

New York State Department
of Financial Services

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In the Matter of

ARLINGTON FINANCIAL CORPORATION
A003934

SETTLEMENT AGREEMENT

A Registered Mortgage Broker 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 Arlington Financial Corporation (“AFC”) and the New York State Department of Financial Services (the “Department” collectively, with AFC, the “Settling Parties”) evidencing an agreement between the Settling Parties to resolve, without a hearing, the violation of Section 591-a(2) of the New York Banking Law (“Banking Law”) and 3 NYCRR Section 420.18(a)(2), upon and subject to the terms and conditions hereof.

I.

RECITALS

1. AFC, headquartered at 35 East Grassy Sprain Road, Suite 300, Yonkers, NY 10710, was granted a registration by the Department as a mortgage broker, pursuant to Article 12-D of the Banking Law, in January 1995.

2. Sections 44 and 598 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 registered mortgage broker to pay to the people of this State a penalty for a violation of the Banking Law and any regulation promulgated thereunder.

3. Section 38.8 of the General Regulations provides that a mortgage broker may be

subject to disciplinary action by the Department for, among other things, violations of Article 12-D of the Banking Law, the regulations promulgated thereunder, or violations of state or federal law indicating that the entity is unfit to engage in the business of a mortgage broker.

Unauthorized Domain Names

4. Pursuant to the Department's June 1, 2000 industry letter (the "2000 Industry Letter"), the domain name of any website used by a licensee or a registrant to conduct mortgage banking or brokering activity qualifies as a business address.

5. The Department has determined that during a period including December 2015, AFC used the domain name "mortgageinquiry.com", to solicit mortgage loans relating to properties located in this State.

6. Additionally, the Department determined that during a period including July 2017, AFC used the domain name "arlington.financial" to promote mortgage loan activities relating to properties located in this State.

7. AFC never received approval from the Department to utilize the aforementioned domain names to conduct mortgage loan activities relating to properties located in this State.

8. Accordingly, AFC violated Section 591-a (2) of the Banking Law, which requires registrants to apply for and receive permission prior to using a specific business address.

Failure to Adequately Monitor and Supervise its MLOs' Loan Originating Activities

9. The Department has determined that during certain periods, two mortgage loan originators ("MLOs") employed by AFC maintained their individual surety bonds in amounts of only \$15,000.00

10. Based on the dollar amount of loans originated by the MLOs for the same time

periods, these individuals were each required to maintain a surety bond in an amount of \$25,000.00.

11. The Department has determined that the failure to maintain the required amount of individual surety bond coverage violated 3 NYCRR Section 420.15(b) for the time periods in question.

12. Accordingly, the Department has concluded that AFC by failing to monitor its MLOs (to ensure that they maintained the required bond amount in compliance with the Department's Regulations), violated 3 NYCRR Section 420.18(a)(2), which requires a registrant to determine that as a condition of employment an MLO has the "fitness" to "engage in mortgage loan originating honestly, fairly and efficiently."

II

SETTLEMENT TERMS AND CONDITIONS

AFC is willing to resolve the violations by entering into this Agreement and freely and voluntarily waives its right to a hearing under Banking Law Sections 44 and 598 on such violations. Therefore, in consideration of the promises and covenants set forth herein:

1. AFC 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 3 NYCRR Part 420;
- b. not conducting or transacting business in this state under any name, assumed name or designation using any website, domain, or other name that has not been approved by the Superintendent;
- c. not conducting or transacting business in this state using any location or branch that has not been approved or licensed by the Superintendent; and

d. ensuring that it will provide appropriate training and monitoring of its employees.

2. AFC agrees to develop, written advertisement and compliance policies and procedures (“Compliance P&P”), designed to ensure compliance with all applicable federal and state laws, regulations, supervisory requirements and guidance letters. The Compliance P&P 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 AFC and its MLO and non-MLO employees understand all applicable federal and state laws, regulations, supervisory requirements and guidance letters.

3. AFC agrees to pay a fine of \$ 7,500.

4. AFC further agrees that such payment will be made in immediately available funds in accordance with the Department’s payment instructions.

III.

MISCELLANEOUS TERMS AND CONDITIONS

1. AFC acknowledges that its failure to comply with any of the settlement terms and conditions of this Agreement may result in the Department taking action to revoke AFC’s registration to engage in the business of a mortgage broker under Article 12-D of the Banking Law.

2. AFC acknowledges that entering into this Agreement shall not bar, estop, or otherwise prevent the Superintendent, or any state, federal or local agency or department or any prosecutorial authority from taking any other action affecting AFC, 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.

3. This Agreement may not be altered, modified or changed unless in writing signed by the Superintendent or his designee.

4. This Agreement shall be enforceable and remain in effect unless stayed or terminated in writing by the Superintendent or his designee.

5. The effective date of this Agreement is the date on which it is executed by the Deputy Superintendent for Mortgage Banking.

6. All written communications to the Department regarding this Agreement should be sent as follows:

Attention:

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

7. All written communications to AFC regarding this Agreement should be sent as follows:

Attention:

Sean O'Sullivan
President
Arlington Financial Corporation
35 East Grassy Sprain Road, Suite 300
Yonkers, NY 10710

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

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

Arlington Financial Corporation

By: _____/s/_____

Sean O'Sullivan
President

Dated: _____

New York State Department of Financial Services

By: _____/s/_____

Rholda L. Ricketts
Deputy Superintendent

Dated: _____