

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

SPROUT MORTGAGE, LLC
NMLS ID 1844521

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ORDER TO SHOW CAUSE

TO: Sprout Mortgage, LLC
c/o Universal Registered Agents, Inc.
441 Main Street
Metuchen, New Jersey 08840

THIS MATTER having been opened by the Commissioner of the New Jersey Department of Banking and Insurance ("Commissioner"), upon information that Sprout Mortgage, LLC ("Respondent"), may have violated various provisions of the New Jersey Residential Mortgage Lending Act, N.J.S.A. 17:11C-51 to -89 ("RMLA"), and the implementing regulations, N.J.A.C. 3:15-1.1 to -12.4; and

WHEREAS, Respondent was licensed as a residential mortgage lender in New Jersey under NMLS ID #1844521, pursuant to N.J.S.A. 17:11C-54(a)(1), until its license was revoked effective November 1, 2023 for non-filing of the 2022 annual report with the Department; and

WHEREAS, Respondent ceased conducting licensed business operations in New Jersey in or about July 2022 and is no longer conducting licensed business in this State; and

WHEREAS, Respondent is subject to the provisions of the RMLA and the implementing regulations; and

WHEREAS, the Department conducted an examination of Respondent covering the period March 1, 2019 through February 28, 2022, and issued a Report of Examination dated December 20, 2022 which uncovered violations identified in this Order to Show Cause; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(a)(3)(a), the Commissioner may revoke, suspend, or refuse to renew a residential mortgage lender license, or impose a penalty pursuant to the RMLA, if the Commissioner finds, after notice and an opportunity for a hearing, that any person or holder of the license has violated any provision of the RMLA or any order, rule, or regulation made or issued pursuant to the RMLA; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(a)(3)(d), the Commissioner may revoke, suspend, or refuse to renew a license, or impose a penalty, if the licensee failed to comply with reporting requirements set forth pursuant to N.J.S.A. 17:11C-85; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(a)(3)(f), the Commissioner may revoke, suspend, or refuse to renew a license, or impose a penalty, if the licensee demonstrated unworthiness, incompetence, bad faith or dishonesty in the transaction of business as a licensee; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(a)(3)(g), the Commissioner may revoke, suspend, or refuse to renew a license, or impose a penalty, if the licensee engaged in any other conduct which would be deemed by the Commissioner to be cause for denial, revocation, suspension, or refusal of the license or license renewal; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(b)(4), the Commissioner may impose a civil penalty not exceeding \$25,000.00 on any person for a violation of the RMLA, and each violation of the RMLA, including any order, rule or regulation made or issued pursuant to the RMLA, shall constitute a separate offense; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(b)(5), the Commissioner may order that any person who has been found to have knowingly violated any provision of the RMLA, or the rules and regulations issued pursuant thereto, and has thereby caused financial harm to consumers, be

barred from acting as a residential mortgage lender, residential mortgage broker, mortgage loan originator, or in any other capacity pursuant to the RMLA; and

WHEREAS, pursuant to N.J.S.A. 17:11C-70(b)(6), the Commissioner may order a person found to be in violation of the RMLA to make restitution to any person aggrieved by the violation; and

WHEREAS, pursuant to N.J.S.A. 17:11C-74(a), a residential mortgage lender, incidental to the origination, processing and closing of a mortgage loan transaction, may charge only the enumerated fees, including application fees, origination fees, lock-in fees, commitment fees, warehouse fees, discount points, and certain third-party reimbursement fees; and

WHEREAS, pursuant to N.J.S.A. 17:11C-74(e), no residential mortgage lender may charge any fee not expressly authorized; and

WHEREAS, pursuant to N.J.S.A. 17:11C-75(d), no residential mortgage lender shall make, or cause or permit to be made, in any manner, any statement or representation which is false, misleading, or deceptive; and

WHEREAS, pursuant to N.J.S.A. 17:11C-75(e), no residential mortgage lender shall engage in any unfair or deceptive practice toward any person, or directly or indirectly employ any scheme, device, or artifice to defraud or mislead borrowers, lenders, or any other person, including any action to misrepresent, circumvent, or conceal the nature of any information or material particular of any transaction; and

WHEREAS, pursuant to N.J.S.A. 17:11C-75(h), no residential mortgage lender shall fail to make any disclosures concerning a mortgage loan as required by federal and State law, including any order, rule or regulation made or issued pursuant to that law; and

WHEREAS, pursuant to N.J.S.A. 17:11C-75(l), no residential mortgage lender shall charge or exact directly or indirectly from a borrower or any other person any commission, bonus, fee, or charge not authorized by the RMLA; and

