

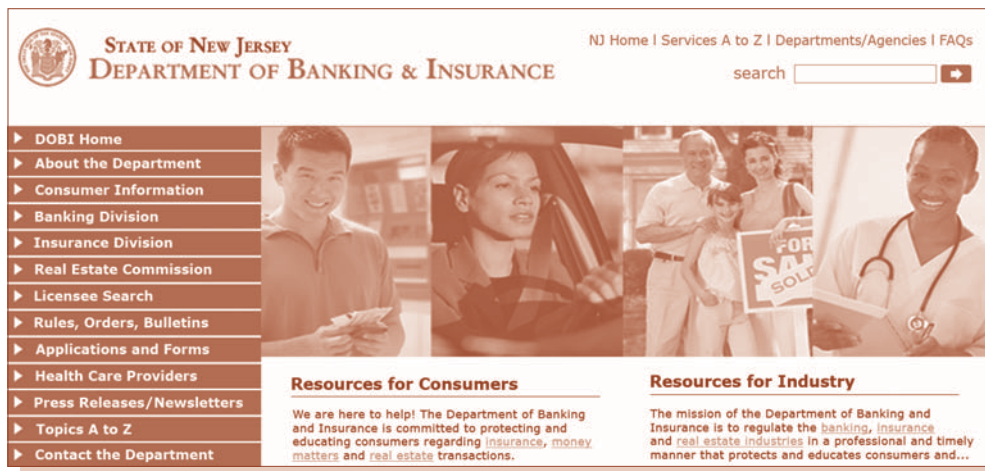
# BANKING AND INSURANCE QUARTERLY

Information for New Jersey's Banking, Insurance and Real Estate Industries

Fall 2007

Jon S. Corzine  
Governor

Steven M. Goldman  
Commissioner



**Inside this issue:**

- Division of Insurance 2-7
- Division of Banking 8-10
- Real Estate Commission 11
- Letter from Commissioner back cover

## Web site revisited

### DOBI revamps online site with licensees, consumers in mind

With an emphasis on function and ease of use, the Department of Banking and Insurance has implemented a complete overhaul of its Internet Web site to better serve licensees and information seekers.

“With the launch of DOBI’s very first Web site, the primary purpose was to simply convey information and to direct consumers and licensees to the proper source for what they needed to know,” said DOBI Commissioner Steven M. Goldman. “Since then, the Internet has evolved into a powerful tool that can provide convenience and save time. So we updated the site to take full advantage of this resource.”

Visitors to the new DOBI Web site will now be greeted with a streamlined list of options on the navigation bar segregated by division, plus they will have the option of following a consumer path or a licensee path. Consumer resources include basic informational resources for banking, insurance, and real estate; licensee resources include requirements for licensure and online applications.

“Customer service is a priority for the Department, be they consumers or licensees,” Goldman said. “This is just one more important step toward that commitment.”

Visit the updated DOBI Web site at [www.state.nj.us/dobi/](http://www.state.nj.us/dobi/)



## Subsidy payments for health care professionals with malpractice insurance in third year

TRENTON – This fall, the Department of Banking and Insurance (DOBI) will mail payments to doctors who were eligible for the Medical Malpractice Liability Insurance Premium Assistance Fund. The program aims to help maintain accessibility to health care by providing partial medical malpractice insurance premium relief to physicians in high-risk specialties.

*Qualified physicians in an eligible specialty who made timely application can expect payments this fall.*

Part of the New Jersey Medical Care Access and Responsibility and Patients First Act, the legislature passed the law in 2004 and implemented it in 2005. A component of the legislation, the subsidy fund promotes access to health care by offering physicians in high-risk specialties financial assistance in paying malpractice insurance premiums.

“Access to quality health care is a top priority for this Department and Governor Corzine, but that continues to be more difficult as doctors in high demand specialties continue to grapple with high malpractice insurance premiums,” said DOBI Commissioner Steven M. Goldman. “Premium relief to these specialists is one way we can help keep the doors to their practices open. Our goal going forward remains the same. New Jersey citizens must be able to find the doctors they need, when they need them.”

This past summer, for the third and final year as originally enacted, DOBI accepted applications from practitioners eligible for reimbursement from the fund. Specialties that qualified – determined in consultation with the New Jersey Department of Health and Senior Services – were obstetrics/gynecology (except practices limited to gynecology only), neurosurgery, and diagnostic radiology



(limited to radiologists who read mammograms).

The fund is made possible through an assessment on state licensed physicians, lawyers, employers subject to the state’s unemployment compensation law, and other medical professionals, with 65 percent of the fund dedicated to premium relief. The remainder is earmarked for hospital charity care, NJ FamilyCare, and student loan reimbursement for obstetricians and gynecologists committed to practicing in the state.

Qualified physicians in an eligible specialty who made timely application can expect payments this fall. Individual payment amounts depend on the number of applicants and the dollar amount collected through assessments.

More information is available online at: [www.state.nj.us/dobi/drcorner.htm](http://www.state.nj.us/dobi/drcorner.htm).

## Aetna target of record DOBI fine for health insurance provider

The Department of Banking and Insurance (DOBI) has filed an administrative order levying significant fines against Aetna Health Inc. – the largest ever for a health insurance company – for refusing to fully cover certain services provided by out-of-network health care providers.

In June, Aetna issued a letter to health care providers stating that the company had determined what was “fair payment” for services rendered by non-participating physicians – pegged at 125 percent of the Medicare allowable amount, 75 percent for lab fees and durable medical equipment.

