

Government of the District of Columbia
Department of Insurance, Securities and Banking



Thomas E. Hampton
Commissioner

IN THE MATTER OF:

CORNERSTONE FIRST FINANCIAL, LLC
2233 Wisconsin Avenue, N.W.
Suite 408
Washington, D.C. 20007

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BB-SC-04-07

RESPONDENT

TEMPORARY ORDER TO CEASE AND DESIST

In accordance with the provisions of the Mortgage Lender and Broker Act of 1996 ("Act"), D.C. Official Code § 26-1119(d), the Commissioner of the Department of Insurance, Securities and Banking (hereinafter "DISB" or "Commissioner") hereby determines that an emergency condition exists that may endanger the public health or safety of the District of Columbia (hereinafter "District") due to noncompliance with D.C. Official Code §§ 26-1101 *et. seq.* and issues a TEMPORARY ORDER TO CEASE AND DESIST based upon the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. The Commissioner has jurisdiction, in the District, over the licensing and regulation of persons and entities engaged in mortgage lender and mortgage broker activities pursuant to the Act. That jurisdiction includes the requirement to ensure that individuals subject to the licensing and regulation requirements of the Act also comply with applicable federal law and regulations.

2. The Respondent, Cornerstone First Financial, LLC (hereinafter "Cornerstone"), is a Washington, D.C. based mortgage broker founded as a single-member limited liability corporation formed in April, 2004 by Mark Livingstone.
3. Cornerstone is licensed by DISB pursuant to the Act. According to records maintained on file by DISB, Cornerstone currently holds one (1) mortgage broker license in the District, License No. MB 4066, set to expire September 30, 2007. The 2007 renewal application is currently pending.
4. In its 2006 annual report to DISB, Cornerstone reported serving as the mortgage broker for ten (10) loans secured by real property in the District with a combined value of one million four hundred fifty thousand dollars (\$1,450,000). However, in the course of the examination of other mortgage brokers and lenders, DISB discovered that Cornerstone was listed as the mortgage broker of record for additional mortgage loans secured by real property in the District.
5. Additional research determined that Cornerstone failed to disclose that it was the broker of record for 60 mortgage loans in Cornerstone's 2006 annual report.
6. Based on the volume of activity reported by Cornerstone, it was assessed an annual fee of four hundred sixty-six dollars (\$466.00). The assessed annual fee is significantly lower than the fee that would have been assessed based on the actual number of loans brokered.
7. Based on the volume of activity reported by Cornerstone, it maintained a blanket surety bond of twenty-five thousand dollars (\$25,000.00) held by International Sureties, Ltd. (Bond No. 0404044). However, given the volume of loans actually brokered, Cornerstone was required by law to maintain a surety bond in the amount of fifty thousand dollars (\$50,000.00).
8. Pursuant to Section 13 of the Mortgage Lender and Broker Act of 1996, (DC Law 11-155; DC Official Code §26-1112) (2001), DISB has authority to conduct a on-site examination of the affairs, business, premises, and records of a licensee. In response to the DISB notice of the examination of Cornerstone, and in preparation therefore, Cornerstone submitted a Management Questionnaire to DISB. In the Management Questionnaire, Mr. Livingstone, Cornerstone's President, certified and attested that he did not knowingly withhold from DISB any other financial records or related data that would be relevant to the purpose of the examination.
9. On August 1, 2007, during the on-site examination of Cornerstone by DISB, Mr. Livingstone acknowledged that Cornerstone was a "co-broker" with several other unlicensed brokers, most notably Metropolitan Money Store ("MMS"), Premier Funding Group, Pro Choice Mortgage First, Choice Mortgage and Green Valley Mortgage, LLC.

10. In the “co-broker” arrangement, Cornerstone served as the broker of record on the loan documents and processed the loans with the lender on behalf of the non-DISB licensed brokers. Cornerstone received ten percent (10%) of the broker’s fee, administration fee, processing fee, appraisal fee and yield spread premium with the balance, ninety percent (90%), turned over to the unlicensed broker.
11. Pursuant to a subpoena issued by the Commissioner, on August 1, 2007, ordering the production of documents on or before August 8, 2007, Cornerstone turned over additional loan information for approximately sixty (60) loans that were either brokered or “co-brokered” by Cornerstone from 2006 through August, 2007.
12. One of the entities that Cornerstone “co-brokered” loans for was MMS. Under its “Mortgage Reversal Program,” MMS targeted homeowners with substantial equity but in mortgage distress or facing foreclosure. MMS represented that it would assist homeowners in refinancing their mortgages to retain their homes. The “Mortgage Reversal Program” as designed or implemented, stripped the equity from the properties for the benefit of MMS and others.
13. MMS was an unlicensed mortgage broker and engaged Cornerstone to be the broker of record to process loans in the District. Cornerstone was the broker of record for at least seven (7) loans that were brokered in the District by MMS.
14. A review of the fees and settlement charges of the “co-brokered” loans revealed that Cornerstone charged fees that were in significantly higher than fees charged by Cornerstone for loans it routinely brokered. The fees were effectively paid by the homeowners thus reducing any proceeds available at settlement.
15. Through the fees and settlement charges imposed by Cornerstone in these “co-brokered” loans, which were paid by the homeowners/sellers, the result was that the homeowners/sellers had reduced proceeds available to them at settlement.
16. With its “co-broker” arrangement with MMS, Cornerstone aided and abetted MMS to strip the equity from homes owned by District residents.
17. On August 29, 2007, the Office of the Attorney General of the District of Columbia filed a complaint for injunctive, declaratory and other equitable relief, restitution and civil penalties in the Superior Court of the District of Columbia naming Cornerstone as a defendant in a scheme to strip equity from the homes of District residents. *See* District of Columbia v. Metropolitan Money Store Corp., et al., 2007 CA 6023B.
18. Cornerstone’s District license will expire on September 30, 2007.

