

November 1, 2018

**MORTGAGE LENDING AND FRAUD PREVENTION TASK FORCE LEGISLATIVE
REPORT PURSUANT TO IC 4-23-30-6**

The following information is required by IC 4-23-30-6 to be placed into a Legislative Report and submitted to the Legislative Services Agency on or before November 1, 2018.

Overview

The Mortgage Lending and Fraud Prevention Task Force (“Task Force”) held meetings quarterly during the 2018 calendar year. Representatives from the Indiana Department of Financial Institutions, the Indiana Office of the Attorney General, the Indiana Secretary of State-Securities Division, the Indiana Department of Insurance, the Indiana Real Estate Commission and the Real Estate Appraiser Licensure and Certification Board were in attendance. Each meeting included a public session followed by a closed executive session, as needed.

120 General Assembly (2017) House Enrollment Act N. 1526 Section 1. IC 4-23-30-4 outlines the duties of the Task Force. The Task Force shall meet quarterly, with additional meetings scheduled as needed by the Task Force chair to coordinate the State of Indiana’s efforts to regulate the various participants involved in originating, issuing, and closing home loans. The Task Force will strive to enforce state laws and rules concerning mortgage industry practices and mortgage fraud and prevent fraudulent practices in the home loan industry. Information and resources will be shared among the agencies unless prohibited by law.

Shared Knowledge and the RREAL IN Database - Pursuant to Indiana Code 27-7-3-15.5, beginning January 1, 2010, all persons or entities that close certain real estate transactions are required to report detailed information regarding professionals, organizations and agencies involved in the transactions to the Residential Real Estate Acquisition of Licensee Information and Numbers (RREAL IN) database. Users required to enter information into the database include lending institutions, title producers, mobile notaries, and attorneys who close qualifying transactions.

All required information must be entered into the RREAL IN database within 20 business days of the transaction closing (signing) date. Currently, there are no exclusions for licensed professionals, companies, agencies, or institutions from providing the required information or being recorded as part of the transaction, if they participated in a professional capacity, associated with said transaction.

Information and user training material on the RREAL IN database are available to potential users online. Also, user training via conference call is available to resident and non-resident licensees. Ongoing communication to all targeted licensees is necessary to help increase awareness of the RREAL IN database and the subsequent reporting requirements.

The RREALIN database makes information readily available to a variety of state agencies. Current state agencies that have established access to the RREALIN database for research, investigative and reporting purposes include the Department of Insurance, the Attorney General’s Office, the Department of Financial Institutions, the Secretary of State, and the Indiana Professional Licensing Agency; Real Estate Commission and the Real Estate Appraiser Licensure and Certification Board. With the assistance of information sharing across these agencies and data collected from the RREAL IN database, cases of fraud and abuse continue to be identified, investigated and the necessary legal or administrative action taken, as necessary to prevent future activity and protect Indiana consumers.

Since the inception of the RREAL IN Database on January 1 2010, an additional \$3,388,889 has been invested to improve functionality, enhance reporting capabilities, and add additional transaction forms and data fields in order to meet legislative changes to the initial reporting requirements, which went into effect January 1, 2012, with the passing of HB 1273. The growth of the database and expansion of the reporting requirements has enabled the agencies comprising the Task Force to cast a wider net; focusing on additional transaction details that represent additional areas of fraud and abuse, associated with qualifying residential transactions.

As a result of the 2017 field audits/exams, conducted by the Department of Financial Institutions and the Department of Insurance, many lending institutions, title agencies and other closers retroactively reported an unspecified number of qualifying transactions, which were previously un-submitted for 4th quarter 2016 - 2017 reporting periods.

Current RREAL IN Database statistics:

| Registered User Accounts | Transactions Submitted since Inception of the Database |
|--------------------------|--|
| 45,841 | 1,618,489 |

| YTD Inquiries | YTD Transaction Edits/Additions Request | YTD Password Resets | YTD Transactions Submitted |
|---------------|---|---------------------|----------------------------|
| 5,412 | 6,679 | 237 | 148,363 |

For more information regarding the RREALIN database, please visit the website at: http://in.gov/apps/in_rreal/Login.aspx

I. Information on the regulatory activities of each agency described in subsection (b), including a description of any:

(A) Disciplinary or Enforcement Actions Taken

The Office of the Indiana Attorney General

The Office of the Indiana Attorney General’s Professional Licensing Enforcement & Homeowner Protection Unit has jurisdiction to investigate and prosecute the following parties:

1. Professional licensees who violate the rules, regulations, and statutes governing their profession.
2. Non-licensees that engage in activities that require a professional license.
3. Persons that commit deceptive and/or unconscionable acts during the course of real estate transactions or other consumer transactions.
4. Persons that engage in business transactions with Indiana citizens, or with regard to Indiana property, that otherwise violate the Home Loan Practices Act and/or Deceptive Consumer Sales Act.
5. Out-of-state entities that transact business in the State of Indiana without first obtaining a certificate of authority from the Indiana Secretary of State.

