

November 1, 2015

**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, 2015.

Overview:

The Mortgage Lending and Fraud Prevention Task Force (“Task Force”) held a meeting each month, during the 2014 fiscal calendar, with the exception of September. 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. The October 2014 meeting was attended by a Special Agent of the Office of the Inspector General (OIG) United States Department of Urban Development (HUD). The entities discussed mutual interests and potential points of collaboration and information sharing. The HUD-OIG Special Agent communicated the value of the information collected and stored in the Residential Real Estate Acquisition of Licensee Information and Numbers (RREAL IN) database, as an investigative tool. The HUD-OIG Special Agent or other representative will return to future task force meetings as schedules permit.

IC 4-23-30-4 outlines the duties of the task force. The task force shall meet each month to coordinate the State of Indiana’s efforts to regulate the various participants involved in originating, issuing, and closing home loans. The group 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 10 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 RREAL IN database makes information readily available to a variety of state agencies. Current state agencies that have established access to the RREAL IN 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, the Indiana Professional Licensing Agency, the 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 \$81,650 has been invested to improve functionality, enhance reporting capabilities, and add additional form-fields to collect additional transaction data. Changes to the initial reporting requirements were effective 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 2014 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 unsubmitted for 2012 - 2014 reporting periods.

Current RREAL IN Database statistics:

Registered User Accounts	Transactions Submitted since Inception of the Database
4165	944,482

YTD Inquiries	YTD Transaction Edits/Additions Request	YTD Password Resets	YTD Transactions Submitted
3849	3321	23	149,731

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

Office of the Indiana Attorney General

The Office of the Indiana Attorney General- Licensing Enforcement & Homeowner Protection Unit has jurisdiction to investigate and prosecute the activities of professional licensees and to seek disciplinary sanctions against their licenses. Disciplinary sanctions can range from revocation to a letter of reprimand. In addition, the Office of the Indiana Attorney General has jurisdiction to bring civil actions against any person who commits deceptive, unconscionable, affirmative misrepresentations or omissions in connection with real estate and/or mortgage transactions. Furthermore, a person acting as a credit services organization and/or as a foreclosure consultant who is not in compliance with Indiana law is also subject to enforcement actions by the Office of the Indiana Attorney General. The Office of the Indiana Attorney General also has authority to bring civil and/or administrative actions concerning individuals and/or entities committing the unlicensed practice of a regulated profession.

**Civil Complaints and Assurances of Voluntary Compliance
Filed October 2, 2014 – October 1, 2015**

Case Name	Filing Date	County of Filing	Brief Case Summary
State of Indiana v. Loan Solutions, a/k/a Attorney Processing Solutions; and Aaron Cushman	4/10/2015	Marion	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. Sarrano Financial LLC., et al.	4/10/2015	Marion	Defendants operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act.
State of Indiana v. Mitigation Center, et al.	4/13/2015	Marion	Defendants operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. Universal Finance, Inc.; The Home Rescue Firm; and Sean J. Moore	4/13/2015	Marion	Defendants operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, and the Indiana Home Loan Practices Act.

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State of Indiana v. Trust Funding, LLC; and Michael Henderson	4/30/2015	Marion	Defendants operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. National Legal Help Center, Inc., et al.	5/1/2015	Marion	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. R&E Document Processing Corp., et al.	5/1/2015	Marion	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. United States law Center, P.C.	5/1/2015	Marion	Defendant operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.

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State of Indiana v. Foreclosure Counsellors	5/26/2015	Scott	Defendant operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act.
State of Indiana v. Butler & Associates; and Brian Butler	5/28/2015	Marion	Defendants operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the Assurance of Voluntary Compliance, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, and the Indiana Home Loan Practices Act.
State of Indiana v. Aldridge Law Group, LLC.; and Sarah M. Pashae	5/29/2015	Lake	Defendant operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. Pacific National Law Center; and Farzad Naderi	5/29/2015	Marion	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act.
State of Indiana v. Top Legal Advocates and Jeffrey Lewiston	5/29/2015	Marion	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act. The State also alleged that Defendants failed to obtain a Certificate

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			of Authority from the Indiana Secretary of State.
State of Indiana v. Law Offices of Angela Mueller, APC; and Angela Mueller	6/22/2015	Switzerland	Defendant operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. Michael E. Crouse and Crouse Law Office, PLLC.	7/21/2015	Allen	Defendant operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. Porter Law Center, LLC, and Dean Porter	8/4/2015	Marion	Defendant operated as a credit services organization and a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Credit Services Organization Act, Indiana Mortgage Rescue Protection Fraud Act, Indiana Home Loan Practices Act, and Indiana Deceptive Consumer Sales Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.

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State of Indiana v. Nationwide Law Center, P.C.; Amir Montazeran; Charles Ton; and Azadeh Mackay	9/15/2015	Noble	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.
State of Indiana v. Law Offices of Drew Alia; and Drew Alia	09/25/2015	Marion	Defendants operated as a foreclosure consultant without complying with Indiana law. In the initial pleading, the State alleged violations of the Indiana Mortgage Rescue Protection Fraud Act and the Indiana Home Loan Practices Act. The State also alleged that Defendants failed to obtain a Certificate of Authority from the Indiana Secretary of State.

