

IN THE MATTER OF:

JACOB STEPHENS,

Respondent.

**BEFORE THE MARYLAND
COMMISSIONER OF
FINANCIAL REGULATION**

Case No.: CFR-FY2011-022

FINAL ORDER TO CEASE AND DESIST

WHEREAS, the office Commissioner of Financial Regulation (the "Commissioner") conducted an investigation into the credit services business activities of Jacob Stephens (the "Respondent"); and

WHEREAS, as a result of that investigation, the Deputy Commissioner of Financial Regulation (the "Deputy Commissioner") found evidence to support that Respondent has engaged in acts constituting a violation of a law over which the Commissioner has jurisdiction, namely that Respondent has violated various provisions of the Annotated Code of Maryland, including Commercial Law Article ("CL"), Title 14, Subtitle 19 (the Maryland Credit Services Businesses Act, hereinafter "MCSBA"), and Financial Institutions Article ("FI"), Title 11, Subtitles 2 and 3; and

WHEREAS, the Deputy Commissioner issued a Summary Order to Cease and Desist (the "Summary Order") against Respondent on October 27, 2010, after determining that Respondent was in violation of the aforementioned provisions of Maryland law, and that it was in the public interest that Respondent cease and desist from engaging in credit services business activities with Maryland residents, homeowners and/or consumers

(hereinafter "Maryland consumers"), including directly or indirectly offering, contracting to provide, or otherwise engaging in, loan modification, loss mitigation, or similar services related to residential real property (hereinafter "loan modification services"); and

WHEREAS, the Summary Order notified Respondent of, among other things, the following: that Respondent was entitled to a hearing before the Commissioner to determine whether the Summary Order should be vacated, modified, or entered as a final order of the Commissioner; that the Summary Order would be entered as a final order if Respondent did not request a hearing within 15 days of the receipt of the Summary Order; and that as a result of a hearing, or of Respondent's failure to request a hearing, the Commissioner may, in the Commissioner's discretion and in addition to taking any other action authorized by law, enter an order making the Summary Order final, issue a penalty order against Respondent, issue an order requiring Respondent to pay restitution and other money to consumers, as well as take other actions related to Respondent's business activities; and

WHEREAS, the Summary Order was properly served on Respondent via First Class U.S. Mail and Certified U.S. Mail; and

WHEREAS, Respondent failed to request a hearing on the Summary Order within the 15 day period set forth in FI § 2-115(a)(2) and has not filed a request for a hearing as of the date of this Final Order to Cease and Desist (this "Final Order"); and

WHEREAS, the Deputy Commissioner has based her decision in this Final Order on the following determinations:

1. The MCSBA defines "*credit services business*" at CL § 14-1901(e); this provision provides, in part, as follows:

(1) "Credit services business" means any person who, with respect to the extension of credit by others, sells, provides, or performs, or represents that such person can or will sell, provide, or perform, any of the following services in return for the payment of money or other valuable consideration:

- (i) Improving a consumer's credit record, history, or rating or establishing a new credit file or record;
- (ii) Obtaining an extension of credit for a consumer; or
- (iii) Providing advice or assistance to a consumer with regard to either subparagraph (i) or (ii) of this paragraph.

Additionally, CL § 14-1901(f) defines "*extension of credit*" as "the right to defer payment of debt or to incur debt and defer its payment, offered or granted primarily for personal, family, or household purposes."

2. Unless otherwise exempt, pursuant to CL §§ 14-1901(e), 14-1903(b), and 14-1901(f), persons engaged in the business of offering or providing residential loan modification services, which include offering or providing extensions of credit to consumers, fall under the statutory definition of "credit services businesses," and are thereby subject to the licensing, investigatory, enforcement, and penalty provisions of the MCSBA.