This included services by non-participating providers that were required under New Jersey law, such as emergency care, services provided by non-participating providers during an admission to a network hospital, and services rendered as the result of a referral or authorization by Aetna. As a result, patients were exposed to balance billing for services that should have been covered.

Aetna has filed a response requesting a hearing on the order. No date has been set.

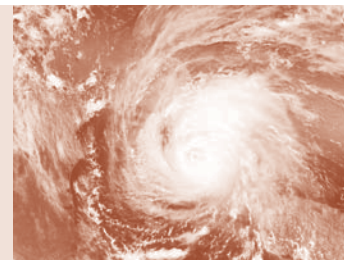
## Commissioner participates in hurricane evacuation exercise

New Jersey Department of Banking and Insurance Commissioner Steven M. Goldman recently joined other cabinet members in a hurricane evacuation exercise. Conducted as a “tabletop” or logistical discussion at New Jersey State Police Headquarters in West Trenton, State Homeland Security and Preparedness Director Richard L. Cañas led the exercise in coordination with the New Jersey State Office of Emergency Management (NJOEM), directed by State Police Colonel Rick Fuentes.

The exercise was designed to test the state’s ability to evacuate citizens, provide emergency response and communications, and recover from damages caused by a severe storm. To add reality to the simulation, cabinet members received only a few days’ notice of the exercise.

Exercises such as the hurricane evacuation event are conducted at the request of Governor Jon S. Corzine to ensure that state emergency management planners and first responders are well-prepared and well-trained.

*Commissioner Steven M. Goldman identified disaster response as a priority last year and created the Disaster Response Plan Development Group (DRPDG), to be followed by a permanent public-private coalition to practice and execute the financial services industry response to a natural or man-made disaster.*



In keeping with Governor Corzine’s direction, Commissioner Goldman identified disaster response as a priority last year and created the Disaster Response Plan Development Group (DRPDG), to be followed by a permanent public-private coalition to practice and execute the financial services industry response to a natural or man-made disaster. The DRPDG’s mission was to propose measures to minimize economic hardship for individuals and speed economic recovery for New Jersey communities after an event such as a hurricane that would cause widespread property damage. The DRPDG met seven times as one body and consulted with state emergency management authorities. The group has

made recommendations for new and enhanced disaster response systems and practices within the financial services industry, within the Department and in communicating with other state agencies and emergency management authorities. The DRPDG will continue to serve the Commissioner as a permanent ad hoc advisory group while the Department works to improve disaster response.

Disaster response and emergency management planning continues to be a priority at the Department of Banking and Insurance. Commissioner Goldman expects to participate in more cabinet level tabletop exercises as the Department joins the state in preparing for the worst.

## DOBI and NAIC continue to educate small business owners

The National Association of Insurance Commissioners (NAIC), the organization of U.S. insurance regulators, and the Department of Banking and Insurance (DOBI) continue to help New Jersey licensees get smart about small business insurance. Developed by the NAIC, the program, “Insure U for Small Business,” includes an Internet-based education tool that gives the basics on property and casualty insurance for small and home-based businesses. Insure U for Small Business also includes bilingual public service announcements and community outreach through education programs.

The NAIC launched the program six months ago in New York City at the New York Public Library where DOBI Commissioner Steven M. Goldman joined other states’ insurance department representatives. The online education site hosts a quiz for small business owners. In addition to property and

casualty topics, the quiz covers health insurance, workers compensation and other small business insurance issues that owners might overlook or misunderstand. The Web site also offers tips for reducing business risk and provides hints for lowering property and liability insurance costs for small and home-based businesses.

DOBI and the NAIC recognize that licensees are consumers too. All are reminded to fight fake insurance with three simple steps: Stop; Call; and Confirm at **1-866-470-NAIC**. Every insurance buyer should: shop around by obtaining rates for the same coverage from several companies; protect yourself by confirming that a company is licensed and compare complaint ratios of those providing quotes; and review policies annually to make sure they still meet your needs. For more information and to take the small business quiz, visit [www.insureonline.org/smallbusiness/](http://www.insureonline.org/smallbusiness/).



## Recent Legislative and Regulatory Actions

(Division of Insurance)

### Proposals – Online at [www.state.nj.us/dobi/proposed.htm](http://www.state.nj.us/dobi/proposed.htm)

Insurance Holding Company Systems  
Acquisition of Control: Statement Filing; Procedures  
Proposed Amendments: N.J.A.C. 11:1-35.6

Insurance of Municipal Bonds, Asset-Backed Securities and  
Consumer Debt Obligations  
Proposed New Rules: N.J.A.C. 11:7-1.1 and 1.5  
Proposed Amendments: N.J.A.C. 11:7-1.1, 1.2, 1.3 and 1.4

Health Benefit Plans - Prompt Payment of Claims  
Proposed Amendments: N.J.A.C. 11:22-1.1, 1.2 and 1.4  
through 1.10; Proposed New Rules: N.J.A.C. 11:22-1.8, 1.9  
and 1.12;  
Proposed Repeals and New Rules: N.J.A.C. 11:22-1  
Appendices A, B and B-1; Proposed Repeal: N.J.A.C.  
11:22-1 Appendix A-1

### Adoptions – Online at [www.state.nj.us/dobi/adopt.htm](http://www.state.nj.us/dobi/adopt.htm)

Persons Employed in the Business of Insurance  
Convicted Persons: Waivers  
Readoption: N.J.A.C. 11:17E

Basic Automobile Insurance Policy  
Adopted Amendments: N.J.A.C. 11:3-3.2 and 3.3

Actuarial Services  
Prohibition of Discretionary Clauses  
Adopted New Rules: N.J.A.C. 11:4-58