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. Since its creation, it has paid out more than **\$1,317,310.00** to Indiana consumers based on civil actions brought by the State of Indiana, and the Licensing Enforcement & Homeowner Protection Unit for violations of the Home Loan Practices Act, Mortgage Rescue Protection Act, and Credit Services Organization Act.

**Final Orders for Civil Complaints and Assurance of Voluntary Compliance
Between October 2, 2014 and October 1, 2015**

Total Number of Cases with Final Order	Consumer Restitution	Costs	Civil Penalties
28	\$191,539.86	\$19,419.38	\$2,526,000.00

Real Estate Appraiser Administrative Cases October 2, 2014 and October 1, 2015

Total Number of Cases Filed	Cease & Desist	Revocation	Suspension	Probation	Letter of Reprimand	Dismissal	Warning Letter with Conditions*
2	0	0	1	0	0	0	9

Real Estate Administrative Cases October 2, 2014 and October 1, 2015

Total Number of Cases Filed	Cease & Desist	Revocation	Suspension	Probation	Letter of Reprimand	Dismissal	Warning Letter with Conditions*
32	3	6	0	8	5	2	1

Consumer Restitution	Civil Penalty
\$34,509	\$2,500

*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 or commission. 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 or commission.

From the period October 2, 2014 to October 1, 2015, the Office of the Indiana Attorney General has received three (3) consumer complaints concerning the improper influence of an appraiser.

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.

(B) Criminal Prosecutions Pursued

NONE

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

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 Licensing Enforcement & Homeowner Protection Unit, who has dedicated staff to mediate loan serving 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. In fact, Attorney General Zoeller is so passionate about these topics that he personally files civil complaints against foreclosure consultants to heighten the media attention about these fraudsters.

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

Indiana Office of the Attorney General

In preparation for the 2015 legislative session, the Licensing Enforcement & Homeowner Protection Unit examined and studied all the laws within its purview and the cases that the 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.

The Licensing Enforcement & Homeowner Protection Unit does not have any immediate recommendations for the upcoming legislative session.

Indiana Department of Insurance

The Title Insurance Division investigates consumer complaints of title agencies and companies. Typically a resolution is reached wherein consumer monies are recovered without Departmental administrative action. The total amount of monies the Title Division participated in recovering for consumers is also outlined below.

The Department assists in the detection of mortgage fraud in several ways. By enforcing the compliance of title agencies; monitoring closing transactions and issuing fines, assuring the integrity of the RREAL IN database. Also, ensuring industry professionals are properly licensed to perform related functions, which impact Indiana consumers. 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 identify areas of violation related to Inducement of Title Insurance Business (Bulletin 158). Leads to investigate such violations are a result of onsite exams, “whistle-blower” reporting and departmental staff observation of such violations in various medians of advertising and social media outlets. Onsite examinations conducted on non-resident licensees revealed a trend on non-compliance across various exam measurements.

**Title Insurance Administrative Actions and Monies
Recovered November 1, 2014 – November 1, 2015**

Final Orders Issued	RREAL IN Fines	Suspension	Fines collected	Consumer Monies Recovered
60	\$134,805.00	5	\$298,911.50	\$126,615.10

Title Insurance Agency Examinations Initiated October 17, 2014 – September 30, 2015

Title Insurance Agency Examinations Initiated	Title Insurance Agency Examinations Completed
179	184

Indiana Professional Licensing Agency

The Indiana Professional Licensing Agency continues to work on creating more uniformity among the various professional boards’ compliance departments. There has been some development with respect to a uniform litigation tracking system, but still more is needed in terms of following up on discipline decisions and creating the final program to track it all. The Indiana Real Estate Commission (“Commission”) and the Real Estate Appraiser Licensure & Certification Board have started developing a tracking process which will streamline the discipline decision follow up.

Indiana’s real estate profession experienced significant changes in 2014. Salespersons had to upgrade their license before July 1, 2014 to a broker license by completing a 24 hour transition course. Indiana’s real estate industry now consists of managing brokers and brokers. The staff has completed the continuing education audit for the period ending on 6/30/2014, and is in the process of informing the licensees who did not transition their license before the cutoff date how they can become an active broker once again.

Reciprocity from state to state is still an issue the commission is working on. There is currently only a written agreement with Illinois, but the Commission handles all others on a case by case basis depending on level of education required and also testing completed. The process will continue to be drawn out but it will improve real estate opportunities for Indiana brokers. It will also open interstate dialogue which will help in the regulation of the profession nationwide.

The Real Estate Appraiser Board (“Board”) will continue to see changes at the end of this year in terms of rules it must promulgate for the 2016-17 USPAP guidelines. Appraisal Management

Companies (AMC’s) continue to be a hot topic in the industry and the Board is looking into what federal guidelines it may adopt to continue to help protect the people of Indiana in the same way they have in the past. The AMC’s are seeing their margin on fees they can collect shrink, which is leading to more complaints from appraisers about AMC’s to the Board.

