engaged in the business of making supervised loans pursuant to the Maine Consumer Credit Code, Title 9-A Maine Revised Statutes;

WHEREAS, Mortgage Lenders Network USA, Inc. (“Mortgage Lenders Network” or “Corporation”) is, and at all relevant times has been, a foreign corporation licensed by the Bureau of Consumer Credit Protection (“Bureau”) as a supervised lender in the State of Maine and has maintained a license since at least September 30, 2001;

WHEREAS, on January 19, 2007, the Superintendent issued Findings of Fact and a Temporary Order of License Suspension (the “Temporary Order”) pursuant to 9-A MRSA § 2-303-A against Mortgage Lenders Network, based upon the Superintendent’s finding that Mortgage Lenders Network had engaged in, or was engaging in, or was about to engage in, acts or practices constituting violations of the Maine Consumer Credit Code (Title 9-A MRSA) and 33 MRSA sections 521 – 527 (the Maine Funded Settlement Act);

WHEREAS, the Temporary Order found that:

1. Beginning on or about Friday, December 29, 2006 the Bureau received information from the State of Connecticut Department of Banking and from licensed Maine mortgage lenders and brokers indicating that Mortgage Lenders Network had, or was about to, fail to timely disburse loan proceeds in several mortgage loan transactions involving residential property in Maine.
2. On December 29, 2006, Mortgage Lenders Network submitted a letter to the Bureau indicating, in part, that, "effective immediately, Mortgage Lenders Network USA, Inc. will regrettably no longer fund residential mortgage loans. This course of action has been necessitated as a result of a lack of available warehouse funds."
3. Based upon the information reported to the Bureau, the Bureau requested, among other information, a current report of the Corporation's open pipeline of mortgage loan applications. The report submitted by Mortgage Lender's Network, and other correspondence from the Corporation, contained information that was consistent with the conditions that had been reported to the Bureau regarding a significant volume of mortgage loans that had been closed by Mortgage Lenders Network, but that remained unfunded.
4. On Tuesday, January 2, 2007, while disputing the actual date on which the Corporation began failing to fund loans, Mortgage Lenders Network confirmed that the Corporation was unable to fund loans that the Corporation had closed on or before Friday, December 29, 2006.
5. Based upon the foregoing, the Bureau maintained consistent communication with Mortgage Lenders Network, beginning on December 29, 2006 and continuing through the date of issuance of the Temporary Order, to monitor the actions taken by the Corporation to attempt to fund the mortgage loans that Mortgage Lenders Network had failed to fund.
6. On Tuesday, January 2, 2007, Mortgage Lenders Network confirmed to representatives of the Bureau that at least one of the Corporation's investors with whom Mortgage Lenders Network had maintained a warehouse line of credit to fund mortgage loans had suspended Mortgage Lenders Network's authority to receive any further extensions on the line of credit.
7. On or about January 8, 2007, the Corporation entered an agreement with a third party investor to fund the as yet-unfunded loans under the terms and conditions to which Mortgage Lenders Network underwrote the mortgage loans.

8. At the time of issuance of the Temporary Order, the funding period under the third party investor agreement had expired. The Bureau found that a substantial portion of Mortgage Lenders Network's closed but unfunded loans remained unfunded.
9. The Bureau also found that a substantial number of the consumers who had closed mortgage loans with Mortgage Lenders Network, but remained unfunded, elected to obtain a mortgage loan through an alternate lender.
10. On January 2, 2007, Mortgage Lenders Network provided the Bureau with the Corporation's balance sheet that was prepared as of an unspecified date in December 2006.
11. On January 15, 2007, Mortgage Lenders Network provided the Bureau with an updated balance sheet and income statement, prepared as of December 31, 2006, that reported a 28.71% reduction in the Corporation's cash account.
12. On January 16, 2007, representatives from Mortgage Lenders Network notified the Bureau that during the sixteen day interim since December 31, 2006, the Corporation's cash position had further diminished whereby Mortgage Lenders Network's cash position as of January 16, 2007 reflected a 71.60% reduction from the Corporation's cash position which had previously been reported to the Bureau on January 2, 2007.

WHEREAS, on February 1, 2007, Mortgage Lenders Network filed a "Request for Hearing" with regard to the Temporary Order;

WHEREAS, on February 5, 2007, Mortgage Lenders Network filed a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 through 1330, in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), in a case captioned *In re Mortgage Lenders Network USA, Inc.*, Case No. 07-10146 (the "Bankruptcy Proceeding");

WHEREAS, as part of the Bankruptcy Proceeding, MLN is engaged in the orderly winding down of its business operations;

WHEREAS, Mortgage Lenders Network has ceased engaging in the activities of a supervised lender, as defined under 9-A MRSA section 1-301(39) relative to any residential

property in Maine and has ceased soliciting or accepting, either directly or indirectly, any residential mortgage loan applications from consumers for residential property located in Maine:

WHEREAS, Mortgage Lenders Network represents that, to the best of its knowledge, it did not collect any fees from Maine consumers relative to any pending mortgage loan applications and

WHEREAS, Mortgage Lenders Network and the Superintendent desire to resolve the matters alleged in the Temporary Order;

AGREEMENT AND ORDER

NOW THEREFORE, in consideration of the foregoing and the mutual promises set forth herein, and subject to the approval of the Bankruptcy Court, in order to resolve all alleged outstanding violations, MLN voluntarily waives its right to complete the hearing process and affirms by its execution of this Settlement Agreement and Consent Order, that:

1. MLN voluntarily surrenders its license and has permanently ceased the activities of a licensed supervised lender in the State of Maine;
2. The Director hereby terminates the Temporary Order issued January 19, 2007.

Agreed to and executed this 21st day of January, 2008 by:



William W. Lund, Superintendent
Maine Bureau of Consumer Credit Protection

2-20-08

Date



Daniel Scouler
Chief Restructuring Officer
Mortgage Lenders Network USA, Inc.

1-21-08

Date