Actuarial Services  
Life/Health/Annuity Forms; Standards for Individual Life  
Insurance Policy Forms; Individual Annuity Contract Form  
Standards  
Adopted Amendments: N.J.A.C. 11:4-40.2, 40.3, 41.8 and  
43.3

Office of the Insurance Claims Ombudsman  
Readoption with Amendments: N.J.A.C. 11:25

Rate Process for Limited Rate Changes: Calculations for  
Private Passenger Automobile Insurance Rate Changes  
Adopted Amendments: N.J.A.C. 11:3-16B

### Orders – Online at [www.state.nj.us/dobi/lrorders.htm](http://www.state.nj.us/dobi/lrorders.htm)

Order No. A07-111 – In the Matter of the Assessment for the  
Workers' Compensation Security Fund

Order No. A07-112 – In the Matter of the Urban Enterprise  
Zone Shares as of December 31, 2006

Order No. A07-118 – In the Matter of the Medical Malpractice  
Liability Insurance Premium Assistance Fund - Premium  
Subsidy for 2006

Order No. A07-119 – In the Matter of the Reporting of  
National Provider Identification Implementation - Contingency  
Plans Adopted by Entities Subject to N.J.S.A. 17B:30-23 and  
N.J.A.C. 11:22-3

### Bulletins – Online at [www.state.nj.us/dobi/bulletin.shtml](http://www.state.nj.us/dobi/bulletin.shtml)

Bulletin 07-10 – Re: The Identity Theft Prevention Act,  
N.J.S.A. 56:11-44 et seq.

Bulletin 07-11 – Private Passenger Automobile Semi-Annual  
Reporting Requirements Pursuant to N.J.A.C. 11:3-3A

Bulletin 07-13 – Re: Use of Side Agreements and Changes in  
Text to Provider Agreements

Bulletin 07-14 – P.L. 2005, c.352 – Health Claims  
Authorization, Processing and Payment Act (HCAPPA)  
Arbitration Program

### Public Notices – Online at [www.state.nj.us/dobi/lrnotice.htm](http://www.state.nj.us/dobi/lrnotice.htm)

Health Wellness Promotion Act  
Notice of Mandated Adjustments to Benefit Payments and  
Value for Services Schedule

Public Notice: Notice of Cancellation and Nonrenewal of Fire  
and Casualty Coverage

For more information regarding  
legislative and regulatory affairs, visit  
[www.state.nj.us/dobi/legsregs.htm](http://www.state.nj.us/dobi/legsregs.htm)



## Recent Enforcement Actions

(Division of Insurance)

### Final and Miscellaneous Orders

**Steven B. Budge**, Cliffwood Beach, NJ – Final Decision and Order #E07-52, June 28, 2007, based on Order to Show Cause #E04-131, issued October 19, 2004; Public adjuster misrepresented, concealed or failed to disclose material facts regarding a property damage loss and intentionally inflicted greater damage to the property than that which actually existed; and he failed to notify the Department of his indictment for theft by deception. **Sanctions:** Revocation of license; Fine – \$8,500; Costs – \$812.50.

**Aetna Health, Inc.**, Blue Bell, PA – Order Directing Remediation and Assessing Penalties, #A07-59, July 23, 2007; As a result of provider complaints, the Department learned that starting in or about June 2007, Aetna paid certain out-of-network claims at a rate based on 125% of Medicare (75% of Medicare in the case of lab fees and durable medical equipment). Aetna sent certain providers a letter stating the payment represented Aetna's determination of a fair payment and that additional reimbursement would not be considered. Aetna applied this claims practice for services such as emergency care, services provided by nonparticipating providers during an admission to a network hospital, and services rendered as the result of a referral or authorization by Aetna. In such cases, Aetna knew that its payment obligations exceeded what it paid and represented in its letters. Aetna stated that a total of 130 providers were issued such a letter, with the first issued on or about June 8, 2007.

Aetna stated that it did not make additional payments to those providers who indicated they intended to balance bill members or to providers who did in fact balance bill members. In these situations, Aetna paid additional sums only if members contacted Aetna to complain about being balance billed. Aetna's practices contravened its obligation to ensure that its members were not balanced billed under these circumstances. Aetna processed more than 3,000 claims in this manner. Aetna has been ordered to cease using 125% of the Medicare allowable amount as the maximum allowable charge for these services. It has also been ordered to reprocess all the affected claims and pay those claims based on the billed charges, with additional amounts accompanied by 12% interest. Aetna is further ordered to send a notice to the affected providers informing that its obligation is not to pay them a "fair" amount but rather an amount sufficient to ensure that they do not balance bill members. Further, Aetna has been ordered to pay a fine of \$9,457,500. Aetna has 30 days to contest the order. **Proposed Sanctions:** Remediation to all affected providers or members; Fine – \$9,457,500. (*See story on page 2.*)

**AmeriChoice of New Jersey, Inc.**, Newark, NJ – Order Assessing Penalties #E07-45, June 1, 2007; From August through December 2004, AmeriChoice indicated that it was terminating coverage for private duty nursing (PDN) for P.P., a teenager whose medical history includes among other disorders: cerebral palsy, mental retardation, spastic quadriplegia, scoliosis, and asthma, and who had been receiving PDN through AmeriChoice in prior years. In August 2005 a nursing service received an order from P.P.'s physician for nursing services, but the request was not processed by either AmeriChoice or the carrier's vendor, Ancillary Care Management (ACM).

