

1 State of New Hampshire Banking Department

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3 In re the Matter of:) Case No.: 07-234
)
 4 State of New Hampshire Banking) Order To Show Cause
) with Immediate Suspension
 5 Department,)
) Cease and Desist Order
 6 Petitioner,)
)
 7 and)
)
 8 First Magnus Financial Corporation,)
)
 9 Gurpreet Jaggi, Thomas W. Sullivan,)
)
 10 Sr. and, Thomas W. Sullivan, Jr.,
 11 Respondents

12
13 NOTICE OF ORDER

14 This Order commences an adjudicative proceeding under the provisions of
15 RSA 541A:31, RSA 397-A, and BAN 204.03.

16 LEGAL AUTHORITY AND JURISDICTION

17 Pursuant to RSA 397-A:17, the Commissioner of the New Hampshire Banking
18 Department (hereinafter "the Department") may issue an Order to Show Cause
19 why a license should not be revoked. RSA 397-A:17 states that the
20 Department may issue such Order when a licensee engages in an unethical
21 business practice. It further states the Commissioner may take actions for
22 immediate suspension consistent with RSA 541-A:30 III. RSA 397-A:21 states
23 the Commissioner may impose penalties of up to \$2,500 per violation of the
chapter.

24 Pursuant to RSA 397-A:18 the banking department may issue a cease and
25 desist order against any licensee or person who it has reasonable cause to

1 believe is in violation of the provisions of this chapter or any rule or order
2 under this chapter.

3 Pursuant to RSA 383:10-d the Commissioner shall investigate conduct that
4 is or may be an unfair or deceptive act or practice under RSA 358-A and exempt
5 under RSA 358-A:3, I or that may violate any of the provisions of Titles XXXV
6 and XXXVI and administrative rules adopted thereunder. The commissioner may
7 hold hearings relative to such conduct and may order restitution for a person
8 or persons adversely affected by such conduct. The Commissioner may utilize
9 all remedies available under the Act.

9 **NOTICE OF RIGHT TO REQUEST A HEARING**

10 The above named respondents have the right to request a hearing on this
11 Order to Show Cause and Cease and Desist Order, as well as the right to be
12 represented by counsel. Any such request for a hearing shall be in writing,
13 and signed by the respondents or by the duly authorized agent of the above
14 named respondents, and shall be delivered either by hand or certified mail,
15 return receipt request, to the Banking Department, State of New Hampshire,
16 64B Old Suncook Road, Concord, NH 03301. Hearings will be conducted within 10
17 days of such request.

17 If respondents fail to request a hearing or respond to the orders
18 within 30 calendar days of receipt of these orders, respondent shall be
19 deemed in default, the penalties requested will be imposed, and the Cease and
20 Desist will be become permanent on the 31st day.

21 If any respondent fails to appear at any duly noticed hearing he shall
22 likewise be deemed in default.

23 **STATEMENT OF ALLEGATIONS, APPLICABLE LAWS AND REQUEST FOR RELIEF**

24 The Staff Petition dated August 20, 2007 (a copy of which is attached
25 hereto) is incorporated by reference hereto.

1 State of New Hampshire Banking Department

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3 In re the Matter of:) Case No.: 07-234
)
 4 State of New Hampshire Banking) Staff Petition
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 5 Department,)
)
 6 Petitioner,) August 20, 2007
)
 7 and)
)
 8 First Magnus Financial Corporation,)
)
 9 Gurpreet Jaggi, Thomas W. Sullivan,)
)
 10 Sr. and, Thomas W. Sullivan, Jr.,
)
 11 Respondents

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13 STATEMENT OF ALLEGATIONS

14 I. The staff of the Banking Department, State of New Hampshire (hereinafter
15 referred to as the "Department") alleges the following facts:

- 16 1. Respondent First Magnus Financial Corporation (FMFC) is licensed as a
 17 mortgage banker doing business in its own name and as Charter Funding
 18 and Mortgage Concepts and has held a license with the Department since
 19 at least 2002.
- 20 2. Respondent's principal office is currently located at 603 North Wilmot
 21 Rd. Tucson, Arizona.
- 22 3. Respondent Gurpreet Jaggi is the president of FMFC and a partial owner.
- 23 4. Respondent Thomas W. Sullivan Sr. is chairman of the board of FMFC and a
 24 partial owner.
- 25 5. Respondent Thomas W. Sullivan Jr. is the vice president and treasurer of
 FMFC and a partial owner.