3. The following relevant and credible evidence, obtained pursuant to the Commissioner's investigation, was considered in the issuance of the Summary Order: statements by a Maryland consumer who had entered into a loan modification agreement with Respondent but for whom Respondent failed to obtain or even attempt to obtain loan modification for the consumer; communications between Respondent and the Commissioner; and the Commissioner's licensing records. More particularly, this evidence supports the following findings:

a. Respondent Jacob Stephens, of Maryland, engaged in business activities with a Maryland consumer involving Maryland residential real property.

b. Respondent represented to a Maryland consumer that he could obtain loan modifications on the consumer's residential mortgage. Further, Respondent entered into an agreement to provide loan modification services, which included obtaining extensions of credit as defined by the MCSBA, for the Maryland consumer on his residential mortgage loans.

c. In May 2010, [REDACTED] (the "Consumer") entered into a loan modification agreement with Respondent. The Consumer paid \$750 in up-front fees to Respondent in exchange for which Respondent represented that he would be able to obtain a loan modification for the Consumer. Although Respondent collected \$750 in up-front fees, Respondent never obtained a loan modification for the Consumer.

d. Respondent engaged in willful conduct which was intended to deceive and defraud the Consumer, as referenced above, which demonstrated a complete lack of good faith and fair dealing by Respondent, and which breached any duty that Respondent owed to the Consumer. Such conduct included, but was not limited to, the following:

(i). Respondent failed to perform the loan modification services for the Consumer that he promised to provide and for which he had collected an up-front fee;

(ii). Since such time as the Consumer submitted the up-front fee and the documentation necessary to obtain the loan modification, the Consumer has been unable to contact Respondent, despite numerous attempts; and

(iii). Respondent has failed to provide a refund to Maryland the Consumer when a refund was due for lack of service.

4. In the present matter, Respondent is subject to the MCSBA, including its prohibition on engaging in credit services business activities without first being licensed under the MCSBA. *See* CL § 14-1902(1) ("[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: (1) [r]eceive any money or other valuable consideration from the consumer, unless the credit services business has secured from the Commissioner a license under Title 11, Subtitle 3 of the Financial Institutions Article. . . ."); CL §14-1903(b) ("[a] credit services business is required to be licensed under this subtitle and is subject to the licensing, investigatory, enforcement, and penalty provisions of this subtitle and Title 11, Subtitle 3 of the Financial Institutions Article"); FI § 11-302 ("[u]nless the person is licensed by the Commissioner, a person may not: . . . (3) [e]ngage in the business of a credit services business as defined under Title 14, Subtitle 19 of the Commercial Law Article"); and FI § 11-303 ("[a] license under this subtitle shall be applied for and issued in accordance with, and is subject to, the licensing and investigatory provisions of Subtitle 2 of this title, the Maryland Consumer Loan Law – Licensing Provisions").

5. According to the Commissioner's records, at no time relevant to the facts set forth in the Summary Order of October 27, 2010, or in the present Final Order, has the Respondent been licensed by the Commissioner under the MCSBA.

6. Respondent has engaged in credit services business activities without having the requisite license by representing that he could provide loan modification services as described above, and by entering into a contractual agreement with the Consumer to provide such services. Respondent's unlicensed loan modification activities thus constitute

violations of CL § 14-1902(1), CL §14-1903(b), FI § 11-302, and FI § 11-303, thereby subjecting Respondent to the penalty provisions of the MCSBA.

7. Additionally, by collecting an up-front fee prior to fully and completely performing all services on behalf of the Consumer, Respondent violated CL § 14-1902(6) of the MCSBA ("[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: . . . (6) [c]harge or receive any money or other valuable consideration prior to full and complete performance of the services that the credit services business has agreed to perform for or on behalf of the consumer").

8. Further, although Respondent made representations that he would obtain a beneficial loan modification for the Consumer, the Commissioner's investigation supports a finding that Respondent never obtained the promised loan modification for the Consumer; as such, Respondent violated CL § 14-1902(4) ("[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: . . . (4) [m]ake or use any false or misleading representations in the offer or sale of the services of a credit services business").

