

1 MARY ANN SMITH
Deputy Commissioner
2 SEAN M. ROONEY
Assistant Chief Counsel
3 JUDY L. HARTLEY (State Bar No. 110628)
Senior Counsel
4 Department of Business Oversight
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-7604
6 Facsimile: (213) 576-7181

7 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

11 In the Matter of:)
) CRMLA LICENSE NO.: 413-0514
12 THE COMMISSIONER OF BUSINESS) CFL LICENSE NO.: 603-A340, et al.
13 OVERSIGHT,)
)
14 Complainant,) SETTLEMENT AGREEMENT
)
15 v.)
)
16 FREEDOM MORTGAGE CORPORATION,)
17)
18 Respondent.)
)

19
20 This Settlement Agreement is entered into between the Commissioner of Business Oversight
21 (Commissioner) and Respondent Freedom Mortgage Corporation (Freedom Mortgage), and is made
22 with respect to the following facts:

23 **I.**

24 **Recitals**

25 A. The Department of Business Oversight, through the Commissioner, has jurisdiction
26 over the licensing and regulation of persons and entities engaged in the business of residential
27 mortgage lending and/or servicing pursuant to the California Residential Mortgage Lending Act
28 (CRMLA) (Fin. Code §50000 et seq.) and finance lending and/or brokering pursuant to the

1 California Financing Law (Fin. Code, section 22000, et seq.) (CFL).

2 B. Freedom Mortgage is a corporation in good standing, duly formed and existing
3 pursuant to the laws of the State of New Jersey and is authorized to conduct business in the State of
4 California. Freedom Mortgage is a residential mortgage lender and servicer licensed by the
5 Commissioner pursuant to the CRMLA. Freedom Mortgage is also a finance lender licensed by the
6 Commissioner pursuant to the CFL. Freedom Mortgage has its principal place of business located at
7 907 Pleasant Valley Avenue, Suite 3, Laurel, New Jersey 08054. Freedom Mortgage currently has
8 52 branch office locations under its CRMLA license and 10 branch office location under its CFL
9 license. Freedom Mortgage employs mortgage loan originators in its CRMLA and CFL businesses.

10 C. Stanley Craig Middleman is the President of Freedom Mortgage and is authorized to
11 enter into this Settlement Agreement on behalf of Freedom Mortgage.

12 D. On or about May 12, 2020, Freedom Mortgage was served by the Commissioner with
13 a Notice of Intention to Issue Order Suspending Residential Mortgage Lender and Servicer and
14 Finance Lender Licenses and to Levy Penalties, Accusation and accompanying documents dated
15 May 8, 2020 (Accusation). In the Accusation, the Commissioner alleged that Freedom Mortgage
16 committed the following violations of the CRMLA and CFL (Accusation Allegations):

17 i. failed to properly reconcile certain of its trust accounts due to shortages and/or
18 overages in several of its trust accounts in violation of Financial Code section 50314 and California
19 Code of Regulations, title 10, section 1950.314.1;

20 ii. commingled operating funds with trust monies in violation of Financial Code
21 section 50202, subdivision (a); and

22 iii. caused debit balances to exist in borrower impound accounts in violation of
23 California Code of Regulations, title 10, section 1950.314.6.

24 E. On May 21, 2020, Freedom Mortgage timely submitted a Notice of Defense to the
25 Commissioner requesting an administrative hearing on the Accusation Allegations.

26 F. Freedom Mortgage neither admits nor denies the Accusation Allegations set forth in
27 Paragraph D above.

28 G. It is the intention of Freedom Mortgage and the Commissioner (the Parties) to resolve

1 the Accusation Allegations without the necessity of a hearing.

2 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions
3 contained herein, the Parties agree as follows:

4 **II.**

5 **Terms and Conditions**

6 1. **Purpose.** This Settlement Agreement resolves the Accusation Allegations in a
7 manner that avoids the expense of a hearing and other possible court proceedings, protects
8 consumers, is in the public interest, and is consistent with the purposes, policies, and provisions
9 of the CRMLA and CFL.

10 2. **Order to Discontinue Violations (CRMLA).** Pursuant to Financial Code section
11 50321, Freedom Mortgage Corporation is hereby ordered to discontinue:

12 a. violating Financial Code section 50314 and California Code of Regulations,
13 title 10, section 1950.314.1 by failing to properly reconcile its trust accounts;

14 b. violating Financial Code section 50202, subdivision (a) by commingling
15 operating funds with trust funds; and

16 c. violating California Code of Regulations, title 10, section 1950.314.6 by
17 causing debit balances to exist in borrower impound accounts.