Civil defendants, when prosecuted as detailed above, may face one or more of the following sanctions: imposition of civil penalties, imposition of consumer restitution, imposition of costs of prosecuting the lawsuit in question, and imposition of one or more injunctions related to the action taken against them.

Professional licensees, when prosecuted, may face one or more of the following sanctions pursuant to the Indiana Code:

IC § 25-1-11-12 – Sanctions for Violations

Sec. 12. (a) The board may impose any of the following sanctions, singly or in combination, if the board finds that a practitioner is subject to disciplinary sanctions under sections 5 through 9 of this chapter:

- (1) Permanently revoke a practitioner’s license.
- (2) Suspend a practitioner’s license.
- (3) Censure a practitioner.
- (4) Issue a letter of reprimand.
- (5) Place a practitioner on probation status and require the practitioner to:
 - a. report regularly to the board upon the matters that are the basis of probation;
 - b. limit practice to those areas prescribed by the board;

- c. continue or renew professional education approved by the board until a satisfactory degree of skill has been attained in those areas that are the basis of the probation;
 - d. perform or refrain from performing any acts, including community restitution or service without compensation, that the board considers appropriate to the public interest or to the rehabilitation or treatment of the practitioner; or
 - e. satisfactorily complete a peer review specified by the board as a condition for termination of probationary status if the practitioner is a licensee (as defined in IC §25-2.1-1-8).
- (6) Assess a civil penalty against the practitioner for not more than one thousand dollars (\$1,000) for each violation listed in sections 5 through 9 of this chapter except for a finding of incompetency due to a physical or mental disability.
- (7) Order a practitioner to pay consumer restitution to a person who suffered damages as a result of the conduct or omission that was the basis for the disciplinary sanctions under this chapter.

(b) When imposing a civil penalty under subsection (a)(6), the board shall consider a practitioner's ability to pay the amount assessed. If the practitioner fails to pay the civil penalty within the time specified by the board, the board may suspend the practitioner's license without additional proceedings. However, a suspension may not be imposed if the sole basis for the suspension is the practitioner's inability to pay a civil penalty.

Additionally, when a licensee's actions do not rise to the level of prosecution, the Office of the Attorney General may resolve the consumer complaint with the issuance of a warning letter or a warning letter with conditions. A warning letter with conditions is an alternative way for a consumer complaint to be resolved for minor violations that would otherwise result in an administrative complaint being filed with the board. This resolution to the consumer complaint provides the Office of the Attorney General an alternative method of resolution to the issues addressed in the consumer complaint without formal action being reflected in their licensing file. The warning letter with conditions advises the licensee(s) of the potential violation(s) that may have occurred and further requires the licensee to typically complete additional education as a condition precedent to the closing of the consumer complaint. If the licensee does not complete the continuing education coursework within the specified timeframe, the Office of the Indiana Attorney General may file an administrative complaint before the appropriate board.

**Civil Complaints Filed, Assurances of Voluntary Compliance and Consent Judgments
Entered September 7, 2017 through September 6, 2018**

| <u>Case</u> | <u>Filing Date</u> | <u>County of Filing</u> | <u>Disposition</u> | <u>Disposition Date</u> | <u>Brief Case Summary</u> |
|---------------------------------------|--------------------|-------------------------|---------------------------------|-------------------------|--|
| State of Indiana v. Hiedi Brooks | 4/6/2017 | LaPorte | Consent Judgment - \$ 24,000.00 | 2/7/2018 | Defendant, individually and/or as owner and/or principal of Beach Access Vacations, LLC, managed property for a number of clients without the proper licensure to do so, and failed to return tens of thousands of dollars to the clients that she purportedly represented. The State's Complaint alleged Defendant violated IC 24-9-3-7(c)(4). Defendant's debts to these clients were discharged in bankruptcy and could not be pursued as restitution. The matter was settled for \$24,000.00 in civil penalties. |
| State of Indiana v. Fairview Crossing | 7/30/2014 | Scott | Consent Judgment - \$ 3,000.00 | 4/3/2018 | The State's Complaint alleged Defendant engaged in deceptive acts by misrepresenting home values and then inducing consumers to take out reverse mortgages. Individuals who ran Defendant were charged criminally and reached a settlement to |