On September 2, 2005, P.P. was admitted to Cooper Hospital with severe dehydration, acute renal failure and was unresponsive to verbal or tactile stimuli. On September 10, 2005, P.P. was discharged to home with multiple open wounds and no discharge orders. On September 12, 2005, P.P.'s physician ordered 12 hours of PDN per day, wound care and supplies. AmeriChoice forwarded the physician's order to ACM the same day but only authorized PDN starting September 15th. P.P. only received very sporadic PDN from September 15, 2005 forward, and even though AmeriChoice was aware that the nursing service had insufficient staff, neither it nor ACM located alternate PDN providers. P.P. received no PDN on September 13, 14, 17, and 18, 2005, and P.P. was readmitted to Cooper on September 19, 2005.

Following readmission P.P. was not able to resume living at home, was disenrolled from AmeriChoice and placed in a pediatric long term care facility. In regards to P.P.'s care, AmeriChoice failed to adhere to quality assurance and utilization management regulations. When issued a notice of deficiency by the Division of Medical Assistance and Health Services, AmeriChoice's senior medical director, in an appeal, contended that there was no medical justification for PDN for P.P. AmeriChoice failed to fully respond to a DOBI subpoena by failing to provide a letter from Cooper Hospital that could be considered critical of the actions of AmeriChoice relative to P.P. **Proposed sanction:** \$300,000 fine.

*continued on page 6*

## Recent Enforcement Actions

(Division of Insurance)

**Leonardo Efren Palmer**, Newport Beach, CA – Final Order #E07-50, June 20, 2007; Order to Show Cause #E06-137 issued September 25, 2006 charged that Palmer submitted four separate payments to the National Insurance Producer Registry (NIPR) for payment of non-resident license fees in four states (NJ, PA, VA and DE) with a credit card he lacked authority to use; and applied for a NJ producer license using a wrongfully converted form of payment. **Sanctions:** Revocation of license; Fine – \$5,000, Costs – \$672.50.

**Robert Sutton**, Plainfield, NJ – Final Order #E07-49, June 20, 2007; Order to Show Cause #E06-79 issued May 10, 2006; charged Sutton with, on numerous occasions, falsely certifying that he witnessed a named insured's signature on an insurance application (and in three instances the named insured was not aware of the existence of the policies); falsely stating that an applicant suffered from "no illnesses" and was in good health, when in truth the applicant was terminally ill in a hospital; and signing Consent Order No. 2001-07562-39 with the Office of the Insurance Prosecutor in which he admitted falsely certifying the insured's signature on three applications, such admitted misconduct demonstrating Sutton's unfitness for licensure. Although provided with notice and an opportunity to contest these charges, Sutton failed to properly request a hearing. **Sanctions:** Revocation of license; Fine – \$15,000; Costs – \$475.

### Orders to Show Cause

**Richard N. Hartman**, Somerville, NJ; **Thomas J. Sharp, IV**, Somerville, NJ; **Thomas J. Sharp & Associates, Inc.**, Somerville, NJ – Order to Show Cause #E07-44, June 1, 2007; Producers are charged with causing premium trust funds to be withdrawn and moved into their business operating account and thereafter disbursed to pay operating expenses, with shortfalls in the premium trust account accumulating to between \$600,000 and \$925,000; failing to prepare a written record of the discrepancies in the premium trust account; failing to maintain accurate books and records; moving dedicated premium funds from the premium trust account to a money market fund which was not insured by the FDIC and without having secured from the principals and maintained for inspection by the Department written authorization for the investment of the money and the retention of the earnings on that money; making disbursements of commission payments from the premium trust account which were not supported by an appropriate written record; and failing to prepare and maintain a monthly reconciliation of the premium trust account.

**Jose D. Uribe**, Union City, NJ; **Inter-America Insurance Agency, LLC**, Union City, NJ – Order to Show Cause No #E07-41, May 14, 2007; producers are charged with selling insurance policies to various companies domiciled in New Jersey for insurance coverage through an entity, American Transportation Insurance Company (ATIC), that was not authorized to provide coverage in New Jersey; issuing commercial automobile insurance identification cards and certificates of insurance purporting to provide automobile insurance coverage with ATIC when, in fact, no such policies were issued; selling an insurance policy to Millenium Car Services for insurance coverage through an entity, Universal Insurance Exchange, that was not authorized to provide coverage in New Jersey; issuing commercial automobile insurance identification cards and certificates of insurance purporting to provide automobile insurance coverage with Lancer Insurance Company when, in fact, no such policies were issued; accepting automobile insurance premium payments but failing to secure valid insurance coverage, remit the premium payments to an insurer or return the premium payments to the insureds; failing to timely return unearned premiums and commissions for insurance coverages financed by Prime Rate Premium Finance Corporation; failing to provide complete and timely responses to Department inquiries and Department Subpoena No. 05-26; and Uribe's failure to report to the Department his arrest in Hudson County in connection with the alleged sale of fraudulent documents.

### Consent Orders

**Yvette Binn-Graham**, Voorhees, NJ; **Amalgamated Title Abstract Company, Inc.**, Mount Laurel, NJ – Consent Order #E07-53, July 19, 2007; based on Order #E06-106, July 13, 2006; Producers failed to remit premium on 375 occasions; failed to disburse loan proceeds and failed to discharge a prior mortgage; failed to make disbursements toward outstanding liens in five real estate transactions; wrote two checks for reimbursement of premiums with checks that were dishonored for insufficient funds; and failed to keep real estate settlement proceeds and insurance premium payments segregated and in trust. **Sanctions:** Revocation of Licenses; Fine – \$65,000; Costs – \$1,200.