- 1 6. On August 16, 2007 a New Hampshire branch manager for FMFC sent an email
2 to several FMFC employees communicating that FMFC was immediately
3 ceasing all operations and had no ability to fund loans for which it had
4 already made commitments.
- 5 7. As of this petition date, New Hampshire branch phone numbers have been
6 disconnected and branches have shut their doors.
- 7 8. As of this petition date, the Department has received no notification
8 directly from FMFC regarding their apparent inability to fund loans or
9 their decision to immediately cease operations.
- 10 9. On or about August 17, 2007 the Department received a list of all FMFC
11 loans that were marked "DocsSentButNotFunded." This list appears to
12 represent loans which were "closed" but not funded as of that time. This
13 list included 20 New Hampshire loans totaling approximately \$3.3
14 million.
- 15 10. FMFC's website states that it has no intention of funding such loans.
- 16 11. On or about August 17, 2007 the Department received a list of all FMFC
17 loans that were marked "uwApprovedNotFunded." This list appears to
18 represent loans which have not yet closed but for which consumers have
19 been given assurances of funding. This list includes 394 New Hampshire
20 loans totaling approximately \$79 million.
- 21 12. FMFC's website indicates that FMFC has no intention of honoring its
22 commitments on these 394 loans.
- 23 13. FMFC currently has a bond in the amount of \$20,000.00 in place.
- 24 14. As a result of the Respondents' failure to observe sound business
25 practices, New Hampshire consumers have suffered financial and other
losses.
15. FMFC and its principals have a currently active license and therefore
have the ability to continue their illegal practices.

1 II. The staff of the Banking Department, State of New Hampshire alleges the
2 following issues of law:

- 3 1. The Banking Department ("Department"), has jurisdiction over the
4 licensing and regulation of persons engaged in first mortgage banker /
5 broker activities pursuant to NH RSA 397-A:3.
- 6 2. Pursuant to RSA 397-A:5 licensees are required to have financial
7 integrity, a positive net worth and a net worth in excess of
8 \$100,000.00 in order to post a \$20,000.00 bond.
- 9 3. Pursuant to RSA 397-A:14-b licensees are required to fund loans at
10 closing.
- 11 4. RSA 397-A:21 IV provides that any person who, either knowingly or
12 negligently, violates any provision of RSA 397-A, may upon hearing, and
13 in addition to any other penalty provided for by law, be subject to
14 suspension, revocation, or denial of any registration or license, or an
15 administrative fine not to exceed \$2,500, or both. Each of the acts
16 specified shall constitute a separate violation, and such
17 administrative action or fine may be imposed in addition to any
18 criminal penalties or civil liabilities imposed by New Hampshire
19 banking laws. Respondents are subject to revocation and/or
20 administrative fines for violations of RSA 397-A.
- 21 5. RSA 397-A:21 V provides that every person who directly or indirectly
22 controls a person liable under this section, every partner, principal
23 executive officer, or director of such person, who materially aids in
24 the acts constituting the violation, either knowingly or negligently,
25 may, upon notice and opportunity for hearing, and in addition to any
other penalty provided for by law, be subject to suspension,
revocation, or denial of an registration or license, including the
forfeiture of any application fee, or the imposition of an

1 administrative fine not to exceed \$2,500, or both. Each of the acts
2 specified shall constitute a separate violation, and such
3 administrative action or fine may be imposed in addition to any
4 criminal penalties or civil liabilities imposed by New Hampshire
5 banking laws. Respondents Gurpreet Jaggi, Thomas W. Sullivan, Sr., and
6 Thomas W. Sullivan Sr. are each subject to revocation and/or
7 administrative fines for violations of RSA 397-A.

8 6. Pursuant to RSA 397-A:17 the commissioner may issue an order requiring a
9 person to whom any license has been granted or any person under the
10 commissioner's jurisdiction to show cause why the license should not be
11 revoked, suspended, or penalties imposed, or both, for violations of this
12 chapter. Pursuant to RSA 397-A:17 I(k) respondent FMFC is subject to
13 license revocation for engaging in dishonest or unethical practices in
14 the conduct of the business of making or collecting mortgage loans.

15 7. Pursuant to RSA 397-A:17 the banking department may take action for
16 immediate suspension of a license if the department finds that public
17 health, safety or welfare requires emergency action.

18 8. Pursuant to RSA 397-A:18 the banking department may issue a cease and
19 desist order against any licensee or person who it has reasonable cause
20 to believe is in violation of the provisions of this chapter or any rule
21 or order under this chapter.

22 **RELIEF REQUESTED**

23 The staff of the Banking Department requests the Commissioner take the
24 following action:

- 25 1. Find as fact the allegations contained in section I of the Statement of Allegations of this petition.
2. Make conclusions of law relative to the allegations contained in section II of the Statement of Allegations of this petition.