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| | | | | | pay restitution. The matter was settled for \$3,000.00 in civil penalties. |
| State of Indiana v. Carin Henderson | 11/6/2013 | Marion | Consent Judgment - \$ 10,000.00 | 10/30/2017 | The State's Complaint alleged Defendant managed property for a number of clients without the proper licensure to do so, and failed to return tens of thousands of dollars to the clients that she purportedly represented. Defendant's debts to these clients were discharged in bankruptcy and could not be pursued as restitution. The matter was settled for \$10,000.00 in civil penalties. |
| State of Indiana v. Patrick McDonald | 12/8/2016 | Allen | Consent Judgment - \$ 1,000.00 | 10/25/2017 | The State's Complaint alleged Defendant misrepresented a tenant's right to redemption under law and demanded that she vacate a property within days, stating that she had no legal right to stay. The matter was settled for a \$1,000.00 civil penalty. |
| State of Indiana v. National Servicing Center et al | 6/1/2016 | Monroe | Default Judgment - \$ 139,333.33 | 5/18/2018 | The State's Complaint alleged Defendants induced multiple consumers to contract with them for |

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| | | | | | foreclosure consultant services, accepted payment, and then failed to complete services. The State was granted a \$139,333.33 default judgment, comprised of: \$3,733.33 in restitution, \$2,100.00 in costs, and \$133,500.00 in civil penalties. |
| State of Indiana v. NMRC, Inc. et al | 9/30/2013 | Marion | Default Judgment - \$ 103,090.00 | 7/19/2018 | The State's Complaint alleged Defendants induced multiple consumers to contract with them for foreclosure consultant services, accepted payment, and then failed to complete services. The State was granted a \$103,090.00 default judgment, comprised of: \$1,490.00 in restitution, \$2,100.00 in costs, and \$99,500.00 in civil penalties. |
| State of Indiana v. Paragon Financial Services et al | 4/19/2017 | Vanderburgh | Default Judgment - \$ 36,130.00 | 2/5/2018 | The State's Complaint alleged Defendants induced multiple consumers to contract with them to secure financing for a home purchase, accepted payment, then failed to refund it. The State was granted a \$36,130.00 default judgment, comprised of: \$4,930.00 in restitution, \$1,200.00 |

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| | | | | | in costs, and \$30,000.00 in civil penalties. |
| State of Indiana v. Julio Cesar Ramirez et al. | 10/25/2017 | Marion | Default Judgment - \$ 302,788.76 | 7/10/2018 | The State's Complaint alleged Defendants induced multiple consumers to contract with them for foreclosure consultant services, accepted payment, and then failed to complete services. The State was granted a default judgment of varying amounts against each Defendant. The total awarded to the State was comprised of: \$1,663.76 in restitution, \$1,125.00 in costs, and \$300,000.00 in civil penalties. |
| State of Indiana v. Howard Hoffman et al | 8/14/2018 | Marion | Pending | Pending | The State's Complaint alleged Defendants made or advised a buyer to make misleading statements regarding their creditworthiness, in violation of IC 24-5-0.5-4. The matter is pending. |
| State of Indiana v. Jeffrey Sampson | 4/11/2018 | Porter | Pending | Pending | The State's Complaint alleged Defendant engaged in a deceptive act by agreeing to a real estate transaction in which he offered to quitclaim property to a consumer that he had no ownership or authority to quitclaim, and in |

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| | | | | | exchange induced the consumer to quitclaim her property away to him. The matter is pending. |
| State of Indiana v. Green Tree Financial Group, et al. | 10/16/2015 | LaPorte | Default Judgment - \$ 135,670.00 | 7/31/2018 | The State’s Complaint alleged that Defendants committed multiple violations of the Home Loan Practices Act, the Deceptive Consumer Sales Act and the Credit Services Organizations Act. A default judgment was obtained whereby the total awarded to the State was comprised of: \$5,495.00 in restitution, \$675.00 in costs, and \$129,500.00 in civil penalties. |
| State of Indiana v. CH Hudson Group, et al. | 11/4/2013 | Marion | Assurance of Voluntary Compliance obtained 4/28/2014; Consent Judgment obtained 9/25/2018; and Default Judgment obtained 2/6/2018- \$ 52,675.00 | Assurance of Voluntary Compliance - 4/28/2014; Consent Judgment – 9/25/2018; and Default Judgment – 2/6/2018 | The State’s Complaint alleged that Defendants committed multiple violations of the Home Loan Practices Act and the Mortgage Rescue Protection Fraud Act and that Defendants failed to obtain a Certificate of Authority prior to conducting business in Indiana. The State and one Defendant entered into an Assurance of Voluntary Compliance whereby Defendant acknowledged that any |

