

BEFORE THE STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF BANKING

IN THE MATTER OF
NORTHSTAR MORTGAGE, LLC

NOTICE OF LIMITATION OF
REGISTRATION AND CEASE
AND DESIST

TO: ROBERT W. OPPERMAN
NORTHSTAR MORTGAGE LLC
2525 MILTON AVE STE H
JANESVILLE, WI 53545

The State of Wisconsin, Department of Financial Institutions, Division of Banking ("division") licenses and regulates mortgage bankers, mortgage brokers and loan originators in the State of Wisconsin pursuant to ch. 224, subch. III, Stats.

NORTHSTAR MORTGAGE, LLC ("NorthStar"), was issued a license as a mortgage broker, License Number 8991, by the division on June 10, 1999.

KOUROSH PARTOW ("Partow") was issued a license as a loan originator, License Number 9970, by the division on January 4, 1999.

FINDINGS OF FACT

1. NorthStar is a domestic business entity with the last known business address of 2525 Milton Avenue, Suite H, Janesville, Wisconsin 53545 ("Exhibit A").
2. NorthStar is licensed as a mortgage broker, license #99-8991, in the State of Wisconsin ("Exhibit B").
3. Partow is an adult individual with last known address at W7910 Poutch Road, Ft. Atkinson, WI 53538.
4. Partow, upon information and belief, was a member and loan originator of NorthStar from May 25, 1999 to December 7, 2001 ("Exhibit C"). The management of NorthStar is vested in its members.
5. On August 18, 2000, [REDACTED] and [REDACTED] ([REDACTED]) consummated a loan with CitiFinancial, f/k/a Associates Home Equity Services, Inc., formerly located at 2251 S. 108th Street, West Allis, WI 53227. NorthStar acted as the mortgage broker and Partow acted as the loan originator in the [REDACTED] transaction.

6. On May 8, 2001, as part of an on-site review, the division reviewed the above mentioned [REDACTED] file including the [REDACTED] Verification of Rent form ("Exhibit D"). Upon investigation, [REDACTED] the landlord, sent the department the attached May 23, 2001 facsimile ("Exhibit E") stating the [REDACTED] Verification of Rent form was not completed by [REDACTED] or [REDACTED] and the signature of his name contained within the form does not conform to his signature. Furthermore, [REDACTED] stated that [REDACTED] handles all rental functions and according to their records, there is misinformation elsewhere on the form: "The rent was \$650/month for the entire rental period. The length and dates of renting from us was from March 1, 1995 to March 31, 1998."

Upon further review, the division received additional verification of rent forms pertaining to the [REDACTED] file from CitiFinancial's file ("Exhibits F and G") and CitiFinancial's comments ("Exhibit H") that included the following:

"CitiFinancial received the rental information from a third party, and we were unaware of its fraudulent nature. In regards to the documentation with the Associates' stamp, a former employee of the company prepared this document. However, the employee did not sign the borrowers' name, but stamped the form prepared by the third party, which is a violation of our company policy."

7. During a July 11, 2001, telephone conversation with John Walrath ("Walrath"), Director of Mortgage Banking, State of Wisconsin, Department of Financial Institutions, Partow admitted signing the landlord's name on the [REDACTED] Verification of Rent form. During this conversation Walrath requested that Partow comment in writing on NorthStar's policy and procedure for completing verifications and the facts surrounding the [REDACTED] Verification of Rent form. Partow failed to comply with Walrath's request for written comments.
8. On or about July 23, 2001, the division sent Partow a July 23, 2001, letter ("Exhibit I") concerning the [REDACTED] Verification of Rent form which provided the division's findings of fact, allegations as to the [REDACTED] Verification of Rent form and conclusions of law. This letter included a copy of each Verification of Rent form ("Exhibits D, F & G") and requested that Partow review and comment on NorthStar's policy and procedure for completing verifications including verifications of rent or mortgage forms.
9. On September 5, 2001, the division received Robert Opperman's September 4, 2001, letter ("Exhibit J") in reply to the division's July 23, 2001, letter. Mr. Opperman's reply included the following:

"When we obtain a pre-qualification from the lender there is a description of the type of rent verification that is required. It may be a written verification, a verbal verification, or actual documents such as canceled checks, money orders, or rent receipts.