## Recent Enforcement Actions

(Division of Insurance)

**Joseph A. Curreri**, Holmdel, NJ; **Walter A. Nalbandian**, Holmdel, NJ; **Henry A. Nalbandian**, Holmdel, NJ; **Martin A. Nalbandian**, Holmdel, NJ; **Creative Insurance Services, Inc.**, Holmdel, NJ – Consent Order #E07-54, July 19, 2007; Martin and Henry Nalbandian were not eligible for group coverage as they were directors, not employees of Creative; at that time Creative was not aware of the applicable statute governing this issue. In transmitting information to an insurer, Curreri submitted information provided by others without making an appropriate level of additional inquiry to attempt to verify the accuracy of that information. Creative failed to maintain a trust account. **Sanctions:** Fines – \$25,000 (Creative and Walter Nalbandian, an active officer of Creative); \$12,500 (Henry Nalbandian); \$12,500 (Martin Nalbandian); \$7,500 (Joseph Curreri); Costs – \$1,625.

**Martin K. Goldstein**, Middle Village, NY – Consent Order #E07-56, July 18, 2007; Producer paid for renewal of his license with a check that was dishonored on the basis of a closed account; he failed to timely inform the Department of changes regarding his home and business addresses; and he failed to timely respond to Department inquiries. **Sanctions:** Fine – \$850; Costs – \$150.

**Robert J. Moore**, Hawthorne, NJ; **Len-Mor Agency, Inc.**, Hawthorne, NJ – Consent Order #E07-58, July 19, 2007; Producers commingled premium and operating funds and failed to provide requested records. **Sanctions:** Probation of license for one year (Moore); Fine – \$12,000 (Moore and Len-Mor); Costs – \$400.

**Thomas M. True**, Westfield, NJ; **True & Kookogey, Inc.**, Westfield, NJ – Consent Order #E07-55, July 19, 2007; Producers charged a client fees without obtaining a fully executed fee agreement; although they represented to a client that commissions would not be earned, in fact the producers received commissions; they provided a credit representing refunds on cancelled policies but failed to actually remit the funds to their client; and they failed to timely provide requested information to the Department. **Sanctions:** Probation of licenses for one year; Restitution – \$16,998 plus interest; Fine – \$15,000.

**CUNA Mutual Insurance Society**, Madison, WI – Settlement Agreement and Consent Order #E07-43, May 30, 2007; Errors in premium refunds regarding single premium credit insurance products, which errors were uncovered during a NJDOBI market conduct examination. Multi-state Remediation – \$270,000; Multi-state costs and penalties – approximately \$294,000; Costs to NJDOBI as lead state regulator – \$75,000.

**Peter S. Gruenberg**, Cranford, NJ; **Banc of America Corporate Insurance Agency, LLC**, Cranford, NJ – Consent Order E07-47, June 8, 2007; a former affiliate entity that merged with BACIA solicited health insurance via a web site which contained information that was misleading in fact or implication and unfairly disparaged competitors. **Sanction:** Fine – \$2,500.

**Title Closing Services, LLC, d/b/a Weichert Title Agency, d/b/a Democracy Title Agency**, Cherry Hill, NJ – Consent Order #E07-46, June 8, 2007; Weichert issued improper \$250 credits in connection with certain sales transactions involving Weichert Relocation Resources. **Sanction:** \$5,500.

## Matters Resolved without Determination of Violation

**James Edward Titus**; Consent Order #E07-57, July 19, 2007; Issue: timely license renewal. **Administrative sanction** – \$6,000.

**Thomas J. Hewitt**; Consent Order #E07-39, May 11, 2007; Issue: licensee address information. **Administrative sanction** – \$250.

**Homeland Insurance Company of New York**, Consent Order #E07-40, May 14, 2007; Issue: surplus lines transaction. **Administrative sanction** – \$1,000.

**Palisades C.E. School**, Consent Order #E07-42, May 23, 2007; Issue: dishonored checks. **Administrative sanction** – \$1,000.

*For more insurance enforcement actions, visit [www.state.nj.us/dobi/insfines.htm](http://www.state.nj.us/dobi/insfines.htm)*

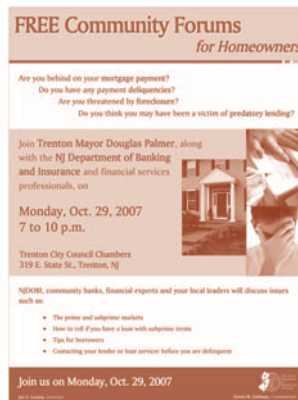
# DOBI offers forums to address mortgage lending issues

TRENTON – The Department of Banking and Insurance has launched a series of measures designed to address recent difficulties experienced by New Jersey residents in relation to their home mortgages, including skyrocketing mortgage payments due to resetting adjustable rate mortgages and threats of foreclosure.

DOBI, hosted by local mayors, also conducted a series of community forums throughout the state to offer information and direction to homeowners who have or may have recently experienced difficulty in making their mortgage payments. DOBI is also working with the New Jersey Housing and Mortgage Finance Agency (HMFA), a state agency that makes below market-rate mortgages for first-time and urban home buyers, and distributes federal tax credits to promote the construction of low-income housing.

In partnership with the financial services industry, DOBI and HMFA are promoting efforts to provide homeowners with affordable mortgage products, closing cost assistance, debt adjustment services, and credit counseling. The two state agencies have coordinated resources for consumers, including cross-linking of Web sites and programs regarding available refinancing, homelessness prevention, credit counseling and debt adjustment.

DOBI has set up a toll-free hotline (**1-800-446-7467**) to offer guidance and has enhanced its online resources ([www.njdoabi.org](http://www.njdoabi.org)) to include licensed debt adjusters and credit counselors. The Department has also published a brochure, “A Homeowner’s Guide to Subprime,” for distribution throughout



New Jersey to state and local governmental offices and assistance organizations. The brochure is also available via the DOBI Web site.