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| | | | | | <p>future violations would be prima facie evidence of a deceptive act. The State and three Defendants entered into a Consent Judgment in which those Defendants agreed to pay \$500.00 in restitution and agreed to an injunction. The State obtained a default judgment against the remaining Defendants that included an injunction, restitution in the amount of \$2,000.00, costs in the amount of \$675.00, and civil penalties in the amount of \$50,000.00.</p> |
| <p>State of Indiana v. Brunty Law Firm, et al.</p> | <p>4/21/2014</p> | <p>Fulton</p> | <p>Default Judgment – \$ 106,075.00</p> | <p>6/19/2018</p> | <p>The State’s Complaint alleged that Defendants committed multiple violations of the Home Loan Practices Act, the Mortgage Rescue Protection Fraud Act, the Deceptive Consumer Sales Act and the Credit Services Organizations Act and that Defendants failed to obtain a Certificate of Authority before conducting business in Indiana. The State obtained a default judgment that included an injunction, restitution in the amount of \$3,400.00, costs in the amount of \$675.00 and</p> |

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| | | | | | civil penalties in the amount of \$102,000.00. |
| State of Indiana v. Select Debt Solutions, Inc., et al. | 7/24/2014 | Elkhart | Default Judgment - \$ 52,396.25 | 9/26/2018 | The State’s Complaint alleged Defendants committed multiple violations of the Home Loan Practices Act and the Mortgage Rescue Protection Fraud Act and that Defendants failed to obtain a Certificate of Authority before conducting business in Indiana. The State obtained a default judgment that included an injunction, restitution in the amount of \$1,721.25, costs in the amount of \$675.00 and civil penalties in the amount of \$50,000.00. |
| State of Indiana v. Law Offices of Alexis M. Rabbani, P.A., et al. | 1/16/2014 | Marion | Consent Judgment - \$ 7,811.11; Default Judgment - \$ 105,489.00 | Consent Judgment – 5/15/2014; Default Judgment – 2/1/2018 | The State’s Complaint alleged Defendants committed multiple violations of the Home Loan Practices Act, the Mortgage Rescue Protection Fraud Act, the Deceptive Consumer Sales Act and Credit Services Organizations Act and that Defendants failed to obtain a Certificate of Authority before conducting business in Indiana. The Consent Judgment with two Defendants included an injunction, restitution in the amount |

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| | | | | | of \$2,711.11, costs in the amount of \$100.00 and civil penalties in the amount of \$5,000.00. The default judgment obtained against the remaining Defendants included an injunction, restitution in the amount of \$2,439.00, costs in the amount of \$1,050.00 and civil penalties in the amount of \$102,000.00. |
| *State of Indiana v. Mitigation Center, et al. | 4/13/2015 | Marion | Pending | Pending | The State has charged Defendants with violating the Credit Services Organizations Act, the Mortgage Rescue Protection Fraud Act, the Home Loan Practices Act and the Deceptive Consumer Sales Act and that Defendants conducted business without first obtaining a Certificate of Authority. The matter is pending. |
| *State of Indiana v. Global Retention U.S., et al. | 7/22/2014 | Marion | Pending | Pending | The State has charged Defendants with violating the Credit Services Organizations Act, the Mortgage Rescue Protection Fraud Act, the Home Loan Practices Act and the Deceptive Consumer Sales Act. The matter is pending. |

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| *State of Indiana v. Retention Help Center, LLC, et al. | 4/22/2013 | Marion | Pending | Pending | The State has charged Defendants with violating the Credit Services Organizations Act, the Mortgage Rescue Protection Fraud Act, the Home Loan Practices Act and the Deceptive Consumer Sales Act and that Defendants conducted business without first obtaining a Certificate of Authority. The matter is pending. |
| *The three causes of action above have been consolidated under <i>State of Indiana v. Retention Help Center, LLC, et al.</i> pursuant to the court's order of 9/30/2014 for purposes of discovery and pretrial motions. | | | Assurance of Voluntary Compliance obtained – 5/4/2016 | Pending | The State entered into an Assurance of Voluntary Compliance with one Defendant whereby Defendant acknowledged that any future violations would be prima facie evidence of a deceptive act. The matter is pending approval by the court. |
| State of Indiana v. National Home Advocacy Group, et al. | 9/6/2018 | Marion | Consent Judgment filed 10/16/2018 | Pending approval by the court | The State has charged Defendants with violating the Home Loan Practices Act, the Mortgage Rescue Protection Fraud Act, the Deceptive Consumer Sales Act and the Credit Services Organizations Act. The parties have entered a Consent Judgment which |

