

DIVISION OF BANKING
STATE OF WEST VIRGINIA

In the Matter of:

EQUITY ONE OF WEST VIRGINIA, INC.,
A regulated consumer lender.

Dkt. No. 02-SC-RCL-01

ORDER TO SHOW CAUSE

On this day the above-referenced matter was brought before me, Larry A. Stark, Commissioner of Banking of the State of West Virginia, for an order compelling the above-named licensee to show cause why its license should not be suspended for a period not in excess of six months, in accordance with the provisions of WV Code § 46A-4-103. Upon a review of the records and documents obtained from Equity One of West Virginia, Inc., together with the reports and materials submitted by the staff of the Division of Banking of the State of West Virginia and on information and belief, I hereby assert the following:

1. Equity One of West Virginia, Inc. ("Equity of WV"), having its main office at 2540 Aikens Center, Martinsburg, West Virginia, is a corporation chartered by the State West Virginia. It is a regulated consumer lender licensed to conduct lending activity in the State of West Virginia under the provisions of WV Code § 46A-4-101, *et seq.*

2. Equity of WV operates two branch offices in West Virginia: 309 Beckley Crossing, Beckley, West Virginia, and 1106 Fledder John Road, Charleston, West Virginia.

3. Equity of WV is a wholly-owned subsidiary of Equity One, Inc., a Delaware corporation headquartered at 400 Lippincott Drive, Marlton, New Jersey.

4. WV Code 46A-4-103 provides in relevant part that

(1) The Commissioner may issue to a person licensed to make regulated consumer loans an order to show cause why his license ... should not be suspended for a period not in excess of six months.

...

After the hearing the commissioner shall revoke or suspend the license if he finds that:

(a) The licensee has repeatedly and willfully violated this chapter or any rule or order lawfully made or issued pursuant to this article.

...

(4) Nothing in this section limits the authority of the commissioner to take action against a regulated consumer lender pursuant to chapter thirty-one-a [§ 31A-1-1, *et seq.*] of this code.

5. WV Code 31A-2-6 provides in relevant part that

[e]very official communication from the commissioner to any institution, or to any officer thereof, relating to an examination or an investigation of the affairs of the institution conducted by the commissioner or containing suggestions or recommendations as to the manner of conducting the business of the institution, shall be read by the board of directors at the next meeting after the receipt thereof, and the president, or other executive officer, of the institution shall forthwith notify the commissioner in writing of the presentation and reading of the communication and of any action taken thereon by the institution.

6. The Division of Banking examined Equity of WV on October 19, 2000 and transmitted by certified mail to the Board of Directors of Equity of WV the Report of

Examination, which was received by a representative of the company on December 5, 2000.

7. Despite a second request on March 26, 2001 from the Division of Banking for a response, Equity of WV did not file a response nor did it return the required directors' signature form.

8. At the most recent examination which commenced in February 2002, examiners from the Division of Banking discovered that Equity of WV still had failed to return a response to the October 2000 Report of Examination and the signed directors' signature form.

9. The continual failure of Equity of WV to provide a timely response to a Report of Examination constitutes a repeated violation of WV Code 31A-2-6 and grounds for suspension of the regulated consumer lender license.

10. At the most recent examination of Equity of WV, examiners from the Division of Banking discovered that five of the apparent violations noted on this examination were identical to those violations cited on the October 19, 2000 examination.

11. A review of previous examination reports revealed that at least three of the apparent violations noted in February 2002 had also been noted on the 1999 examination of Equity of WV.

12. Failure to correct apparent violations of law, which have been noted in previous examination reports, constitutes a repeated and willful violation of the chapter governing regulated consumer lenders or other rule or order lawfully made or issued.

13. WV Code 46A-4-110(1) provides that

No licensee shall conduct the business of making loans under the provisions of this article within any office, room or place of business in

which any other business is solicited or engaged in, or in association or conjunction therewith, except as may be authorized in writing by the commissioner ...

14. Equity of WV has never asked the Commissioner of Banking for permission to broker loans out of the same office that it conducts its regulated consumer lender business.

15. The Division of Banking first discovered that Equity of WV had brokered loans in violation of law in litigation publicized in local newspapers.

16. In July 2001, Equity One, Inc. asked informally whether it could designate Equity of WV branch offices as mortgage lender and broker branches, and the Division of Banking informed Equity One, Inc. that Equity of WV would need permission to conduct other business pursuant to WV Code 46A-4-110 and that it was not likely such permission would be granted.

17. Despite the Division of Banking's position on brokering from a regulated consumer lender office, Equity of WV continued brokering loans, and in fact brokered six loans from the Martinsburg office between the July 2001 inquiry and the February 2002 exam in a blatant disregard of the Division response

18. The continued blatant disregard of Division of Banking policy and regulated consumer lender law is a repeated and willful violation of the chapter governing regulated consumer lenders or other rule or order lawfully made or issued.

19. WV Code 46A-4-104 provide in relevant part that

(2) On or before the fifteenth day of February each year, every licensee shall file with the commissioner a composite annual report in the form prescribed by the commissioner

20. Equity of WV did not submit its 2001 annual report to the Division of Banking in a timely manner.

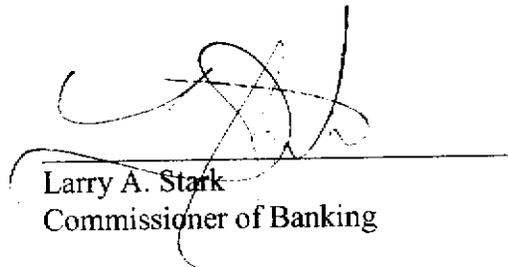
21. The Division of Banking has discovered through correspondence and examination that Equity of WV did not truthfully answer all of the questions on the annual report, particularly those items relating to other business conducted from the licensed regulated consumer lender office.

22. Failure to file timely the 2001 Annual Report, when taken together with Equity of WV's failure to respond to the 2000 Report of Examination, and lack of veracity in its reporting, indicates Equity of WV has willfully and repeatedly violated the chapter relating to regulated consumer lenders.

THEREFORE, pursuant to the authority granted to me by WV Code § 46A-4-103(1), I hereby ORDER Equity One of West Virginia, Inc. to SHOW CAUSE why its regulated consumer lender license should not be suspended for a period not in excess of six months.

This ORDER shall remain in effect until modified or vacated by further Order of the Commissioner of Banking.

Entered: May 3, 2002


Larry A. Stark
Commissioner of Banking

NOTICE OF HEARING

Pursuant to WV Code 46A-4-103(1), a hearing has been scheduled regarding this Order to Show Cause on May 23, 2002, at 10 a.m. at the offices of the Division of Banking, 1900 Kanawha Boulevard East, Building 3, Room 323, Charleston, West Virginia. This hearing will be closed to the public pursuant to WV Code 6-9A-4(b)(4) unless Equity One of West Virginia, Inc. requests an open meeting.