18 3. **Penalty.** Freedom Mortgage shall pay to the Commissioner a penalty of \$75,000.00
19 (Penalty). The Penalty is due within 5 business days of the Effective Date, as defined in Paragraph
20 29 below (Effective Date), and should be made payable in the form of a cashier's check or
21 Automated Clearing House deposit to the "Department of Business Oversight" and transmitted to the
22 attention of: Accounting – Enforcement Division, Department of Business of Oversight, 2101 Arena
23 Boulevard, Sacramento, California 95834. Notice of such payment shall be forwarded to Judy L.
24 Hartley, Senior Counsel, Department of Business Oversight, Enforcement Division, 320 West 4th
25 Street, Suite 750, Los Angeles, California 90013.

26 7. **Trust Account Reconciliations.** Freedom Mortgage shall have its independent
27 certified public accounting firm Ritchey May (CPA) review its monthly trust account reconciliations
28 for accuracy and compliance with the California Code of Regulations, title 10, section 1950.310.1

1 through the remainder of 2020 commencing with the August 31, 2020 reconciliations. The CPA
2 shall submit its report along with the underlying reconciliations and all supporting documentation,
3 such as bank accounts, trial balances and subsidiary ledgers to the Department of Business Oversight
4 (Department) no later than 20th of the month after the close of the previous month. Accordingly, the
5 August 31, 2020 report is due on or before September 20, 2020; the September 30, 2020 report is
6 due on or before October 20, 2020; the October 31, 2020 report is due on or before November 20,
7 2020; the November 30, 2020 report is due on or before December 20, 2020; and the December 31,
8 2020 report is due on or before January 20, 2021. The monthly trust account reconciliations shall
9 also include a brief narrative explaining how Freedom Mortgage prepared the monthly
10 reconciliations.

11 8. Revised Trust Accounting Policies and Procedures. Freedom Mortgage shall submit
12 updated trust accounting policies and procedures to the Department no later than 60 days from the
13 Effective Date. The Department shall review such updated policies and procedures within 45 days
14 and notify Freedom Mortgage of any required changes or corrections to such policies and
15 procedures.

16 9. Waiver of Hearing Rights. Freedom Mortgage acknowledges that the
17 Commissioner is ready, willing, and able to proceed with the administrative enforcement action
18 described above in Paragraph D. Freedom Mortgage hereby waives the right to a hearing, and to any
19 reconsideration, appeal, or other right to review which may be afforded pursuant to the CRMLA,
20 CFL, the California Administrative Procedure Act, the California Code of Civil Procedure, or any
21 other provision of law. By waiving such rights, Freedom Mortgage effectively consents to this
22 Settlement Agreement becoming final.

23 10. Full and Final Settlement. The Parties hereby acknowledge and agree that this
24 Settlement Agreement is intended to constitute a full, final, and complete resolution of the
25 Accusation Allegations, and that no further proceedings or actions will be brought by the
26 Commissioner in connection with the Accusation Allegations under the CRMLA, CFL or any other
27 provision of law, excepting therefrom any proceeding to enforce compliance with the terms of this
28 Settlement Agreement.

1 11. Failure to Comply with this Settlement Agreement. Freedom Mortgage agrees that if
2 it fails to comply with the terms of this Settlement Agreement, the Commissioner may, in addition to
3 all other available remedies it may invoke under the CRMLA and/or the CFL, summarily suspend
4 the CRMLA and/or CFL licenses of Freedom Mortgage until Freedom Mortgage is in compliance.
5 Freedom Mortgage waives any notice and hearing rights to contest such summary suspensions which
6 may be afforded under the CRMLA, CFL, the California Administrative Procedure Act, the
7 California Code of Civil Procedure, or any other provision of law in connection therewith.

8 12. Information Willfully Withheld or Misrepresented. This Settlement Agreement may
9 be revoked, and the Commissioner may pursue any and all remedies available under the law against
10 Freedom Mortgage, if the Commissioner discovers that Freedom Mortgage knowingly or willfully
11 withheld information used for and relied upon in this Settlement Agreement.

12 13. Future Actions by Commissioner. If Freedom Mortgage fails to comply with any
13 terms of this Settlement Agreement, the Commissioner may institute proceedings for any and all
14 violations otherwise resolved under this Settlement Agreement. The Commissioner reserves the
15 right to bring any future actions against Freedom Mortgage, or any of its partners, owners, officers,
16 shareholders, directors, employees or successors for any and all unknown violations of the CRMLA
17 and/or CFL.

18 14. Assisting Other Agencies. Nothing in this Settlement Agreement limits the
19 Commissioner’s ability to assist any other government agency (city, county, state, or federal) with
20 any administrative, civil or criminal prosecutions brought by that agency against Freedom Mortgage
21 or any other person based upon any of the activities alleged in this matter or otherwise.

22 15. Headings. The headings to the paragraphs of this Settlement Agreement are for
23 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
24 the provisions hereof.