Verbal verification is the easiest. We simply ask the borrower about their rental history and put that information on the proper form. We then call the landlord to verify the information provided. After we submit that form to the lender it is common for the lender to verbally verify as well."

10. Partow forged the landlord's signature on the [REDACTED] Verification of Rent form.
11. Partow permitted the use of a Verification of Rent form that knowingly contained false information concerning [REDACTED] eligibility for a loan.
12. On May 8, 2001, as part of an on-site review, the department reviewed the [REDACTED] ([REDACTED]) and [REDACTED] ([REDACTED]) files. James R. Feurstein ("Feurstein") acted as the loan originator in the [REDACTED] transaction ("Exhibit K"). Jonathan Alexander ("Alexander") acted as the loan originator in the [REDACTED] transaction ("Exhibit L"). Upon information and belief, the [REDACTED] transaction closed on September 16, 1999, and the [REDACTED] transaction closed on February 14, 2001. Feurstein and Alexander performed loan originator activities on behalf of NorthStar without obtaining a valid certificate of registration as required pursuant to s. 224.72(1m), Wisc. Stats.
13. On July 2, 2001, the division sent a letter to NorthStar requesting information regarding NorthStar's loan originator licensing policy and requested a self-audit to determine the number of unlicensed loan originators and dates employed ("Exhibit M").
14. On July 20, 2001, the division received Opperman's July 19, 2001, reply to the division's July 2, 2001 letter ("Exhibit N") that included the following:

"In response to your inquiry of July 2, 2001, we have completed an audit of all loan files closed between June 10, 1999 and the present. Our review of those files did not reveal any loans originated by unlicensed loan originators. All loans closed during that time were handled by licensed originators and were closed under the direct supervision of licensed originators.

We did have two individuals working on loan files for NorthStar Mortgage during that time who were not licensed. Although these two were not licensed, all files were handled by an independent processor and Kourosch Partow and Robert Opperman and all files were closely monitored. We are not aware of any complaints from clients who were served in this manner.

Those two individuals were James Feurstein and Jonathan Alexander. Mr. Alexander first worked with NorthStar on January 3, 2000 and his employment was terminated on January 3, 2001. Mr. Feurstein was employed on 7/13/1999 and terminated on 8/4/2000. The files on which those two individuals were involved are as detailed on the attached report. Neither is currently employed by NorthStar. My understanding is that Mr. Feuerstein is no longer in the business and Mr. Alexander has obtained an originator's license and is currently employed by Newline Mortgage.

Our process for hiring and licensing loan originators has evolved as we become more experienced in the business. Our current procedure is to hire an originator candidate on a 90 day trial period. During that period the candidate shadows a seasoned originator, usually Kourosch Partow or Robert Opperman. The candidate sits in on meetings with clients and handles the background work such as obtaining documents and clearing stipulations from lenders. All contact with clients is closely monitored to insure compliance and to measure competence.

During the trial period we do pay the candidates a portion of fees earned on loans which they have been trained. As our originators work on straight commission it is important that they have some income during this trial period and this process seems to help them grasp the connection between getting the loan complete and getting paid.

After the 90 day trial period we make a determination of whether we want to keep the candidate and whether the candidate has the necessary skills to be successful. If so, we complete the licensing application and send the required fee to the state. As soon as the license is received we start to allow the originator to directly solicit applications and take meetings with clients without direct supervision. All files are still processed by an independent processor with direct oversight by Kourosch Partow and Robert Opperman. After a period of time we become comfortable with the competency of the originator and start to allow more of the processing to be done by the originator as needed to speed up the loan process.”

The above-mentioned report provided 15 files wherein Feurstein acted as “Trainee” with loan closing dates ranging from August 2, 1999 to July 27, 2000, and 17 files wherein Alexander acted as “Trainee” with loan closing dates spanning from September 15, 1999 to February 14, 2001. The “Originator” on all files contained in the report is shown as either “R. Opperman” or “K. Partow.”