CONCLUSIONS OF LAW

1. Through its conduct, Cornerstone violated Title 26A of the District of Columbia Municipal Regulations, §1113, in that it failed to comply with applicable federal law and any rule, regulation, order or interpretation promulgated or issued pursuant to the applicable federal law. Specifically, Cornerstone violated Title 24 of the Code of Federal Regulations, § 3500.14 which prohibits splitting of fees and charges.
2. Through its conduct, Cornerstone violated D.C. Official Code § 26-1103(b) (2) in that it failed to conduct its business lawfully, honestly, fairly and efficiently as required to remain qualified for licensure. Cornerstone committed fraud in its dealing with this Department because it failed to disclose all loans brokered on its annual report and benefited from a lower annual assessment and a smaller surety bond requirement.
3. Through its conduct, Cornerstone violated D.C. Official Code § 26-1110 in that it filed an annual report, under a sworn affidavit, in which it failed to disclose material facts and or which contained false information.
4. Through its conduct Cornerstone violated D.C. Official Code § 26-1103(i)(3)(D) in that it failed to maintain a surety bond in the required amount.
5. Through its conduct, Cornerstone violated D.C. Official Code §26-1112(c) in that it failed to afford DISB full access to all premises, books, and records in the course of an examination.
6. Through the conduct of Cornerstone an emergency condition exists that may endanger the public health or safety of the District due to noncompliance with the Act, which permits the Commissioner to issue a temporary cease and desist order pursuant to D.C. Official Code § 26-1119(d).

ORDER TO CEASE AND DESIST

Therefore, based on the above FINDINGS OF FACT and CONCLUSIONS OF LAW, the Commissioner determines that an emergency exists and, it is this 26th day of September, 2007 hereby

ORDERED: That a TEMPORARY CEASE AND DESIST ORDER shall be entered and shall become effective immediately as to Cornerstone First Financial, LLC ("Cornerstone"); and it is further

ORDERED: That the TEMPORARY CEASE AND DESIST ORDER shall remain in effect unless set aside, limited, or suspended by the Commissioner or upon court order; and it is further

ORDERED: That Cornerstone, and any and all officers, directors, employees, independent contractors, or agents operating on behalf of Cornerstone shall immediately cease engaging in the activities of a mortgage broker relative to any residential property in the District of Columbia including, but not limited to, solicitation activities for any new applications; and it is further

ORDERED: That Cornerstone shall voluntarily return all loan applications submitted by District of Columbia consumers that have not yet been presented to prospective lenders and refund any and all fees submitted in connection with the applications; and it is further

ORDERED: That notwithstanding anything in the preceding paragraph Cornerstone shall immediately place any fees previously collected from District of Columbia consumers relative to any pending mortgage loan applications in a separate escrow account maintained at a federally insured bank; and it is further

ORDERED: That Cornerstone shall submit to the Commissioner all information on file as of the date of submission regarding Cornerstone's pipeline of pending mortgage loan applications including but not limited to, the following: the names and contact information of all District of Columbia consumers from whom Cornerstone has accepted an application for a residential mortgage loan; the loan file numbers; the amount of all prepaid loan fees submitted by the consumer; rate lock status; the amount of each loan; applicant status (i.e. filed, submitted to lenders, cleared to close etc.); loan terms, if approved; scheduled closing dates; the loan purpose; and the lender with whom each application will be placed. The record should include telephone numbers of contact persons at each lender who is familiar with Cornerstone's submitted loans. The pipeline report should also include a legend which fully describes each application status designated by Cornerstone on the pipeline reports. These records shall be produced and submitted to the Commissioner by no later than two (2) business days from receipt of this ORDER. Preferably, these documents should be submitted electronically to the Department's email box at bankingbureau@DC.gov; and it is further

ORDERED: That notwithstanding anything in the preceding paragraphs, Cornerstone shall immediately place with a qualified District of Columbia licensed broker, with no loss to the applicant, and with the consent of the applicant, any loan in the pipeline which has been approved by the lender regardless whether it has been scheduled for closing. You shall report to the Commissioner upon completion of such placement. It is understood that "no loss to the applicant" shall mean the loan shall be placed with a broker willing to complete the transaction under the same terms and conditions extended by Cornerstone; and it is

ORDERED: That Cornerstone shall immediately secure all pending mortgage loan application files for loans that have been approved and, such books and records shall be turned over to the Commissioner, in their entirety; and it is further

ORDERED: That Cornerstone shall immediately remove all information on its website referring to its authorization to advertise or solicit residential mortgage loans from District consumers; and it is further

ORDERED: That Cornerstone is hereby directed to appear before the Department of Insurance, Securities and Banking, 810 First Street, NE, Suite 701, Washington, DC 20002, on October 22, 2007 at 11:00 a.m. for a hearing in this matter.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Department of Insurance, Securities and Banking in the District of Columbia.



Thomas E. Hampton
Commissioner

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