WHEREAS, pursuant to N.J.S.A. 17:11C-85(a), every residential mortgage lender and residential mortgage broker shall annually file a report with the Commissioner, under oath and in the form and within the time specified by the Commissioner by regulation, setting forth information required by the Commissioner concerning the business conducted as a licensee during the preceding calendar year; and

WHEREAS, pursuant to N.J.S.A. 17:11C-85(b), any negligently made false statement or knowing omission of material fact in connection with any report or supporting information filed with the Commissioner, the Nationwide Mortgage Licensing System and Registry, or through that system with any federal or state agency, shall be deemed a violation of the RMLA; and

WHEREAS, pursuant to N.J.A.C. 3:15-2.17, a mortgage lender that discontinues its licensed business operations in New Jersey shall complete certain discontinuation requirements, including surrendering the entity's current license or licenses, as well as the licenses of each qualified individual licensee, branch office, and mortgage loan originator; identifying any New Jersey residential mortgage loans being processed and any scheduled closing dates; identifying the location of pending and retained New Jersey loan files; identifying any arrangements for other entities to take over loan files; identifying the person designated to handle consumer problems; satisfying all outstanding obligations owed to the Department; satisfying all filing requirements, including the final annual report; paying all assessments due and owing; and identifying the person responsible for payment of assessments; and

COUNT 1
(Filing False or Inaccurate Annual Reports)

IT APPEARING that Respondent filed Annual Reports with the Department for calendar years 2020 and 2021, as required by N.J.S.A. 17:11C-85(a)(1); and

IT FURTHER APPEARING that, in its 2020 Annual Report, Respondent reported making 26 New Jersey mortgage loans, totaling \$10,275,800 in loan volume; and

IT FURTHER APPEARING that, in its 2020 loan application log filed with the Department, Respondent reported making 29 New Jersey mortgage loans, totaling \$11,299,550 in loan volume; and

IT FURTHER APPEARING that Respondent's 2020 Annual Report therefore differed from its 2020 loan application log by three loans and \$1,023,750 in loan volume; and

IT FURTHER APPEARING that, in its 2021 Annual Report, Respondent reported making 157 New Jersey mortgage loans, totaling \$95,332,316 in loan volume; and

IT FURTHER APPEARING that, in its 2021 loan application log filed with the Department, Respondent reported making 166 New Jersey mortgage loans, totaling \$97,677,691 in loan volume; and

IT FURTHER APPEARING that Respondent's 2021 Annual Report therefore differed from its 2021 loan application log by nine loans and \$2,345,375 in loan volume; and

IT FURTHER APPEARING that by filing inaccurate 2020 and 2021 Annual Reports, Respondent violated N.J.S.A. 17:11C-85(b), and N.J.S.A. 17:11C-70(a)(3)(a), (d), (f), and (g); and

IT FURTHER APPEARING that each inaccurate Annual Report constitutes a separate violation of the RMLA; and

COUNT 2
(Charging undisclosed or improperly-disclosed discount points)

IT FURTHER APPEARING that Respondent charged certain New Jersey borrowers discount points at closing that exceeded the points disclosed to those borrowers in Loan Estimates, New Jersey Lock-In Agreements, and/or New Jersey Application Disclosure Forms; and

IT FURTHER APPEARING that, pursuant to N.J.S.A. 17:11C-74(c)(6), discount points are fees charged by a lender, based on a percentage of the principal amount of the loan and payable only at closing, that operate to reduce the interest rate of the mortgage loan; and

IT FURTHER APPEARING that the affected transactions are summarized as follows:

Borrower(s)	Loan No.	Loan amount	Disclosed points	Points charged at closing	Overcharge
M.T.	#2014062460	\$145,000	\$1,812.50 / 1.25%	\$2,900.00 / 2.00%	\$1,087.50
K.N. and J.N.	#2012055403	\$190,000	\$1,008.90 / 0.531%	\$1,483.90 / 0.78%	\$475.00
M.R.	#2112076547	\$400,000	\$4,500.00 / 1.125%	\$5,000.00 / 1.25%	\$500.00
J.J.L.	#2108070283	\$370,000	\$0 / 0.00%	\$3,700.00 / 1.00%	\$3,700.00

IT FURTHER APPEARING that, by charging discount points in excess of the points disclosed to by the borrowers, or by charging discount points that were not disclosed on required New Jersey disclosures, Respondent violated N.J.S.A. 17:11C-70(a)(3)(a), (f), and (g), N.J.S.A. 17:11C-74, and N.J.S.A. 17:11C-75(d), (e), (h), and (l); and

IT FURTHER APPEARING that each undisclosed, improperly disclosed, or unauthorized charge constitutes a separate violation of the RMLA; and

COUNT 3
(Charging an impermissible third-party processing fee)

