

*New York State*  
*Department of Financial Services*

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In the Matter of

**RFC MORTGAGE IN LIEU OF  
RESIDENTIAL FINANCE CORPORATION  
B500784**

**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 RFC Mortgage in lieu of Residential Finance Corporation ( "RFC" or "Licensee") and the New York State Department of Financial Services (the, "Department" together with RFC, collectively defined as the "Settling Parties"), evidencing an agreement between the Settling Parties to resolve, without a hearing, the alleged violations of Section 594-b(1) of the New York Banking Law ("Banking Law") and Section 103.1(a) of Supervisory Procedure MB 103, cited herein by the Department, upon and subject to the terms and conditions hereof.

**I.**

**RECITALS**

1. RFC headquartered at 401 North Front Street, 3<sup>rd</sup> Floor, Columbus, OH 43215 was granted a registration by the Department on November 17, 2005 to engage in the business as a mortgage banker 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 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. Section 38.8 of the General Regulations of the Banking Board, provides that a mortgage banker 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 banker.

4. In November 2003, RFC submitted an application pursuant to Article 12-D for licensing as a mortgage banker in the State of New York. David K. Stein was disclosed as the 100 percent owner, CEO and SVP. Michael Isaacs was disclosed as President of RFC.

5. As part of the mortgage banker license application, RFC submitted personal information on Michael Isaacs and David K. Stein.

6. In April 2004, David K. Stein and Michael Isaacs entered into an agreement wherein Mr. Isaacs acquired 55 percent of the shares of RFC.

7. During a review of the transition request, submitted through the Nationwide Mortgage Licensing System in August 2009, the Department noted that the company listed Michael Isaacs as an owner, which was not reflected in our records.

8. A review of the Department records disclosed that the Department was never notified of the 55 percent sale of shares to Mr. Isaacs in 2004. Additionally, RFC failed to amend its mortgage banker application to reflect Michael Isaacs as the majority owner of RFC.

9. Furthermore, subsequent to the approval of RFC's application in November 2005, RFC failed to submit a mortgage banker change of control application to register Michael Isaacs as an owner.

10. RFC failed to notify the Department of the change in control in violation of Section 594-b(1) of the Banking Law, which requires a licensee 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 licensee.

11. In addition, RFC failed to submit a mortgage banker change of control application to effectively register the new owner pursuant to Supervisory Procedure MB 103.1(a), which specifies that any person or entity seeking to acquire control of a mortgage banker shall submit to the Superintendent an application accompanied by payment of the application fee.

12. RFC thereafter applied for a change of control on behalf of Mr. Isaacs on October 27, 2009.

## **II.**

### **SETTLEMENT TERMS AND CONDITIONS**

The Licensee is willing to resolve the alleged 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 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, obtaining the prior approval of the Superintendent for any action that will result in a change of control of RFC.

2. The Licensee agrees to pay a fine of \$5,000. The Licensee 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. The Settling Parties acknowledge that the Licensee's failure to comply with any of the settlement terms and conditions of this Agreement may result in the Department taking action to revoke RFC's license to engage in the business of a mortgage banker 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 RFC, 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  
New York State Department of Financial Services  
One State Street,  
New York, New York 10004

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

Attention:

Michael Isaacs and  
David K. Stein  
401 N Front Street, 3<sup>rd</sup> Floor  
Columbus OH 43215

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.

**RFC Mortgage in lieu of  
Residential Finance Corporation**

By: \_\_\_\_\_

Michael Isaacs  
President

Dated: \_\_\_\_\_

By: \_\_\_\_\_

David K. Stein  
CEO/SVP

Dated: \_\_\_\_\_

**New York State Department of Financial Services**

By: \_\_\_\_\_

Rholda L. Ricketts  
Deputy Superintendent

Dated: \_\_\_\_\_