

CONSUMER PROTECTION DIVISION,
OFFICE OF THE ATTORNEY GENERAL,
200 St. Paul Place, 16th Floor
Baltimore, Maryland 21202,

Proponent,

v.

COMPU-LINK CORPORATION,
dba CELINK,

Respondent.

IN THE
CONSUMER PROTECTION
DIVISION OF THE
OFFICE OF THE
ATTORNEY GENERAL

ASSURANCE OF DISCONTINUANCE

This Assurance of Discontinuance (“Assurance”) is being entered into between the Consumer Protection Division of the Office of the Attorney General of the State of Maryland (the “Division”) and Compu-Link Corporation, dba Celink (“Celink”). The Division and Celink agree as follows:

PARTIES

1. The Consumer Protection Division is responsible for enforcement of Maryland consumer protection laws, including the Maryland Consumer Protection Act, Md. Code Ann., Com. Law (“CL”) §§ 13-101 through 13-501 (2013 Repl. Vol. and 2018 Supp.) (“CPA”).
2. Celink, a Michigan corporation formed in 1969, is in the business of sub-servicing reverse mortgage loans, and the reverse mortgages it sub-services are primarily FHA-insured Home Equity Conversion Mortgage loans (or “HECMs”).
3. Compu-Link Corporation uses the trade name of Celink to conduct its business as a sub-servicer of reverse mortgage loans.

THE DIVISION'S ALLEGATIONS

4. In connection with its sub-servicing of Maryland HECMs, Celinek arranged for inspections of Maryland properties securing HECMs. HUD generally requires that inspections be performed on properties with HECMs when the loan is in default and the mortgagee learns that a property is vacant or abandoned. Celinek has charged property inspection fees to borrowers in connection with Maryland HECMs.

5. A lender's inspection fee is defined by Md. Code Ann., CL §§ 12-121 and 12-1027 as a fee imposed by a lender or credit grantor to pay for a visual inspection of real property. A lender may not, subject to certain exceptions, impose against a consumer a lender's inspection fee in connection with a loan secured by residential real property in Maryland. A lender's inspection fee, however, may be charged to the borrower if the inspection is needed to ascertain completion of construction of a new home or repairs, alterations or other work required by the lender. Md. Code Ann., CL §§ 12-121 and 12-1027. The statutes do not apply to an appraisal of the value of real property by a lender or to fees imposed in connection with an appraisal.

6. In 2013, Maryland's Office of the Commissioner of Financial Regulation put Celinek on notice that Celinek was imposing prohibited inspection fees on Maryland residential mortgage borrowers and that Celinek should correct its policies, procedures, and practices.

7. In December 2016 Celinek changed its policy on property inspection fees in Maryland to stop charging inspection fees.

8. The Division alleges that Celinek violated Md. Code Ann., CL §§ 12-121 and 12-1027 by assessing consumers property inspection fees on the reverse mortgage loans that it subserviced until January 1, 2017.

9. Between January 2010 and January 2017, Celink assessed approximately \$43,904.50 in property inspection fees on approximately 2,317 transactions for impacted mortgage loans (“Covered Loans”).

10. The Division alleges that Celink committed unfair and deceptive trade practices that violated the CPA by misrepresenting implicitly or explicitly its right to assess and collect inspection fees.

11. Celink disputes the applicability of Md. Code Ann., CL §§ 12-121 and 12-1027 to the property inspection fees that it assessed to the reverse mortgage loans that it sub-serviced. Nevertheless, it represents that it has implemented policies and procedures designed to prevent its future assessment of property inspection fees and further represents that it has discontinued assessing inspection fees on the reverse mortgage loans secured by residential real property located in Maryland, and that it will not do so unless and until the law is changed, revised or successfully challenged or overturned to allow for the collection of such fees.

12. Celink has refunded, reversed or otherwise reimbursed or attempted to refund, reverse, or reimburse to consumers approximately \$43,904.50 in property inspection fees that it charged and/or collected from consumers.

13. Celink does not admit to any allegations contained herein. In order to resolve disagreements regarding this matter between the Division and Celink, however, the Division and Celink agree to enter into this Assurance and Celink agrees to the relief set forth below.

