

New York State

Department of Financial Services

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In the Matter of

**CHANNEL MORTGAGE LLC
A006466**

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 Channel Mortgage LLC ("Channel" or "Registrant") and the New York State Department of Financial Services (the, "Department" together with Channel, collectively defined as the "Settling Parties"), evidencing an agreement between the Settling Parties to resolve, without a hearing, the violations of Section 594-b(1) of New York Banking Law ("Banking Law") and Section 104.1(a) of Supervisory Procedure MB 104, cited herein by the Department, upon and subject to the terms and conditions hereof.

I.

RECITALS

1. Channel headquartered at 55-25 69th Street, 1st Floor, Maspeth, NY 11378 was granted a registration by the Department on August 23, 2005 to engage in the business as a mortgage broker pursuant to Article 12-D of the Banking Law.

2. Section 44 of the Banking Law provides, in part, that the Superintendent of Financial Services (the "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 of the Banking Board 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.

4. On August 23, 2005, the mortgage broker's registration was issued to Channel Mortgage LLC, which was owned 50% each by Ana Castano and Annabel Delfin.

5. An Agreement entered on October 17, 2008 indicates that 10 of the outstanding 30 shares of Channel was sold and transferred to Conrad M. Gardner, thereby acquiring 33 1/3 percent of Channel, which sale became effective on November 1, 2008.

6. As a result of the sale of shares sold to Mr. Gardner, Ms. Castano and Ms. Delfin's interest of the company was reduced to each holding 33 1/3 percent of Channel.

7. A review of the Department records disclosed that the Department was never notified of the sale of shares to Mr. Gardner in 2008.

8. Furthermore, Channel failed to submit a mortgage broker change of control application to register the new owner in 2008.

9. Channel failed to notify the Department of the change in control in violation of Section 594-b(1) of the Banking Law, which requires a Registrant to obtain the prior approval of the Superintendent for any action to be taken which results in a change of control of the business of a Registrant.

10. In addition, Channel failed to submit a mortgage broker change of control application to effectively register the new owner pursuant to Section 104.1(a) of Supervisory Procedure MB 104, which specifies any person or entity seeking to acquire control of a mortgage broker shall submit to the Superintendent an application accompanied by payment of the application fee.

11. Channel thereafter applied for a change of control on behalf of Mr. Gardner on October 20, 2010, in which upon approval of the application Mr. Gardner will become the qualifier for Channel.

12. By letter dated September 1, 2011, Ms. Annabel Delfin notified the Department and members of Channel that she surrendered all her interests in Channel and relinquished her role as the qualifier and broker for Channel.

13. As a result the remaining two owners, Ms. Castano and Mr. Gardner became 50 percent owners of Channel, respectively.

II.

SETTLEMENT TERMS AND CONDITIONS

The Registrant is willing to resolve the violations cited herein 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, the Settling Parties agree, as follows:

1. The Registrant 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, obtaining the prior approval of the Superintendent for any action that will result in a change of control of Channel.

2. The Registrant agrees to pay a fine of \$5,000 in ten monthly installments, with the first installment of \$500 due upon execution of this Agreement. The remaining nine payments of \$500 are due by the 15th of each successive month until the fine is fully paid.

3. The Registrant further agrees that such payment will be made in immediately available funds in accordance with the Department's payment instructions. Failure to make timely payments on any of the installments shall result in immediate revocation of Channel's registration.

III.

MISCELLANEOUS TERMS AND CONDITIONS

1. The Settling Parties acknowledge that the Registrant's failure to comply with any of the settlement terms and conditions of this Agreement may result in the Department taking action to revoke Channel's registration to engage in the business of a mortgage broker under Article 12-D of the Banking Law.

2. The Settling Parties acknowledge 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 Channel, 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 and 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 or her designee.

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

Attention:

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

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

Attention:

Conrad Gardner
Channel Mortgage LLC
55-25 69th Street, 1st Floor
Maspeth, NY 11378

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.

Channel Mortgage LLC

By: _____

Conrad M. Gardner
Owner - 50%

Dated: _____

By: _____

Ana Castano
Vice President/Owner- 50%

Dated: _____

New York State Department of Financial Services

By: _____

Rholda L. Ricketts
Deputy Superintendent

Dated: _____