COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
OFFICE OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2007-AH-916

OFFICE OF FINANCIAL INSTITUTIONS COMPLAINANT

vs.

FINAL ORDER
REVOKING LICENSE

CLASSIC MORTGAGE, INC. RESPONDENT

Statement of Facts

1. The Office of Financial Institutions ("OFI") is responsible for regulating and licensing mortgage loan companies and mortgage loan brokers in accordance with the provisions of KRS Chapter 286.8, the Mortgage Loan Company and Mortgage Loan Broker Act.

2. Respondent applied for and was issued mortgage broker license number 1157B for the purpose of engaging in the mortgage loan business in the Commonwealth of Kentucky at an office located at 704 West Jefferson Street, Suite 200, LaGrange, Kentucky 40031.

3. OFI received a Letter of Intent to Purchase Stock of Business dated June 25, 2007 which indicated that Mr. Ash Gupta would be acquiring 75% of the outstanding capital stock of Classic Mortgage, Inc. The Letter of Intent indicated that Toni Pierce and Wayne Pierce each owned 50% of the company's stock, and that Toni Pierce would sell all of her stock in the company of 500 shares (50%) to Mr. Gupta and Wayne Pierce would sell half of his stock in the company of 250 shares (25%) to Mr. Gupta. According

to the agreement, Mr. Gupta would acquire all of the assets and liabilities of Classic Mortgage, Inc.

4. Review of OFI's files indicated that when Classic Mortgage, Inc. obtained its mortgage broker license, Classic Mortgage, Inc. reported that Wayne Pierce was 100% owner of the company. In 2001, Classic Mortgage, Inc. reported that Toni Pierce had obtained 90% ownership of the company. In 2004, Classic Mortgage, Inc. reported that Toni Pierce had obtained 100% ownership of the company.

5. OFI sent a certified letter to Classic Mortgage, Inc. on September 25, 2007, asking for an explanation of the discrepancies in the filings and for additional information regarding the new controlling shareholder, Mr. Gupta, but received no response.

6. OFI has additionally learned that Mr. Gupta moved the operations of Classic Mortgage, Inc. to a new location in Louisville, Kentucky. OFI did not receive notification of this change in address.

7. On December 14, 2007, OFI filed an Administrative Complaint against Respondent seeking revocation of Respondent's license to do business as a mortgage loan broker in the Commonwealth of Kentucky for violation of Chapter 286.8 of the Kentucky Revised Statutes. Respondent failed to respond to the complaint, and therefore no hearing was requested in this matter.

8. On January 22, 2008, OFI received a surety bond cancellation notice from the Hartford Fire Insurance Company indicating that the surety bond for Respondent had been cancelled. Since that time, OFI has not received proof of bond from Respondent.

Statutory Authority

9. Pursuant to KRS 286.8-060, a mortgage loan broker is required to post and maintain a surety bond in the amount of not less than fifty thousand dollars ($50,000).

10. Pursuant to KRS 286.8-075, a transfer of voting stock of a mortgage loan broker which constitutes a change of control shall be approved in writing by the executive director, prior to the transfer. The owner, president, chief executive officer or a partner shall apply to the executive director for approval of a transfer of voting stock in his mortgage loan broker company and the application must contain information which shows that the requirements of Ch. 286.8 for obtaining a license will be satisfied after the change of control. Pursuant to 808 KAR 12:002, "control" means the power to vote twenty-five (25) percent or more of any class of voting stock of the company.

11. Pursuant to KRS 286.8-036, no licensee shall maintain an office at any location other than that designated in the license and shall notify the executive director, in writing, within ten (10) days of the closing of any licensed location.

12. Pursuant to KRS 286.8-090, the executive director may deny, suspend, or revoke any license when the applicant or licensee does not meet or has failed to comply with the requirements of KRS 286.8, does not conduct his business in accordance with law or the method of business includes or would include activities which are illegal where performed, or has willfully violated any provision of KRS 286.8 or any regulation thereunder, has been guilty of fraud in connection with any transaction governed by KRS 286.8, has made or caused to be made to the executive director any false representation of material fact, or has refused or failed, within a reasonable time, to furnish any

information or make any report that may be required by the executive director under the provisions of KRS 286.8.

Conclusions

Based upon the foregoing, the executive director has determined as follows:

1. Respondent applied for and was issued a mortgage loan broker license (# 1157B) by OFI for the purpose of engaging in the mortgage loan broker business in the Commonwealth of Kentucky at an office located at 704 West Jefferson Street, Suite 200, LaGrange, Kentucky 40031

2. Respondent violated KRS 286.8-060 by failing to maintain a surety bond in the amount of not less than fifty thousand dollars ($50,000).

3. Respondent violated KRS 286.8-075 by executing a change of control in the company without prior written approval from the executive director.

4. Respondent violated KRS 286.8-036 by conducting business at a location other than the one designated in the license and failing to notify the executive director, in writing, within ten (10) days of the closing of any licensed office.

5. In light of the various violations of KRS 286.8 and Respondent's failure to, within a reasonable time, furnish information that is required by the executive director, Respondent's license as a mortgage loan broker is subject to being revoked pursuant to KRS 286.8-090.

6. Despite being properly served with an Administrative Complaint, Respondent failed to respond to the Complaint or request a hearing within twenty (20) days of service of the complaint as required by 808 KAR 12:030.

Order

THEREFORE, based upon the foregoing statement of facts, statutory authority, and conclusions, the executive director **HEREBY ORDERS** as follows:

1. That the mortgage loan broker license held by **Classic Mortgage, Inc.** is **REVOKED**;

2. That Respondent is prohibited from conducting business in Kentucky as a mortgage loan company or mortgage loan broker without being properly licensed or otherwise entitled to an exemption;

3. That Respondent is prohibited from participating in any business activity of a registrant or licensee and from engaging in any business activity on the premises where a licensee or registrant is conducting its business; and

4. This is a **FINAL ORDER**.

This **ORDER** shall become effective upon completion of service as it is set forth in KRS 13B.050(2).

Notice of Appeal Rights

Pursuant to KRS 286.8-210, you are hereby notified that you have the right to appeal this Final Order of the Executive Director. If you choose to appeal, you must file a written Notice of Appeal with the Franklin Circuit Court within sixty (60) days after entry of this Order.

IT IS SO ORDERED on this the 1st day of April, 2008.

Cordell G. Lawrence
Executive Director
Office of Financial Institutions
1025 Capital Center Drive, Ste. 200
Frankfort, Kentucky 40601

Certificate of Service

I, Jessica R. Sharpe, hereby certify that a copy of the foregoing **Final Order Revoking License** was sent on this the 2nd day of April, 2008, by certified mail, return receipt requested, to the following:

Classic Mortgage, Inc.
704 W. Jefferson St., Suite 200
Lagrange, KY 40031

Classic Mortgage, Inc.
3934 Dixie Hwy, Suite 345
Louisville, KY 40216

Classic Mortgage, Inc.
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Louisville, KY 40229

Classic Mortgage, Inc.
c/o Toni Pierce
2081 Bells Ridge Road
Bedford, KY 40006

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