**Indiana Professional Licensing Agency Administrative Complaints
Indiana Real Estate Commission and Real Estate Appraiser Board
Between November 1, 2014 – November 1, 2015**

Complaints	Motions to Cease and Desist	Summary Suspensions with Real Estate Commission
66	11	2

Indiana Professional Licensing Agency

Since November of 2014, the Real Estate Commission has promulgated the following rules:

- LSA Document #14-304 - Amends 876 IAC 3-3-3.1 to require that appraiser trainees complete a supervisor/trainee course to meet licensure requirements and requires that qualifying education be completed within the five (5) years prior to the date of application. Amends 876 IAC 3-3-4.1 to require a bachelor’s degree for licensure as a certified residential appraiser and to allow qualifying education to be obtained through an accredited college or university. Amends 876 IAC 3-3-5.1 to require a bachelor’s degree for licensure as a certified general appraiser and to allow qualifying education to be obtained through an accredited college or university. Repeals 876 IAC 3-3-5.2. Amends 876 IAC 3-6-9 to require certified residential and certified general appraisers to hold an Indiana certification for at least three (3) years before acting as a supervisor, have no disciplinary action taken within the last three (3) years against an appraiser license or certification in any jurisdiction that affects the supervisory appraiser’s legal ability to engage in appraisal practice, and allows a supervisor to supervise up to three (3) trainees at the same time. Amends 876 IAC 3-6-10 to require that certified residential and certified general appraisers complete the supervisor/trainee course prior to commencing association with an appraiser trainee and modifies the requirements of the course.

Indiana Department of Financial Institutions

LICENSING and EXAMINATION SUMMARY:

First Lien Mortgage Lending:

Approved Licenses – 44 - from October 1, 2014 to September 30, 2015

Current Active Licenses - 348

Examinations completed in the reporting period – 110

Subordinate Lien Mortgage Lending:

Approved licenses – 9 – from October 1, 2014 to September 30, 2015

Currently Active Licenses - 94

Examinations completed in the reporting period - 29

Mortgage Loan Originator:

Approved licenses – 2,703 – from October 1, 2014 to September 30, 2015

Currently Active Licenses – 6,771

Common Mortgage Examination Errors:

- HUD-1 errors due to changes at closing.

- Ability to repay. For those borrowers with excessive top and/or bottom debt ratios a memorandum should be in the file clearly stating compensating factors

- Affiliated business disclosures not completed or not accurately completed. If the business is an affiliate, the lender should have extensive knowledge of the fees imposed.

- Changes in computer programs including advertising of mortgage terms, resulting in Regulation X (Real Estate Settlement Procedures Act) and Regulation Z (Truth-in-Lending) errors.

- 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).

Indiana Secretary of State – Securities Division**(A) Disciplinary or Enforcement Actions Taken**

The Indiana Secretary of State, Securities 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, 2014 – September 30, 2015

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
5	2	0	0	0	2	1	\$12,000

(B) Criminal Prosecutions Pursued

The Indiana Secretary of State, Securities 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).

¹ Cease 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.

Defendant Name	Prosecuting Agency	Indictment Date	Case Status	Sentence
George Zarris, Barbara Zarris, and Alexander Olympus Zarris	Scott County Prosecutor	July 2009	Trial Set for November 16, 2015	

George Zarris, Barbara Zarris, and Alexander Olympus Zarris - Barbara Zarris, George Zarris and Alexander Olympus Zarris have each been charged in Scott County, Indiana with five (5) felony counts of acting as unlicensed loan brokers, five (5) counts of loan broker fraud, and four (4) counts of fraud on a financial institution. All charges are currently pending in Scott County Circuit Court and are set for jury trial on November 16, 2015.

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

The Division has not issued any formal policies related to loan broker regulation in 2014-2015. However, the Division has been in constant contact with its licensees related to federal requirements that have come into effect through the course of 2014 and 2015. 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.

(D) Legislative Recommendations Made

None

Indiana Department of Financial Institutions:

Mortgage Loan Originators (MLOs) are regulated by DFI under 750 IAC 9, et al.

Below is a link to the HUD final rule for the federal SAFE Act for MLOs effective August 31, 2011.

http://www.in.gov/dfi/files/HUD_Final_SAFE.pdf

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.

As of September 30, 2015, 78 routine examinations of First Lien Mortgage Lenders in 2015 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. 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 ensuring 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.

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 \$1,317,310 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. It has been determined that an unspecified number of duplicate transactions have been reported in the RREAL IN database. The System Administrator is currently working with IOT and the software vendor (NAIC) to upgrade the database functionality to prevent the entry of records where the transaction type, buyer/borrower name, property address and closing date match previously submitted transactions.
5. 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, a Mortgage Lending and Fraud Prevention Task Force CLE was held on October 7, 2015, hosted by the Office of the Attorney general. The continuing education event, targeting attorneys and open to examiners and investigators, included an hour of Ethics training. Each Task Force agency delivered an agency specific presentation that aligned with the Task Force initiatives.

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.