IT FURTHER APPEARING that, on December 8, 2020, Respondent charged borrower “M.S.” a \$1,195 third-party processing fee at closing in connection with Loan No. 2009050642; and

IT FURTHER APPEARING that a third-party processing fee is impermissible and is not authorized by the RMLA or the implementing regulations; and

IT FURTHER APPEARING that by charging borrower M.S. an unauthorized third-party processing fee, Respondent violated and N.J.S.A. 17:11C-70(a)(3)(a), (f), and (g), N.J.S.A. 17:11C-74, and N.J.S.A. 17:11C-75(e) and (l); and

COUNT 4
(Charging rates higher than the rates reflected in New Jersey Lock-In Agreements)

IT FURTHER APPEARING that the following borrowers executed New Jersey Lock-In Agreements with Respondent, reflecting specific interest rates for specified periods of time, closed within the specified periods, and nevertheless received note rates higher than the rates reflected in those agreements:

Borrower	Loan No.	LIA expiration	Closing date	LIA rate	Note rate	Lock-in/commitment fee
S.T.	#2111074832	2/18/22	2/17/22	5.188%	5.313%	\$1,195
F.A.	#2108070847	10/7/21	10/7/21	4.362%	4.487%	\$1,195

IT FURTHER APPEARING that any borrower whose loan transaction has an executed lock-in agreement and whose mortgage loan closes within the specified period reflected on the lock-in agreement should not have received an interest rate in excess of the rate reflected on that agreement; and

IT FURTHER APPEARING that by closing these loans at note rates higher than the rates reflected in the applicable New Jersey Lock-In Agreements, Respondent violated N.J.S.A. 17:11C-70(a)(3)(a), (f), and (g), N.J.S.A. 17:11C-74, and N.J.S.A. 17:11C-75(d), (e), (h), and (l); and

IT FURTHER APPEARING that each instance of closing a loan at an interest rate higher than the rate reflected in a New Jersey Lock-In Agreement constitutes a separate violation of the RMLA; and

COUNT 5
(Failure to Properly Surrender License and Complete Discontinuation Requirements)

IT FURTHER APPEARING that Respondent ceased its licensed business operations business operations in New Jersey in July or about 2022; and

IT FURTHER APPEARING that, in or about July 2022, Respondent applied to the Department to surrender its New Jersey residential mortgage lender license; and

IT FURTHER APPEARING that, despite applying to surrender its license, Respondent failed to complete all requirements for discontinuing its licensed business operations in New Jersey; and

IT FURTHER APPEARING that by failing to complete all requirements for discontinuing its licensed business operations in New Jersey, Respondent violated N.J.S.A. 17:11C-70(a)(3)(a), (f), and (g), and N.J.A.C. 3:15-2.17; and

NOW, THEREFORE, IT IS on this 30 day of June 2026,

ORDERED that Respondent appear and show cause why it should not be barred from acting as a residential mortgage lender, residential mortgage broker, or mortgage loan originator, or a stockholder, an officer, director, partner or other owner, or any employee of a licensee, or acting in any other capacity pursuant to the RMLA, pursuant to N.J.S.A. 17:11C-70(b)(5); and

IT IS FURTHER ORDERED that Respondent appear and show cause why the Commissioner should not assess a civil penalty of not more than \$25,000.00 for each violation of the RMLA, pursuant to N.J.S.A. 17:11C-70(b)(4); and

IT IS FURTHER ORDERED that Respondent appear and show cause why the Commissioner should not order restitution to any person aggrieved by Respondent's violations, pursuant to N.J.S.A. 17:11C-70(b)(6); and

IT IS FURTHER ORDERED that Respondent has the right to request an administrative hearing, to be represented by counsel or other qualified representative, at its own expense, to take testimony, to call or cross-examine witnesses, to have subpoenas issued, and to present evidence or argument if a hearing is requested; and

IT IS FURTHER ORDERED that unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by Respondent and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by emailing the request to Paulette Sibblies-Flagg at paulette.sibblies-flagg@dobi.nj.gov and mailing a copy to Paulette Sibblies-Flagg, OCF Investigations Unit, Department of Banking and Insurance, P.O. Box 040, Trenton, New Jersey 08625. A copy of the request for a hearing shall also be emailed to Deputy Attorney General Garen Gazaryan at garen.gazaryan@law.njoag.gov and a copy mailed to P.O. Box 117, Trenton, New Jersey 08625. The request shall contain the following:

- A. Respondent' full name, address, and daytime telephone number;
- B. A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;
- C. A specific admission or denial of each fact alleged in this Order to Show Cause. Where Respondent have no specific knowledge regarding a fact alleged in the Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- D. A statement requesting a hearing.



Susan Ochs
Acting Commissioner