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| | | | | | includes an injunction, restitution in the amount of \$1,797.50 and civil penalties in the amount of \$2,000.00. The matter is pending approval by the court. |
| State of Indiana v. Preferred Law, PLLC, et al. | 1/26/2018 | Marion | Pending | Pending | The State has charged Defendants with violating the Mortgage Rescue Protection Fraud Act and the Home Loan Practices Act. The matter is pending. |
| State v. Advocacy Department, et al. | 6/1/2016 | Hamilton | Consent Judgment - \$2,925.12 consumer restitution Default Judgment - \$2,925.12 consumer restitution; \$1,650.00 costs; and \$111,500.00 civil penalties | Consent Judgment – 3/22/2018; Default Judgment – 4/16/2018 | The State has charged Defendants with violating the Credit Services Organizations Act, the Mortgage Rescue Protection Fraud Act, the Home Loan Practices Act and the Deceptive Consumer Sales Act. The State has entered into a Consent Judgment with two Defendants for which included an injunction, restitution in the amount of \$2,925.12. On April 16, 2018, the State obtained a default judgment against the remaining Defendant which included an injunction, restitution in the amount of \$2,925.12, costs in the amount of \$1,650.00 |

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| | | | | | and civil penalties in the amount of \$111,500.00. |
| State v. DFW Financial Company, et al. | 11/18/2015 | Hamilton | Dismissed | 1/2/2018 | |
| State v. AFS Loan Modification Corp, et al. | 2/28/2014 | Knox | Consent Judgment - \$12,210.02 consumer restitution Default Judgment - \$12,210.02 consumer restitution; \$1,650.00 costs; and \$360,000.00 civil penalties | Consent Judgment – 6/15/2017 Default Judgment – 4/18/2018 | The State charged that Defendants violated the Mortgage Rescue Protection Fraud Act and Home Loan Practices Act and conducted business without first obtaining a Certificate of Authority. The State has entered into a Consent Judgment with one Defendant which included an injunction and restitution in the amount of \$12,210.02. The State obtained a default judgment against all remaining Defendants for an injunction, restitution in the amount of \$12,210.02, costs in the amount of \$1,650.00 and civil penalties in the amount of \$360,000.00. |
| State v. Supranee Kilgore a/k/a Supranee Deken, et al. | 10/27/2017 | Marion | Default Judgment - \$943.18 consumer restitution; \$1,200.00 costs; and \$89,500.00 civil penalties | Default Judgment – 2/26/2018 | The State charged that the Defendants violated the Credit Services Organization Act, Mortgage Rescue Protection Fraud Act, the Home Loan Practices Act and the Deceptive Consumer Sales Act. The State |

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| | | | | | obtained a default judgment which included an injunction, restitution in the amount of \$943.18, costs in the amount of \$1,200.00 and civil penalties in the amount of \$89,500.00. |
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Consumer Protection Assistance Fund

In 2011, the Indiana General Assembly passed legislation that created the Consumer Protection Assistance Fund (“CPAF”). CPAF provides relief to consumers who assist the Office of the Attorney General in bringing legal action against businesses preying on the financially vulnerable. The fund is comprised of: appropriations made by the General Assembly; grants, gifts and donations intended for deposit into the fund; and money recovered or received by the Office of the Attorney General for consumer protection purposes. Money in the fund may be used to make payments to qualifying individuals who file qualifying claims with the Office of the Attorney General in connection with a case involving civil actions brought by the State of Indiana, and the Professional Licensing Enforcement & Homeowner Protection Unit for violations of the Home Loan Practices Act, Mortgage Rescue Protection Act, and Credit Services Organization Act. During the fiscal year 2018, the Office of the Attorney General did not receive any claims by consumers for assistance from the fund. The Office of the Attorney General continues to contact affected consumers to encourage them to file claims to seek recovery from CPAF. Affected Indiana consumers are eligible to claim up to \$39,116.04 from judgments obtained during the relevant time period.

**Final Orders for Civil Complaints and Assurances of Voluntary Compliance/Consent
Judgments Entered
September 7, 2017 through September 6, 2018**

| Total Number of Cases with Final Order | Consumer Restitution Ordered | Costs Ordered | Civil Penalties Ordered |
|---|-------------------------------------|----------------------|--------------------------------|
| 16 | \$ 58,085.80 | \$ 14,775.00 | \$ 1,595,500.00 |

**Real Estate Broker Administrative Cases
September 7, 2017 through September 6, 2018**

| Total Number of Cases Filed | Cease & Desist Ordered | Revocation Ordered | Suspension Ordered | Probation Ordered | Letter of Reprimand Issued | Dismissal Ordered |
|------------------------------------|-----------------------------------|---------------------------|---------------------------|--------------------------|-----------------------------------|--------------------------|
| 29 | 0 | 13 | 9 | 6 | 7 | 1 |

**Real Estate Appraiser Administrative Cases
September 7, 2017 through September 6, 2018**

| Total Number of Cases Filed | Cease & Desist Ordered | Revocation Ordered | Suspension Ordered | Probation Ordered | Letter of Reprimand Issued | Dismissal Ordered |
|------------------------------------|-----------------------------------|---------------------------|---------------------------|--------------------------|-----------------------------------|--------------------------|
| 8 | 0 | 0 | 0 | 3 | 2 | 0 |

| Consumer Restitution Ordered – Real Estate Broker & Appraiser matters | Civil Penalties Ordered - Real Estate Broker & Appraiser matters |
|--|---|
| \$ 14,908.00 | \$ 9,750.00 |

The Indiana Office of the Attorney General actively uses the RREAL IN database administered by the Indiana Department of Insurance. The data is used to assist the Office of the Indiana Attorney General in on-going investigations.