CEASE AND DESIST PROVISIONS

14. The provisions of this Assurance shall apply to Celink and the company’s agents, affiliates, merged or acquired entities, parents or controlling entities, wholly-owned subsidiaries,

and to any successors or assignees of Celink (collectively “Celink and affiliates”) to the extent permitted by applicable law. Subject to Paragraphs 11 and 15, Celink shall not assist anyone after the date of this Assurance in connection with Maryland mortgage loans that Celink sub-services who attempts to assess and/or collect lender inspection fees from borrowers in violation of Md. Code Ann., CL §§ 12-121 and 12-1027, on any loan secured by residential real property located in Maryland. Nothing in this Agreement shall apply where no property inspection fee was paid by a borrower in connection with real estate owned properties that previously secured reverse mortgage loans or with loans that were liquidated where no property inspection fee was paid by a borrower.

15. Celink shall cease and desist from charging and collecting from borrowers property inspection fees in connection with Maryland residential mortgage loans that it sub-services, unless and until the law is changed, revised or successfully challenged or overturned to allow the collection of such fees.

16. On or before the date of this Assurance, Celink has provided the Division with a report of property inspection fees assessed on Covered Loans secured by residential real properties located in Maryland, including the following information in a “Report”:

- a. consumer’s first name;
- b. consumer’s last name;
- c. consumer’s last known address;
- d. the date the inspection fee was assessed;
- e. if the inspection fee was collected;
- f. whether the inspection fee was refunded, reversed, credited, or in any other

- way reimbursed to the consumer;
- g. the amount of the inspection fee that was refunded, reversed, credited, or in any other way reimbursed to the consumer for the assessed and/or collected inspection fee;
- h. the date the inspection fee was refunded, reversed, credited, or in any other way reimbursed to the consumer; and
- i. the amount of the inspection fee that was not refunded, reversed, credited, or in any other way reimbursed to the consumer for the assessed and/or collected inspection fee.

The Report shall be in an editable Excel spreadsheet, with each item contained in a separate field.

17. Within sixty (60) days after the date of this Assurance, Celinek shall send a notice to each servicer to which Celinek sold and/or transferred the sub-servicing rights for any Covered Loans secured by residential real property located in Maryland on which Celinek assessed, but did not collect, a property inspection fee. The notice shall inform the new sub-servicer that all such property inspection fees assessed should be reversed, refunded (if already collected), credited or otherwise not charged to or collected from the consumer, and include information in a similar format to the Report supplied to the Division. Celinek shall send the Division a copy of each such notice containing:

- a. the consumer's first name;
- b. the consumer's last name;
- c. the last known address of the consumer;
- d. the consumer's loan number at the time the servicing rights were sold and/or

transferred; and

- e. the amount and date of each such assessed inspection fee.

Celink shall send the Division a copy of each such notice.

REFUNDS, COSTS AND OTHER PAYMENTS

18. Within 60 days of the date of this Assurance, Celink will make or make a good faith attempt to make refunds to consumers from whom property inspection fees have been assessed and collected in connection with Covered Loans secured by residential real property located in Maryland where such refunds have not already been made, or such charges have not already been reversed or otherwise credited. To the extent that property inspection fees have been assessed against borrowers but not collected, they shall be reversed or otherwise credited. Celink shall not be required to reverse, refund, credit or otherwise change the assessment or charges of inspection fees on loans serviced or sub-serviced by others.

19. If, for any reason, Celink is unable to take the actions required by Paragraph 18 hereof within sixty (60) days of the execution date of this Assurance, any inspection fees collected from borrowers and not addressed as required by Paragraph 18 shall be paid to the Division (“Refund Amount”) together with information as requested by the Division (“Refund Information”):

- a. the consumer’s first name;
- b. the consumer’s last name;
- c. the last known address of the consumer;
- d. the consumer’s social security number;
- e. the amount and date of each inspection fee that was assessed;

- f. the amount refunded; and
- g. the amount that has not been refunded.

20. Celink shall, upon reasonable request, provide to the Division copies of its business records related to its imposition of inspection fees, including documentation of any of the information contained in the Refund Information.

21. The Division shall attempt to locate all consumers on the Refund Information list who are entitled to a refund of inspection fees, but whom Celink has been unable to locate, and to pay such consumers the refund amounts they are owed. If the Division is unable to locate one or more consumers after taking reasonable steps to do so, the funds that are owed consumers will escheat to the State.

22. Celink has paid to the Division the sum of Five Thousand Dollars (\$5,000.00) for costs the Division has incurred investigating this matter or that may be incurred by the Division in conducting the claims process (“Costs”).

23. Celink has paid the Division, or will pay contemporaneous with the execution of this Assurance, fifty thousand dollars (\$50,000.00) (the “Payment”).

24. In addition to the payments set out above in Paragraphs 22 and 23, Celink shall pay the Refund Amount, if applicable, to the Division within 60 days of the date of this Assurance.