9. Respondent further violated the MCSBA through the following: he failed to obtain the requisite surety bonds, in violation of to CL §§ 14-1908 and 14-1909; he failed to provide the Consumer with the requisite information statement, in violation of CL §§ 14-1904 and 14-1905; and Respondent failed to provide a contract to the Consumer as required under CL § 14-1906.

10. By failing to obtain beneficial loan modification for the Consumer, which Respondent had agreed to provide, Respondent breached his contract with the Consumer

and/or breached the obligations arising under that contract. Such breach constitutes a *per se* violation of the MCSBA pursuant to CL § 14-1907(a) ("[a]ny breach by a credit services business of a contract under this subtitle, or of any obligation arising under it, shall constitute a violation of this subtitle").

11. As the contract between Respondent and the Consumer failed to comply with the specific requirements imposed by the MCSBA (as discussed above), it is void and unenforceable as against the public policy of the State of Maryland pursuant to CL § 14-1907(b) ("[a]ny contract for services from a credit services business that does not comply with the applicable provisions of this subtitle shall be void and unenforceable as contrary to the public policy of this State").

12. The MCSBA prohibits fraud and deceptive business practices at CL § 14-1902(5), which provides as follows:

[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: . . . (5) [e]ngage, directly or indirectly, in any act, practice, or course of business which operates as a fraud or deception on any person in connection with the offer or sale of the services of a credit services business.

13. CL § 14-1912 discusses liability for failing to comply with the MCSBA, providing as follows:

(a) *Willful noncompliance.*— Any credit services business which willfully fails to comply with any requirement imposed under this subtitle with respect to any consumer is liable to that consumer in an amount equal to the sum of:

(1) Any actual damages sustained by the Consumers a result of the failure;

(2) A monetary award equal to 3 times the total amount collected from the consumer, as ordered by the Commissioner;

(3) Such amount of punitive damages as the court may allow; and

(4) In the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

(b) *Negligent noncompliance*.— Any credit services business which is negligent in failing to comply with any requirement imposed under this subtitle with respect to any consumer is liable to that consumer in an amount equal to the sum of:

(1) Any actual damages sustained by the Consumers a result of the failure; and

(2) In the case of any successful action to enforce any liability under this section, the cost of the action together with reasonable attorney's fees as determined by the court.

14. Respondent engaged in acts which operated as a fraud or deception on the Consumer in connection with the offer or sale of the services of a credit services business, and thereby violated CL § 14-1902(5); such actions also constituted willful noncompliance with the MCSBA under CL § 14-1912(a). Respondent's fraudulent, deceptive, and/or willful conduct included the following: he failed to perform those loan modification services for the Consumer which he promised to provide and for which he had collected an up-front fee; Respondent failed to accept or respond to communications from the Consumer once the Consumer became concerned that Respondent had done nothing to obtain a loan modification on his behalf; and Respondent failed to provide a refund to the Consumer when such a refund was due for lack of service.

15. FI §§ 2-114(a) and (b) set forth the Commissioner's general authority to order the production of information, as well as documents and records, while investigating potential violations of laws, regulations, rules, and orders over which the Commissioner has jurisdiction (which is in addition to the Commissioner's specific investigatory authority set forth in various other Maryland statutes and regulations). Thus, for example, FI § 2-

114(a)(2) provides that the Commissioner may "[r]equire ... a person to file a statement in writing, under oath or otherwise as the Commissioner determines, as to all the facts and circumstances concerning the matter to be investigated." Further, pursuant to FI § 2-114(b), "the Commissioner or an officer designated by the Commissioner may," among other things, "take evidence, and require the production of books, papers, correspondence, memoranda, and agreements, or other documents or records which the Commissioner considers relevant or material to the inquiry."

