

NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

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In the Matter of

**AFMC MORTGAGE IN LIEU OF TRUE
CORPORATE NAME AMERICAN FEDERAL
MORTGAGE CORPORATION
B500837**

SETTLEMENT AGREEMENT

A Licensed Mortgage Banker Pursuant To
Article XII-D of the New York Banking Law

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This Settlement Agreement (“Agreement”) is made and entered into by and between AFMC Mortgage in lieu of its true corporate name American Federal Mortgage Corporation (“AFMC” or “Licensee”) and the New York State Department of Financial Services (the “Department,” and collectively with AFMC, the “Settling Parties”) evidencing an agreement between the Settling Parties to resolve, without a hearing, the violation cited herein of Section 594-b(1) of the New York Banking Law (“Banking Law”) upon and subject to the terms and conditions hereof.

I.

RECITALS

1. AFMC, headquartered at 360 Route 24, Chester, NJ 07930, was licensed by the Department on November 2, 2005, to engage in business as a mortgage banker pursuant to Article 12-D of the Banking Law.

2. Sections 44(1)(a) and 598(1) of the Banking Law provide, in part, that the Superintendent of Financial Services (“Superintendent”) may, in a proceeding after notice and a hearing, require a licensed mortgage banker to pay to the people of this state a penalty for a

violation of the Banking Law and any regulation promulgated thereunder.

3. 3 NYCRR Section 38.8(a) provides that a mortgage banker may be subject to disciplinary action by the Department for, among other things, violation of Article 12-D of the Banking Law, the regulations promulgated thereunder, or violation of state or federal law indicating that the entity is unfit to engage in the business of a mortgage banker.

Unauthorized Change Of Control

4. During a review of AFMC's ownership history, the Department determined that AFMC's existing ownership structure had not been approved by the Superintendent.

5. Specifically, the ownership structure showed that the Young Family Irrevocable Trust was then the 50% direct owner of AFMC from December 2012. The trustee of the Young Family Irrevocable Trust is Rosemarie Freihart-Young.

6. A review of the Department's records disclosed that the Department never approved the aforementioned trust nor its trustee (Rosemarie Freihart-Young) to directly or indirectly control AFMC.

7. Accordingly, AFMC violated Section 594-b (1) of the Banking Law, which requires a licensee to receive prior approval of the Superintendent for any action to be taken that results in a change of control of the business of a licensee.

II.

SETTLEMENT TERMS AND CONDITIONS

IT IS HEREBY UNDERSTOOD AND AGREED by Licensee and all subsidiaries, affiliates, successors, assigns, agents, representatives and employees, that:

8. Licensee is willing to resolve the violations cited herein by entering into this Agreement and freely and voluntarily waives its right to a hearing under Section 44 of the Banking

Law and appeal on such violations.

9. Licensee agrees to take all necessary steps to ensure its compliance with all applicable federal and state laws, regulations and supervisory requirements relating to its mortgage business, including, but not limited to:

- a. complying with the requirements of Article 12-D of the Banking Law and Part 38 of the General Regulations; and
- b. ensuring that AFMC obtains the prior approval of the Superintendent for any action that will result in a change of control of AFMC Mortgage.

10. Licensee agrees to develop appropriate written compliance policies and procedures (“Compliance Policies and Procedures”) designed to ensure compliance with all applicable federal and state laws, regulations, supervisory requirements and guidance letters. The Compliance Policies and Procedures shall, at a minimum: (i) designate an individual responsible for monitoring compliance with all applicable federal and state laws, regulations, supervisory requirements and guidance letters; and (ii) establish a training program to ensure that AFMC and its employees involved in loan origination understand all applicable federal and state laws, regulations, supervisory requirements and guidance letters.

11. No later than ten (10) days after the effective date of this Agreement, Licensee shall pay a penalty of \$5,000 to the Department. The payment shall be made by wire transfer in accordance with the Department’s payment instructions.

12. Neither Licensee, nor any of its parents, subsidiaries, or affiliates shall, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification including but not limited to payment made pursuant to any insurance policy, or from any of its parents, subsidiaries, or affiliates, with regard to any or all of the amount payable

pursuant to this Agreement.

13. Licensee agrees that it will not claim, assert, or apply for a tax deduction or tax credit with regard to any U.S. federal, state or local tax, directly or indirectly, for any portion of the penalty paid pursuant to this Agreement.

III.

Miscellaneous Terms and Conditions

1. Licensee acknowledges that its failure to fully comply with any of the terms and/or conditions of this Agreement may result in the Department taking action to suspend or revoke its license to engage in business as a licensed mortgage banker under Article 12-D of the Banking Law.

2. The Superintendent has agreed to the terms of this Agreement based on the representations made to the Department, or the written materials submitted to the Department, by Licensee – either directly or through its counsel – and the Department’s findings in the Examination. To the extent that the written representations or written submissions, made by Licensee to the Department – either directly or through its counsel—are later found to be materially incomplete or inaccurate, this Agreement is voidable by the Superintendent in her sole discretion.

3. Upon the request of the Department, Licensee shall provide all documentation and information necessary for the Department to verify full compliance with this Agreement.

4. Licensee represents and warrants, through the signature below, that the terms and conditions of this Agreement were duly approved, and execution is duly authorized.

5. This Agreement and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflict of laws principles.

6. Licensee waives all rights to further notice and hearing in this matter as to any

allegations of past violations up to and including the effective date of this Agreement and agrees that no provision of the Agreement is subject to review in any court or tribunal outside of the Department.

7. In the event that one or more provisions contained in this Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement.

8. Licensee acknowledges that entering into this Agreement shall not bar, estop, or otherwise prevent the Superintendent, or any state, federal or local agency or department from taking any other, or additional, action affecting Licensee, or any of its current or former owners, officers, directors, employees, or insiders, or their successors or assigns with respect to the violations cited herein, or any other matter whether related or not to such violations.

9. This Agreement may not be altered, modified or changed unless in writing signed on behalf of all parties to this Agreement.

10. This Agreement shall be enforceable and remain in effect until stayed, modified, suspended or terminated in writing by the Superintendent.

11. This Agreement may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto and So Ordered by the Superintendent or her designee.

12. All notices, reports, requests, and other communications to any party pursuant to this Agreement shall be in writing and shall be directed as follows:

Attention:

Rholda L. Ricketts
Deputy Superintendent
New York State Department of Financial Services
One State Street New York, NY 10004

13. All written communications to AFMC regarding this Agreement shall be sent as follows.

Attention:

Mark Young
President
AFMC Mortgage in lieu of true corporate name
American Federal Mortgage Corporation
360 Route 24
Chester, NJ 07930

14. This Agreement is not confidential; therefore it is available to the public.

WHEREFORE, the Settling Parties hereto have caused this Agreement to be executed.

**AFMC Mortgage in lieu of true corporate name
American Federal Mortgage Corporation**

By: _____ / S / _____

Mark Young
President

Dated: _____

New York State Department of Financial Services

By: _____ / S / _____

Rholda L. Ricketts
Deputy Superintendent

Dated: _____