The Indiana Office of the Attorney General actively uses the MyLicense database administered by the Indiana Professional Licensing Agency. The data is used to assist the Office of the Indiana Attorney General in ongoing investigations.

(B) Criminal Prosecutions Pursued

NONE

(C) Policies Issued (Rules, Bulletins, Consumer Advisories)

The Office of the Indiana Attorney General

The Office of the Indiana Attorney General dedicates a considerable amount of resources to educate and alert consumers, including those practicing within the real estate industry.

Foreclosure Prevention and Awareness Efforts – The Office of the Indiana Attorney General continues its mission to educate Hoosiers about foreclosure consultants, credit services organizations, and loan modification schemes. Furthermore, the Office of the Indiana Attorney General takes every opportunity to provide consumers with information concerning legitimate foreclosure assistance. One of those legitimate avenues of assistance is housed within the Professional Licensing Enforcement & Homeowner Protection Unit, who has dedicated staff to mediate loan servicing issues for struggling Indiana consumers. Those issues include, but are not limited to, loan modifications, escrow issues, misapplied payment issues or concerns, and the home buying/home owning process. Numerous members of the Office of the Indiana Attorney General staff have spoken to groups of individuals inside and outside the real estate industry about these topics.

Consumer Education - The Office of the Indiana Attorney General utilizes every means possible to reach out to consumers and warn them of emerging topics and trends. Those means of communication include press releases, the Office of the Indiana Attorney General website, Facebook, Twitter, speaking engagements, and other outreach programs dedicated to educating and assisting the underserved population of Indiana.

(D) Legislative Recommendations Made

The Office of the Indiana Attorney General

In preparation for the upcoming legislative session, the Professional Licensing Enforcement & Homeowner Protection Unit examined and studied all the laws within its purview and the cases that the Professional Licensing Enforcement & Homeowner Protection Unit litigated utilizing these laws.

The purpose of this study was to ascertain whether any legislative changes needed to be made to better enforce those laws.

Upon review, the Professional Licensing Enforcement & Homeowner Protection Unit has not identified any proposals that it believes should definitely be pursued for the 2019 legislative session. The Unit has been advised of concerns relating to statutes regarding land sale contracts and is reviewing those provisions and engaging in discussions with stakeholders. The Professional Licensing Enforcement & Homeowner Unit will continue to monitor and review those and other issues in preparation of the 2019 legislative session.

Indiana Department of Insurance

The Title Insurance Division examines the business practices of residential and non-residential title insurance agents, agencies, and underwriters who conduct business in the State of Indiana. The Division also investigates consumer complaints related to title insurance policies, the closing of real estate transaction, and the disbursement of real estate transactions funds. Typically a resolution is attained wherein consumer monies are recovered without Departmental administrative action. The total amount of monies the Title Division participated in recovering for consumers is outlined below.

The Department assists in the detection of mortgage fraud through enforcing the compliance of title agencies; conducting on-site agency examinations, conducting desk agency examinations, and assuring the integrity of the RREAL IN database. The increased quality and quantity of the data submitted and available in the RREAL IN database should serve to enhance the investigative abilities of member agencies in pursuit of fraudulent and deceptive practices.

The Department has increased efforts to educate the Indiana Title Insurance Industry on fraud prevention and compliance with Title 27. These efforts include; Departmental speaking engagements at the Indiana Land Title Association Annual Convention, quarterly meetings with Indiana Land Title Association leadership and industry leaders, and speaking to newly licensed title producers through educational seminars.

Title Insurance Administrative Actions and Monies

Recovered November 1, 2016 – November 1, 2017

| Final Orders Issued | RREAL IN Fines | Suspension | Fines collected | Consumer Monies Recovered |
|----------------------------|---------------------------|-------------------|------------------------|--------------------------------------|
| 14 | \$71,330 | 0 | \$85,569 | \$53,637 |

Title Insurance Agency Examinations Initiated October 1, 2016 – October 1, 2017

| Title Insurance Agency Examinations Initiated | Title Insurance Agency Examinations Completed |
|--|--|
| 203 | 203 |

| Title Insurance Agency Investigations Completed |
|--|
| 16 |

Indiana Professional Licensing Agency

The Indiana Professional Licensing Agency (“agency”), which staffs and administers the Indiana Real Estate Commission (“Commission”), is charged with maintaining the agency’s licensing information database. This database makes enforcement actions, disciplinary decisions, and practitioner profiles easily accessible to the public. The database is a one-stop-shop for the public to view all accessible information about professionally licensed individuals.