15. The division requested and received the following statements (“Exhibit O”) from Feurstein and Alexander regarding their loan originator activities. Feurstein’s statement included the following:

“I was hired at Northstar Mortgage, LLC (f/k/a Affiliated Wisconsin Homeowners Mortgage Corporation) on or about May 24, 1999 and was employed there until August 4, 2000. When I was hired there was no mention made that I had to obtain any type of a license to work as a mortgage loan officer. Since I had never worked in this field before I didn’t give it a second thought. The only previous lending experience I had was consumer lending with American General from 1982 through 1991. The only licenses I was required to have with them was for life insurance and A&H insurance...”

Feurstein also indicated that while employed by NorthStar he originated approximately 20 loans and it was his responsibility to originate his own loans. Mr. Feurstein’s reply included the following:

“I had to find and develop my own leads through contacts with Realtors, builders, or referrals from other people. After I made contact with a person it was solely my responsibility to make sure the proper paper work was signed and I collected on origination fee, usually \$250.00 to \$300.00. At that time I would research different lenders that were available to me to see which one could give me the best deal to get a mortgage loan for my customer. Once I found a lender with a loan that fit my customers needs, I would get a pre-approval from that lender. After getting the pre-approval I would then call or sit down with my customer and explain to him/her the terms and conditions of the mortgage loan through that particular lender to make sure they met with my customers approval. If the terms and conditions were satisfactory to my customer I would obtain all the necessary documentation required by the lender and then give it to the processor to forward to the lender for final approval. After getting the final approval it was my job to attend the closing at the title company, make sure everything closed all right, and bring the broker check back to the office.

During the preceding events (exclusive of the first couple 'deals') there was no direct involvement by either Bob Opperman or Kourosh Partow unless I asked them for advice on a particular situation or for them to recommend a lender to meet some of the more 'unique' situations. Bob Opperman did assist me with my first couple accounts to make sure I understood the way they wanted things done."

Alexander's statement included the following:

"I was employed by NorthStar Mortgage from approximately February 15th, 1999 to January 15th, 2001, and originated about 25 loans for them. My previous employer had been Avco (and then the Associates) Financial Services. I had not needed to obtain any license there and was not aware that I required one to be a loan originator. Upon starting at NorthStar I was assured that I was 'ready to start selling'."

In addition, Alexander's statement included the following:

"You (the division) asked me to comment on the extent to which I independently performed loan originator activities. I did perform the activities in 40.02(3) and (6), sending out pre-qualifications and discussing applications with lenders to assist applicants in obtaining a loan, and presenting and explaining the results to the applicants. I am not sure how to interpret 'independently' so in the following I have tried to explain how activities were performed.

I based out of my home office most of the time, and spent 3-5 days a month in the 'main' office reviewing files with management and assisting in processing my files. I was responsible for generating most of my own leads, but did receive some from NorthStar advertising and a few from leads forwarded directly from the main office. A processor was generally assigned to my files in the main office, and I was contacted to resolve any problems that arose (documents not matching what the applicant had indicated, clouded title, etc.).

NorthStar also paid for my long distance bill for the last few months and then indicated that the lines were theirs and refused to release the numbers to me when I joined New Line (although I had had the lines in service for 2 years.)."

16. Feurstein and Alexander performed loan originator activities on behalf of NorthStar without obtaining a valid certificate of registration as required pursuant to s. 224.72(1m), Wisc. Stats..
17. NorthStar and Partow, a member of NorthStar, have violated various provisions within s. 224.77, Stats., which describes prohibited conduct for mortgage bankers, mortgage brokers and loan originators including ss. 224.77 (1)(i), (j), (k), (L) and (m).
18. On March 6, 2002, the division revoked Partow's loan originator ("Exhibit P").

