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ARKANSAS SECURITIES DEPARTMENT

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The Arkansas Securities Department Takes Action against New Day Financial, LLC *Examination Identified Cheating on Testing and Continuing Education Requirements*

Today the Arkansas Securities Department, in conjunction with the Multi-State Mortgage Committee (MMC) announced a Settlement Agreement and Consent Order between 43 state mortgage regulators and New Day Financial, LLC d/b/a NewDay USA (New Day). The case arose as a result of an examination by the state of New Hampshire and a subsequent investigation conducted by the Maryland Commissioner of Financial Regulation. The case involved the impermissible sharing of test information for mortgage professionals as well as the practice of several New Day employees completing continuing education requirements for numerous other New Day employees.

"The MMC coordinated the investigation of this matter, identifying a pattern of inappropriate conduct, and negotiated, on behalf of the participating state regulators, a resolution that will permit the company to continue to operate while ensuring compliance with all state and federal laws," said Karyn Tierney, Chair of the MMC and Deputy Commissioner of the Arkansas Securities Department. "This case demonstrates the manner by which state mortgage regulators cooperate to more efficiently and effectively supervise mortgage companies, including resolving compliance issues through a coordinated enforcement action."

The order includes the following main points:

- The removal and replacement of New Day's Chief Operating Officer;
- The hiring of an independent auditor to evaluate New Day's policies and procedures and review New Day's training and education program to determine if additional remedial action is necessary to supplement the changes already implemented. The auditor is to report back to the MMC within 270 days after being retained, with a follow-up report 270 days thereafter;
- A report from New Day within 270 days identifying the manner in which the company proposes improving its corporate management and governance structures, with an eye to best business practices for a mortgage company of its size and scope of business; and

- The imposition of a \$5,280,000 administrative penalty, divided equally among the states with \$120,000 direct to Arkansas.

Mortgage regulators from the following states participated in the agreement: Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, Wisconsin, Wyoming, and the District of Columbia.

A copy of the Settlement Agreement and Consent Order is available on the Arkansas Securities Department's website, www.securities.arkansas.gov, Order No. C-15-0000-15-OR01.

Background Information:

The MMC was created in 2008 by state financial regulators through the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR). The MMC is charged with coordinating the examination, investigation, and supervision of those mortgage lenders and brokers operating in more than one state. The MMC is comprised of 10 members who are elected by the boards of CSBS and AARMR.

Title V of Public Law 110-289, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the SAFE Act), requires that state-licensed mortgage loan originators (MLOs) complete annual continuing education (CE) requirements. In order to meet CE requirements contemplated under the SAFE Act, state-licensed MLOs must complete continuing education and pre-licensure education requirements. MLOs are required to meet the Nationwide Multi-State Licensing System and Registry (NMLS) Rules of Conduct for Test Takers or Education Students, as established by state mortgage regulators.