Transparency is fundamental to the agency. All administrative actions discussed and taken by the Commission are publicly available at the Indiana Professional Licensing Agency. With this module, one can easily decipher whether a practitioners has been disciplined and find out the current status of the practitioner’s license. The agency also has dedicated staff to answer questions from the public and to provide them with information, if requested. The agency regularly evaluates ways to make information more readily available and easier to navigate for the public.

The Commission continues to communicate with other states regarding reciprocity agreements. Currently, the only agreement on record is with Illinois. However, the Commission handles applicants from all other states on a case-by-case basis depending on the type and level of the credential provided to the committee. Entering into agreements with other states will open interstate dialogue which will help in the regulation of the profession nationwide.

The Commission is in the process of updating and revising technical aspects of relevant administrative. Not substantive changes to rulemaking are current in process for the Commission.

The licensing system to track continuing education hours is in use for licensees. Each continuing education provider can utilize the system to register each licensee who has participated in a course.

**Indiana Professional Licensing Agency Administrative Complaints
Indiana Real Estate Commission and Real Estate Appraiser Board**

Between November 1, 2016 – November 1, 2017

| Complaints | Motions to Cease and Desist | Summary Suspensions with Real Estate Commission |
|-------------------|------------------------------------|--|
| 41 | 2 | 0 |

Indiana Department of Financial Institutions

LICENSING and EXAMINATION SUMMARY:

Mortgage Lending License:

Approved Licenses – 34 from August 1, 2017 to July 31, 2018

Current Active License – 38

Examinations completed in the reporting period – 56*

* As of July 1, 2017, the previous dual licensing structure was changed combining the First Lien Mortgage Lending License and Subordinate Lien Mortgage Lending License into one Mortgage Lending License. As a result, the number of licenses issued and the number of exams conducted during this reporting period decreased substantially from the previous reporting period.

Mortgage Loan Originator:

Approved licenses – 3,771 – from August 1, 2017 to July 31, 2018

Currently Active Licenses – 12,681

Common Mortgage Examination Errors:

- Loan Estimate and Closing Disclosure errors under the TILA-RESPA Integrated Disclosures..
- Fees imposed in excess of the amount disclosed on the Closing Disclosure.
- Advertising of mortgage terms violations under Federal Regulation Z (Truth-in-Lending).
- Inaccurate or incomplete loan program disclosures under Federal Regulation Z for certain adjustable-rate transactions.
- Failure to provide for independent review of the AML Program in violation of 31 CFR Section 1029.210.
- Residential Real Estate Acquisition of Licensee Information and Numbers Database (“RREAL IN”). RREAL IN is statutorily mandated by Indiana Code 27-7-3-15.5.
- Failure to provide HPU-01 Notice to Borrower/Prospective Borrower form pursuant to IC 24-5-23.5-8(a).

Mortgage Loan Originators (MLOs) are regulated by DFI under 750 IAC 9, et al. The SAFE Rule was readopted effective March 1, 2016.

First lien dwelling secured lenders are regulated under IC 24-4.4 and subordinate lien dwelling secured lenders are regulated under IC 24-4.5. The DFI has limited authority, which does include examination authority, over first and subordinate lien mortgage transactions originated by Indiana chartered banks and credit unions.

Routine examinations of mortgage lenders in 2018 resulted in the DFI finding some instances of the closing agent not having updated all of the information in the RREAL IN database as required by IC 27-7-3-15.5. Compliance with this requirement continues to improve. Creditors, including state chartered depositories and licensed mortgage lenders, are advised during the examination and in the DFI written examination report of the need for full compliance with this provision and to ensure

that their closing agent is complying. Instances were noted where no evidence was found that consumers were provided the “Indiana Property Tax Benefits” form under IC 6-1.1-12-43 and IC 24-4.5-3-701. Failure to provide the form required by the office of the Attorney General under IC 24-5-23.5-8 as to certain disclosures under the Homeowner Protection Unit was also cited as a violation in multiple instances.

Indiana Secretary of State – Securities Division

(A) Disciplinary or Enforcement Actions Taken

The Indiana Secretary of State, Securities Division (“Division”) has jurisdiction concerning administrative enforcement of the Indiana Loan Broker Act (IC 23-2-5) (“Act”). The Act gives the Securities Commissioner the authority to deny, suspend, or revoke the license of any licensee and issue orders such as cease and desist orders, orders requiring loan brokers to appear for a hearing, and other notices. After the opportunity for a hearing, the Commissioner may order other remedies including a civil penalty up to ten thousand dollars (\$10,000), restitution for victims, and other remedies to recoup financial losses for victims if the Commissioner determines that a person has violated the Act.