“Homeownership is the American dream, but for those who have bought into unconventional mortgage products and have seen their mortgage payment increase to an untenable level, it has quickly

become a nightmare,” said DOBI Commissioner Steven M. Goldman. “Educating and informing the public is the best defense against business arrangements with potentially catastrophic consequences. That’s what this consumer education campaign is all about.”

Each forum included information from U.S. Department of Housing and Urban Development (HUD) certified debt adjusters and credit counselors, mortgage bankers, and mortgage servicers. Representatives from additional agencies, as well as DOBI staff, were available to discuss potential options with homeowners and address such topics as how to spot and avoid “foreclosure prevention” scams.

The initial round of forums were held in Paterson, Bayville, Edison, Vineland, East Orange, and Trenton, with other locations being considered as future sites.

## Meet the Banking Advisory Board



The Banking Advisory Board, which meets bi-monthly, is appointed by the Governor with the advice and consent of the Senate. State law allows the board to make recommendations on any banking related matters at the Department of Banking and Insurance Commissioner’s request. The board is required to submit an annual report to the Governor by December 1 of each year.

From left to right: Mortimer O’Shea, CEO, Hilltop Community Bank; non-member board attendee James R. Silkenbos, president, New Jersey League of Community Banks; George E. Scharpf, president, Amboy National Bank; Victor M. Richel, CEO, Richel Family Foundation; Terry McEwen, Director of Banking, NJDOBI; Frank A. Bolden, vice president (retired), Johnson & Johnson; Michael W. Young, CEO, Cenlar Federal Savings Bank; and non-member board attendee John E. McWheeney, Jr., CEO, New Jersey Bankers Association. (Not pictured: Christian M. Abeel, director of governmental affairs, New Jersey Credit Union League; and Andrew Muscato, Esq., Skadden, Arps, Slate, Meagher & Flom, L.L.P.)



## Additional mortgage lenders targeted for administrative action

The Department of Banking and Insurance has now filed cease and desist orders against nine mortgage lenders in 2007 as part of its ongoing effort to protect New Jersey consumers and licensees who may be doing business with mortgage firms who have lost funding.

Most recently, DOBI Commissioner Steven M. Goldman signed orders in August naming First Magnus Financial Corp., AEGIS Wholesale Corp., American Home Mortgage Corporation of New York (and affiliate American Home Mortgage Acceptance, Inc.), and Apex Financial Group, Inc. This is in addition to five other cease and desist orders filed earlier in the year.

In each instance, the mortgage firms had lost their funding stream and were no longer able to fund loans – even those that were already in the pipeline. DOBI officials worked closely with the New Jersey Bankers Association, Mortgage Bankers Association of New Jersey, and the New Jersey Mortgage Brokers Association to place consumer loans that were in process at the time firms became insolvent.

“Considering that our first priority is to make sure that consumers are not hurt in these situations, we are certainly appreciative of the help and cooperation of the state’s mortgage trade associations,” Goldman said.

DOBI continues to maintain ongoing conversations with regulators in other states in efforts to monitor the overall health of mortgage lending firms nationwide, and has stepped up the normal examination schedule. The Department

### Recent Enforcement Actions (Division of Banking)

*“We will continue to aggressively monitor the mortgage lending industry and take whatever action is necessary to protect consumers and the integrity of the industry in New Jersey.”*

– Commissioner Steven M. Goldman –

expects to conduct 600 full scope examinations this year, with an emphasis on those that appear to be in financial difficulty.

In the first seven months of 2007 more than 14,500 violations were cited, resulting in \$425,000 in refunds for New Jersey borrowers. In addition, the Enforcement Bureau has closed 656 enforcement actions and collected nearly \$500,000 in fines through July 2007.

The Department is also stepping up consumer education and outreach efforts through bulletins on the DOBI Web site and providing information valuable to consumers who may find themselves with an unfunded loan or in a precarious financial situation due to an unconventional loan product. The Consumer Services Bureau fielded more than 5,000 calls through July, closing more than 1,000 cases and making an additional 364 referrals on matters not under DOBI’s jurisdiction.

“We will continue to aggressively monitor the mortgage lending industry and take whatever action is necessary to protect consumers and the integrity of the industry in New Jersey,” Goldman said.

### Recent Legislative and Regulatory Actions (Division of Banking)

#### Proposals – Online at [www.state.nj.us/dobi/proposed.htm](http://www.state.nj.us/dobi/proposed.htm)

##### Credit Unions

Proposed Readoption with Amendments: N.J.A.C. 3:21

Licenses; Dedicated Funding; Licensees Ceasing Business; Licensed Lenders; Office of Consumer Finance

Proposed Amendments: N.J.A.C. 3:1-7.6, 3:5-4.4 and 5.1; 3:15-4.2, 3:22-1.3; 3:23-1.1, 3:24-6.1 and 3:27-3.3

Proposed New Rule: N.J.A.C. 3:23-2.2

#### Adoptions – Online at [www.state.nj.us/dobi/adopt.htm](http://www.state.nj.us/dobi/adopt.htm)

##### Procedural Rules

Minimum and Maximum Stock Subscriptions  
Adopted Amendment: N.J.A.C. 3:1-2.19

#### Bulletins – Online at [www.state.nj.us/dobi/bulletin.shtml](http://www.state.nj.us/dobi/bulletin.shtml)

Bulletin 07-10 – Re: The Identity Theft Prevention Act, N.J.S.A. 56:11-44 et seq.