25. The Costs, Payment and Refund Amount, if applicable, shall be deposited into an account maintained by the Division (“Settlement Account”). The Division shall make disbursements from the Settlement Account to pay any applicable and remaining refunds to consumers on the Refund Information list and to pay the costs of any claims payment process approved by the Division.

26. If, at the conclusion of the claims payment process, the Division is satisfied that all consumers on the Refund Information list have had all property inspection fees refunded, reversed, or otherwise credited (and funds owed to consumers whom neither Celink nor the Division has been able to locate have been escheated to the State), and monies remain in the Settlement Account, any monies collected that exceed the amount necessary to provide refunds plus Costs shall be deposited into the Mortgage Loan Servicing Practices Settlement Fund, pursuant to Maryland State Finance and Procurement Code § 7-328 (2014), to be used in accordance with Maryland law.

27. Each payment under this Assurance shall be payable to the Office of the Attorney General, State of Maryland in accordance with the instructions of the Maryland Office of the Attorney General, Consumer Protection Division, 16th Floor, 200 St. Paul Place, Baltimore, MD 21202.

28. All payments that are received by the Division from Celink shall be credited first toward the payment of refunds to consumers on the Refund Information list as applicable and Costs and shall only be credited toward the Payment required under Paragraph 23 and deposited into the Mortgage Loan Servicing Practices Settlement Fund as described in Paragraph 26 after all refunds and Costs are paid.

DEFAULT

29. If Celink fails to make a payment within thirty (30) days of the date such payment is due under the terms of this Assurance, makes an assignment for the benefit of its creditors, files or has filed against it any proceedings under any reorganization, bankruptcy act or similar law, is adjudicated bankrupt, or becomes insolvent, then all amounts due under this Assurance shall become immediately due and payable, including the entire unpaid amount due.

30. No delay or failure by a party in exercising any right, power or privilege under this Assurance shall affect such right, power or privilege; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such right, power or privilege preclude any further exercise thereof, of any other right, power or privilege.

31. Any notice to Celinek that the Division is required to make shall be made by mailing such notice, first class mail, to the person(s) designated by Celinek for the purpose of receiving notice pursuant to Paragraph 32 of this Assurance.

NOTICE

32. Whenever notice is required under this Assurance, notice shall be provided in writing. Notice to the Division shall be directed to:

William D. Gruhn
Consumer Protection Division
200 Saint Paul Place, 16th Floor
Baltimore, Maryland 21202
410-576-6558
(410) 576-6566 (facsimile)
bgruhn@oag.state.md.us

Notice to Celinek shall be directed to:

Compu-Link Corporation, dba Celinek
President
3900 Capital City Boulevard
Lansing, Michigan 48906
Attention: Ryan LaRose
(517) 321-5491
Ryan.LaRose@celink.com

With a copy to:
General Counsel
Attention: Martha M. Belcher
martha.belcher@celink.com
818-795-0025

Any party may change its designated notice recipients by written notice to the other party.

DISPUTES

33. The Chief of the Division or his or her designee shall resolve any disputes that arise concerning this Assurance and may enter any supplemental orders needed to effectuate its purpose. Celink will be provided with notice of any deficiencies.

ENFORCEMENT

34. Celink understands that this Assurance is enforceable by the Division pursuant to the CPA and that any violation of this Assurance shall constitute a subsequent violation of the CPA for purposes of Md. Code Ann., CL § 13-410(b).

35. Celink does not admit to any allegations herein, but agrees that the allegations set forth in Paragraphs 4 – 12 of this Assurance shall not require any proof in any bankruptcy case or subsequent civil litigation pursued by the Division to enforce its rights to any payment or money owed pursuant to this Assurance, including but not limited to a non-dischargeability complaint in any bankruptcy case.

36. If any portion of this Assurance is held invalid by operation of law, the remaining terms thereof shall not be affected and shall remain in full force and effect.

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THE PARTIES' SIGNATURES

37. This Assurance may be signed by the parties electronically and in counterparts.

AGREED TO this 15th day of April, 2019,

Brian E. Frosh
Attorney General of Maryland
200 Saint Paul Place
Baltimore, MD 21202

Compu-Link Corporation, dba Celinek

By:

William D. Gruhn
William D. Gruhn, Chief
Consumer Protection Division

By:

Ryan LaRose
Ryan LaRose
President and Chief Operations Officer

Lucy A. Cardwell
Lucy A. Cardwell
Special Assistant Attorney General