25 16. Binding. This Settlement Agreement is binding on all heirs, assigns, and/or
26 successors in interest.

27 17. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
28 Settlement Agreement it has relied solely on the statements set forth herein and the advice of its own

1 counsel. Each of the parties further represents, warrants, and agrees that in executing this Settlement
2 Agreement it has placed no reliance on any statement, representation, or promise of any other party,
3 or any other person or entity not expressly set forth herein, or upon the failure of any party or any
4 other person or entity to make any statement, representation or disclosure of anything whatsoever.

5 The Parties have included this clause: (1) to preclude any claim that any party was in any way
6 fraudulently induced to execute this Settlement Agreement; and (2) to preclude the introduction of
7 parol evidence to vary, interpret, supplement, or contradict the terms of this Settlement Agreement.

8 18. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
9 this Settlement Agreement will be valid or binding unless it is in writing and signed by each of the
10 Parties. The waiver of any provision of this Settlement Agreement will not be deemed a waiver of
11 any other provision. No waiver by either party of any breach of, or of compliance with, any
12 condition or provision of this Settlement Agreement by the other party will be considered a waiver
13 of any other condition or provision or of the same condition or provision at another time.

14 19. Full Integration. This Settlement Agreement is the final written expression and the
15 complete and exclusive statement of all the agreements, conditions, promises, representations, and
16 covenants between the parties with respect to the subject matter hereof, and supersedes all prior or
17 contemporaneous agreements, negotiations, representations, understandings, and discussions
18 between and among the parties, their respective representatives, and any other person or entity, with
19 respect to the subject matter covered hereby.

20 20. Governing Law. This Settlement Agreement will be governed by and construed in
21 accordance with California law. Each of the parties hereto consents to the jurisdiction of such court,
22 and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
23 forum to the maintenance of such action or proceeding in such court.

24 21. Counterparts. This Settlement Agreement may be executed in one or more separate
25 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
26 together constitute a single document.

27 22. Mandatory Disclosure in Future Applications. Freedom Mortgage agrees to disclose
28 this Settlement Agreement in any application for a license, permit or qualification under the

1 Commissioner’s current or future jurisdiction.

2 23. Effect Upon Future Proceedings. If Freedom Mortgage is the subject of any future
3 action by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof
4 shall be admitted for the purpose of such action.

5 24. Third Parties. This Settlement Agreement does not create or give rise to any private
6 rights or remedies against Freedom Mortgage, create any liability for Freedom Mortgage, or limit the
7 defenses of Freedom Mortgage for any person or entity not a party to this Settlement Agreement.

8 25. Voluntary Agreement. Freedom Mortgage enters into this Settlement Agreement
9 voluntarily and without coercion and acknowledges that no promises, threats or assurances have
10 been made by the Commissioner or any officer, or agent thereof, about this Settlement Agreement.
11 The Parties each represent and acknowledge that he, she or it is executing this Settlement Agreement
12 completely voluntarily and without any duress or undue influence of any kind from any source.

13 26. Notice. Any notice/report required under this Settlement Agreement shall be
14 addressed as follows:

15 To Freedom Mortgage: Haydn J. Richards, Jr.
16 Bradley Arant Boult Cummings LLP
17 1615 L Street N.W., Suite 1350
18 Washington, DC 20036
hrichards@bradley.com

19 To the Commissioner: Judy L. Hartley, Esq.
20 Senior Counsel
21 Department of Business Oversight
22 320 W. 4th Street, Suite 750
Los Angeles, California 90013-2344
judy.hartley@dbo.ca.gov

23 27. Signatures. A fax or electronic mail signature shall be deemed the same as an
24 original signature.

25 28. Public Record. Freedom Mortgage hereby acknowledges that this Settlement
26 Agreement is and will be a matter of public record.

27 29. Effective Date. This Settlement Agreement shall become final and effective when
28 signed by all parties and delivered by the Commissioner’s counsel via e-mail to Freedom Mortgage’s
counsel, Haydn J. Richards, Jr., at hrichards@bradley.com.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

30. Authority to Sign. Each signatory hereto covenants that he or she possesses all necessary capacity and authority to sign and enter into this Settlement Agreement and undertake the obligations set forth herein.

Dated: September 15, 2020

MANUEL P. ALVAREZ
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner

Dated: September 9, 2020

FREEDOM MORTGAGE CORPORATION

By _____
STANLEY CRAIG MIDDLEMAN, President

APPROVED AS TO FORM:

By _____
HAYDN J. RICHARDS, JR. ESQ. attorney for
FREEDOM MORTGAGE CORPORATION

Commissioner of Business Oversight

By _____
JUDY L. HARTLEY, ESQ.
Senior Counsel