Bulletin 07-12 – Re: Commitment Process Issues

Bulletin 07-15 – Statement on Subprime Mortgage Lending

## Commissioner tours financial services job trainer



Commissioner of the New Jersey Department of Banking and Insurance, Steven M. Goldman (second from left), toured Jewish Vocational Service of MetroWest and spoke with students attending the second cycle of the JVS Financial Services Skills Training Program. JVS client Brian Wolf (seated) is pictured showing Commissioner Goldman how to use the Customer Service training software program that is an essential component of the eight-week class. JVS President, Morton S. Bunis and Executive Director, Dr. Leonard C. Schneider look on.

New Jersey Department of Banking and Insurance Commissioner Steven M. Goldman recently toured Jewish Vocational Service of MetroWest in East Orange. Commissioner Goldman spoke with teachers and students attending the JVS Financial Services Skills Training Program. The federally funded eight-week program aims to place employees with disabilities in entry-level positions within New Jersey’s financial services industry. Participants receive employment training, professional counseling and social adjustment assistance.

Commissioner Goldman met former pastry chef Brian Wolf who contracted multiple sclerosis. Wolf enrolled in the training program hoping to develop skills that would lead to a less physically demanding bank teller position. Other trainees expressed interest in back office jobs.

“As more banks apply for state charters, opportunities for entry-level jobs expand,” said Commissioner Goldman. “We’ve had many more state charter applications over the last few years. There are plenty of local banking jobs available to workers with the right skills.”

## Financial literacy program celebrates first anniversary

This fall, the Department of Banking and Insurance led a third installment of its popular financial literacy program. October’s series of financial literacy classes held throughout New Jersey high schools marks the one-year anniversary of the outreach program. Classes, taught by DOBI staff and private sector financial services industry professionals, aim to teach high school students how to properly handle their personal finances.

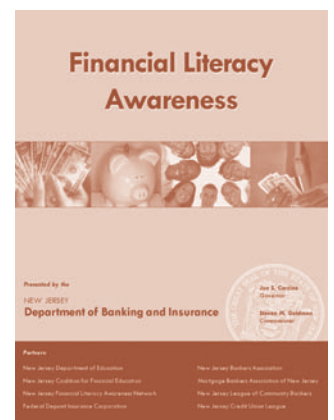
So far, more than 200 schools have participated in the statewide financial literacy program. Its goal is to promote and improve financial literacy and understanding among young adults in New Jersey. The program focuses on using credit wisely and avoiding financial predators, as well as fundamental issues like opening a bank account and creating and maintaining a personal budget.

Throughout October, financial industry personnel partnered with the Department to make 45-minute presentations to high school classes. Joining DOBI personnel in the teaching were more than 100 representatives from partner organizations including the New Jersey Department of Education; New Jersey Coalition for Financial Education; New Jersey Financial Literacy Awareness Network; Federal Deposit Insurance Corporation; New Jersey Bankers Association; Mortgage Bankers Association of New Jersey; New Jersey League of Community Bankers; and New Jersey Credit Union League.

“The Department partners with members of New Jersey’s financial services industry to get the message out to our young people around the state that they are in control of their future,” said Director of Banking Terry K. McEwen. “There are more opportunities out there for everyone. The Department’s financial literacy program is a great way for New Jersey’s youth to learn practical knowledge that will improve their quality of life, starting right now.”

With the completion of the third series of this continuing outreach program, DOBI and its partners have taught more than 10,000 students. Feedback from educators and students continues to be positive.

Another round of financial literacy classes is slated for April, 2008. That doesn’t mean DOBI staff is resting. DOBI community educators trained to present the curriculum are teaching financial literacy classes year round.



## Know the Uniform Fire Code

The New Jersey Real Estate Commission, part of the Department of Banking and Insurance, recently received a reminder on a subsection of the Uniform Fire Safety Act that impacts real estate professionals selling property in the state. A provision in the Act, N.J.S.A. 52:27D-210(f), indicates that a person who purchases property without getting a certificate regarding outstanding Uniform Fire Code violations, fees and penalties becomes responsible for them. This part of the Fire Safety Act generally applies to all properties other than one and two-family dwellings.

“As a result of our collection activities we have been getting a number of calls from people who have purchased properties without getting the referenced certificates. Most are upset because outstanding Uniform Fire Code fees, penalties and violations generally will not appear during a title search,” said Lawrence Petrillo, State Fire Marshal.

Petrillo urges Department licensees to spread the word on this requirement to avoid unpleasant discoveries following the closing of a real estate transaction. He hopes that the industry will assist the State Division of Fire Safety and the Department in alleviating new property owner angst regarding Uniform Fire Code certificates.

### Recent Enforcement Actions

(New Jersey Real Estate Commission)

**Richard Booth**, broker-salesperson, Camden County. On May 22, 2007, the Commission approved a settlement in which the Respondent admitted to a violation of N.J.A.C. 11:5-4.2(1) failure to supervise the activities of a salesperson, N.J.A.C. 11:5-5.1 failure to deposit escrow monies promptly, N.J.A.C. 11:5-5.4 failure to perform a reconciliation of the escrow account, and N.J.A.C. 11:5-6.4 for failing to timely inform the parties that an escrow check was returned for insufficient funds.

**David Scalera**, broker, Union County. On June 5, 2007, the Commission approved a settlement in which the Respondent admitted to a violation of N.J.A.C. 11:5-4.1 and N.J.A.C. 11:5-5.5 and agreed to pay a \$500 fine for failing to have a signed written employment agreement with a salesperson in his office.