16. Pursuant to the Commissioner's authority to conduct investigations under FI § 2-114, the Deputy Commissioner issued a subpoena to Respondent on August 2, 2010, ordering him to provide specific information and all documents related to his loan modification activities involving Maryland consumers no later than August 13, 2010. However, Respondent failed to provide the required information and documents by that date. By failing to fully comply with the Deputy Commissioner's subpoena, Respondent is in violation of FI § 2-114.

NOW, THEREFORE, having determined that Respondent waived his right to a hearing in this matter by failing to request a hearing within the time period specified in the Summary Order, and pursuant CL §§ 14-1902, 14-1907, 14-1912, and FI § 2-115(b), it is by the Deputy Commissioner, hereby

ORDERED that the Summary Order issued by the Deputy Commissioner against Respondent on October 27, 2010, is entered as a final order as modified herein, and that Respondent shall permanently **CEASE** and **DESIST** from engaging in credit services business activities with Maryland consumers, including contracting to provide, or otherwise

engaging in, loan modification, loss mitigation, or similar services with Maryland consumers; and it is further

ORDERED that, pursuant to FI § 2-115(b), and upon careful consideration of (i) the seriousness of the Respondent's violations; (ii) the lack of good faith of Respondent, (iii) the history and nature of Respondent's violations; and (iv) the deleterious effect of Respondent's violations on the public and on the credit services businesses and mortgage industries, Respondent shall pay to the Commissioner a total civil money penalty in the amount of **\$3,000.00**, which consists of the following:

<i>Prohibited Activity and Violation</i>	Penalty per Violation	x Number of Violations	= Penalty
<i>Unlicensed Activity in Violation of MCSBA</i>	\$1,000	1 Md. Consumer Transaction	\$1,000
<i>Charging Up-Front Fees in Violation of MCSBA</i>	\$1,000	1 Md. Consumer Transaction	\$1,000
<i>Failure to Comply with Subpoena in Violation of FI § 2-114</i>	\$1,000	1 Violation	\$1,000
		TOTAL	\$3,000

And it is further,

ORDERED that Respondent shall pay to the Commissioner, by cashier's or certified check made payable to the "Commissioner of Financial Regulation," the amount of **\$3,000.00** within **15 days** from the date of this Final Order; and it is further

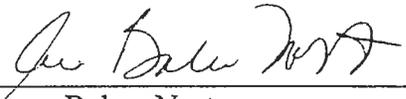
ORDERED that, pursuant to CL § 14-1907(b), any loan modification agreement which Respondent entered into with a Maryland consumer is void and unenforceable as contrary to the public policy of the State of Maryland; and it is further

ORDERED that, as Respondent's activities constituted willful noncompliance with the MCSBA, pursuant to CL § 14-1912(a) Respondent shall pay to the Consumer, with whom the Respondent had entered into a loan modification agreement, an amount equal to **\$2,250.00**, which is equal to three times the amount collected from this consumer, and it is further

ORDERED that Respondent shall pay the required monetary award pursuant to CL § 14-1912(a) to the Consumer within **30 days** of this Final Order being signed. Respondent shall make payment by mailing to the Consumer a check in the amount specified above via U.S. First Class Mail at the most recent address of Consumer known to the Respondent. If the mailing of the payment is returned as undeliverable by the U.S. Postal Service, Respondent shall promptly notify the Commissioner in writing for further instruction as to the means of the making of said payment. Upon the making of the required payment, the Respondent shall furnish evidence of having made the payment to the Commissioner within **60 days** of this Final Order being signed, which evidence shall consist of a copy of the front and back of the cancelled check for each payment; and it is further

ORDERED that Respondent shall send all correspondence, notices, civil penalties and other required submissions to the Commissioner at the following address: Commissioner of Financial Regulation, 500 North Calvert Street, Suite 402, Baltimore, Maryland 21202, Attn: Carmen Rivera, Paralegal.

6/5/12
Date


Anne Balcer Norton
Deputy Commissioner of Financial Regulation