Loan Broker and Originator Cases Filed October 1, 2017 – September 30, 2018

| Total Number of Cases Filed | Revocation of Licenses | Denials of Licenses | Cease & Desist Orders¹ | Orders to Show Cause² | Consent Agreements³ | Other Orders | Civil Penalties Ordered |
|------------------------------------|-------------------------------|----------------------------|--|---|---------------------------------------|---------------------|--------------------------------|
| | | | | | | | |

¹Cease and Desist Orders are orders issued by the Securities Commissioner for the Respondent to immediately cease and desist from violating the Indiana Loan Broker Act.

² Order to Show Cause is an order issued by the Securities Commissioner for the Respondent to appear at a hearing and show cause why a loan broker or originator license should not be revoked or why civil penalties should not be levied against the Respondent.

³ Consent Agreement is an order signed by the Securities Commissioner outlining an agreement between the Securities Division and a Respondent in response to potential violations; frequently includes civil penalties from the Respondent.

| | | | | | | | |
|---|---|---|---|---|---|---|---------|
| 1 | 0 | 0 | 0 | 0 | 1 | 0 | \$1,500 |
|---|---|---|---|---|---|---|---------|

(B) Criminal Prosecutions Pursued

The Division created the Prosecution Assistance Unit (“PAU”) in 2004, as a unit of investigators and attorneys with law enforcement experience. These investigators and attorneys investigate violations of the Indiana Uniform Securities Act and Loan Broker Act with a goal of presenting those cases for criminal prosecution to county prosecutors or United States Department of Justice. Most violations of the Loan Broker Act are a Level 5 felony, but it is a Level 4 felony if the violation occurs against an individual over the age of sixty (60).

| Defendant Name | Prosecuting Agency | Indictment Date | Case Status | Sentence |
|----------------|--------------------|-----------------|-------------|----------|
| N/A | N/A | N/A | N/A | N/A |

(C) Policies Issued (Rules, Bulletins, Consumer Advisories)

The Division has not issued any formal policies related to loan broker regulation in 2017-2018. All loan brokers and mortgage loan originators are licensed through the Nationwide Mortgage Licensing System. The Division has prepared periodic updates to all licensed individuals describing recent changes in state law, federal law, and the industry as a whole.

The Division hired a Loan Broker Examiner in 2015 to evaluate and create a new process for examining licensed Loan Brokers. Since May 2016, thirty-five (35) examinations have been completed. This has helped the Division ensure all Loan Brokers are complying with state and federal laws.

(D) Legislative Recommendations Made

None

II. Description of Any Challenges Encountered by the Task Force This Year or That Are Anticipated by the Task Force in the Current Fiscal Year

1. With the mortgage market continuing its slow and steady recovery, the Task Force expects to see new and different attempts to “beat the system” of prudent underwriting of loans and safeguards to ensure all parties are not acting in a concerted, fraudulent, scheme to defraud the lender, the customer, the regulator, or all of the above. As regulators of various participants in the mortgage system, all members of the Task Force will have to adapt to these new schemes and determine the best way to identify and prevent abuses.
2. We continue to face challenges, as in previous years, with obtaining for harmed consumers the consumer restitution awarded by the civil courts, boards, or commissions. To address this issue regarding civil actions brought by the OAG concerning the Home Loan Practices Act, the Mortgage Rescue Protection Fraud Act, and the Credit Services Organizations Act, the General Assembly created the Consumer Protection Assistance Fund. As detailed in Section I (A) above, this Fund has paid out over \$1,417,270 to consumers for real estate related violations since its creation in 2011.
3. As indicated in the previous year’s report, the challenge of successful enforcement of RREAL IN reporting requirements, for qualifying transactions on non-resident licensees, is on-going. While reporting of transactions for all licensee groups (title agencies, notaries, lenders, etc.) has increased, reporting for non-resident licensees and industry professionals outside the jurisdiction of Task Force agencies represent an unspecified number of unreported transactions. A potential solution to this challenge could be the solicitation of support from other states through the inclusion of RREAL IN reporting requirements in the Indiana initiative, as part of the National Mortgage Fraud Task Force discussions.
4. The Task Force continually works together to identify ways to close the gap on the awareness of its existence, activities and collective effort to marginalize and combat mortgage fraud. To help with these efforts, the Task Force participated in a seminar for the Indiana Land Title Association on January 26, 2017.

III. Recommendations by the Task Force for Legislation Necessary to Assist the Task Force in Carrying Out the Duties Set Forth in IC 4-23-30-4

None.