**Khalid Mohtady**, broker, and **Kokila Parikh**, broker-salesperson, Middlesex County. After a full hearing, on June 12, 2007, the Commission found Mr. Mohtady guilty of a violation of N.J.A.C. 11:5-4.2 for failing to supervise the activities of Ms. Parikh and ordered a fine of \$5,000. Ms. Parikh was fined \$5,000 and was required to take and successfully complete a thirty hour ethics course. Ms. Parikh was found guilty of a violation of N.J.A.C. 11:5-6.4(a) in that she failed to protect and promote the interests of her clients and placed her

own interest above that of the seller by making an entry on a contract of sale that the seller would not entertain any other offers until the end of the attorney review period.

**Leslie Boston**, salesperson, Hudson County. On June 12, 2007, the Commission approved a settlement in which Ms. Boston agreed to a violation of N.J.S.A. 45:15-17(e), N.J.S.A. 45:15-17(m), N.J.S.A. 45:15-17(k), N.J.A.C. 11:5-6.2(g), N.J.A.C. 11:5-6.9 and N.J.S.A. 11:5-6.4. She agreed to pay a \$500 penalty, a license revocation of a period of three months and is required to retake the salesperson's pre-licensure education course prior to relicensure. Ms. Boston prepared a contract of sale and collected a broker's fee without the knowledge of her employing broker.

**Stuart Cohen**, salesperson, Cape May County. On June 26, 2007, after a full hearing, the Commission found Mr. Cohen guilty of a violation of N.J.A.C. 11:5-6.4(f)(3) and N.J.A.C. 11:5-6.9(g)(3) and N.J.S.A. 45:15-17(e). A \$500 fine was assessed.

**Christine Caggiano**, broker, Ocean County. On July 17, 2007, a memorandum of settlement was entered into, under the terms of which Ms. Caggiano admitted to violations of N.J.S.A. 45:15-17(e), N.J.A.C. 11:5-3.11, N.J.S.A. 45:15-17(k), and N.J.S.A. 45:15-17(d). Ms. Caggiano failed to submit the license transfer application paperwork and renewal applications to the Commission for two licensees in a timely manner. She agreed

to pay a \$10,000 fine, complete sixty hours of broker's education coursework and her broker's license will be held on a probationary basis for a period of six months.

**Nicholas Tselepis**, broker, Passaic County. On July 17, 2007, a memorandum of settlement was entered into, under which the Respondent admitted to a violation of N.J.A.C. 11:5-6.1(m) by placing an advertisement which can be interpreted to require the consumer to enter into a sale, listing or other real estate contract as a condition of the promotion or offer. Mr. Tselepis agreed to pay a fine in the amount of \$1,000.

**Ira Bloom**, salesperson, Essex County. On July 17, 2007, after a hearing in mitigation, Mr. Bloom was found guilty of a violation of N.J.S.A. 45:15-19.1 and his license was revoked for a period of one year and afterwards his license will be held on a probationary basis to run concurrently with his criminal probation. Mr. Bloom's conviction established that he has engaged in conduct demonstrating fraud and dishonest dealing, in violation of N.J.S.A. 45:15-17(l) and unworthiness in violation of N.J.S.A. 45:15-17(e).

**Margaret Guber Nulty**, broker-salesperson, Camden County. On July 31, 2007, the Commission approved a settlement in which the Respondent agreed to a violation of N.J.A.C. 11:5-4.4(a) in failing to supervise the advertising activities of a salesperson in her office and agreed to a \$750 fine.



New Jersey Department of Banking and Insurance  
Banking and Insurance Quarterly

Office of Public Affairs  
PO Box 325  
Trenton, NJ 08625-0325

Jon S. Corzine, Governor  
Steven M. Goldman, Commissioner

PRESORTED STANDARD  
US POSTAGE PAID  
TRENTON, NJ  
PERMIT 21

New Jersey Department of Banking and Insurance

# BANKING AND INSURANCE QUARTERLY

## A Letter from Commissioner Steven M. Goldman



Goldman

Pick up any newspaper or magazine in the financial press, and chances are there will be some sort of article addressing the mortgage lending industry in general, or the subprime market in particular. It's an issue our Division of Banking has been dealing with for most of 2007.

The Department continues to closely monitor mortgage banking firms as part of our ongoing effort to protect New Jersey consumers and our licensees dealing with the industry. We have already doubled the number of examinations of mortgage lenders and closely monitor those where we have reason to be concerned. We are also stepping up our consumer outreach efforts to help those consumers who may have found themselves in the crossfire.

Perhaps most importantly, we continue to work with trade organizations and directly with companies themselves to achieve an acceptable solution to these recent disruptions in the market. New Jersey continues to fare much better than our neighboring states, and we have every confidence that this trend will continue. Education, communication, and observation – it's a three-cornered stool that, we believe, represents the best possible approach in our efforts to preserve our strong economy.

Sincerely,  
Steven M. Goldman

### Contact the Editors:

NJDOBI Banking & Insurance  
Quarterly  
Office of Public Affairs  
PO Box 325  
Trenton, NJ 08625-0325

Telephone: (609) 292-5064  
E-mail: [njbiq@dobi.state.nj.us](mailto:njbiq@dobi.state.nj.us)

### For Licensing Inquiries:

(questions, address changes, etc.)

#### Banking

E-mail: [blic@dobi.state.nj.us](mailto:blic@dobi.state.nj.us)  
Telephone: (609) 292-5340

#### Insurance

E-mail: [inslic@dobi.state.nj.us](mailto:inslic@dobi.state.nj.us)  
Telephone: (609) 292-4337

#### Real Estate

E-mail: [relic@dobi.state.nj.us](mailto:relic@dobi.state.nj.us)  
Telephone: (609) 292-7053