CONCLUSIONS OF LAW

1. Partow, a member of NorthStar, forged the landlord's signature on the [REDACTED] Verification of Rent. This is prohibited conduct pursuant to s. 224.77(1)(i), (k), (L) and (m), Stats.
2. NorthStar paid or offered to pay a commission, money or other thing of value to any person for acts or services in violation of subchapter III, chapter 224. This is prohibited conduct pursuant to s. 224.77(1)(j), Stats.
3. Partow, a member of NorthStar, violated provisions of ch. 224, subch. III; federal statutes or regulations; and state statutes and regulations (including but not limited to Wis. Admin. Code sec. DFI—Bkg 43.03 which relates to practice as a loan originator). This is prohibited conduct pursuant to s. 224.77(1)(k), Stats.
4. Partow, a member of NorthStar, engaged in conduct which violates a standard of professional behavior which, through professional experience, has become established for loan originators. This is prohibited conduct pursuant to s. 224.77(1)(L), Stats.
5. Partow, a member of NorthStar, engaged in conduct, whether of the same or a different character than specified elsewhere in ch. 224, subch. III, which constitutes improper, fraudulent or dishonest dealing. This is prohibited conduct pursuant to s. 224.77(1)(m), Stats.

LIMITATION OF REGISTRATION

Pursuant to s. 224.77(1), Stats., the division may revoke, suspend or limit the certificate of registration of a mortgage banker, loan originator or mortgage broker if the division finds that the mortgage banker, loan originator or mortgage broker engaged in prohibited conduct as provided under s. 224.77(1)(a) to (o) or (r), Stats. Pursuant to s. 224.77(4), Stats., the division shall determine in each case the period that a revocation, suspension or limitation of a certificate of registration is effective.

Section 224.77(2), Wisconsin Statutes, provides:

CONDUCT OF OFFICERS, DIRECTORS AND OTHERS. The division may revoke, suspend or limit a certificate of registration issued under this subchapter or reprimand a mortgage banker or mortgage broker registered under this subchapter, if a director, officer, trustee, partner or member of the mortgage banker or mortgage broker or a person who has a financial interest in or is in any way connected with the operation of the mortgage banker's or mortgage broker's business is guilty of an act or omission which would be cause for refusing to issue a certificate of registration to the individual.

It is hereby ordered that NorthStar's mortgage broker registration shall be limited. The registration shall be limited as follows:

1. NorthStar shall file with the department reports within 5 days before or after the following dates:

July 1, 2002
January 1, 2003
and every July 1, and January 1 thereafter until further order of the department.
2. The report shall include:
 - a. The name, address and telephone number of licensee and person submitting required report.
 - b. A statement from the managing member of NorthStar indicating whether or not NorthStar has complied with all laws relating to the mortgage banking business.
 - c. The name, address, residence telephone number and job description of each member, employee, agent, and other persons participating in the conduct of NorthStar.
3. This limitation may be removed no earlier than one year from the date of Order and only subsequent to a written request to the division from the applicant on or after that date which also includes the report as required in this Order.
4. Failure by NorthStar to timely comply with the terms of this limitation shall be cause for the revocation of its limited mortgage broker license and NorthStar shall voluntarily enter into a stipulated agreement that its registration be revoked.

CEASE AND DESIST

Pursuant to s. 224.77(3), Stats., the division may issue general and special orders necessary to prevent or correct actions by a mortgage banker, loan originator or mortgage broker that constitute cause under this section for revoking, suspending or limiting a certificate of registration.

Pursuant to Wis. Stat. s. 224.77 (3), it is hereby ordered that NorthStar take the following action:

Immediately discontinue violating ss. 224.77 (1)(i), (j), (k), (L) and (m).

Failure by NorthStar to timely comply with the terms of this cease and desist shall be cause for the revocation of its limited mortgage broker registration and NorthStar shall voluntarily enter into a stipulated agreement that its registration be revoked.

The provisions of this Order of Limitation of Registration and Cease and Desist, and the terms and conditions thereof, shall be binding upon NorthStar. Its provisions shall remain effective and enforceable except to the extent that, and until such time as, any provisions therein shall have been modified, terminated, suspended or set aside by the Administrator.

The procedures to contest a limitation are set forth in ch. 227. The procedures to contest a cease and desist are set forth in s. 224.77(3c). Stats.

By

Michael J. Mach, Administrator
State of Wisconsin
Department of Financial Institutions
Division of Banking
P.O. Box 7876
Madison, WI 53707-7876

Date 3/15/2002