

# BANKING AND INSURANCE QUARTERLY

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

Spring 2007

## Preparing for the aftermath

### Department convenes disaster response planning group

The Department of Banking and Insurance's Disaster Response Plan Development Group met for the first time in February, and ultimately will be charged with crafting an important part of the plan to guide New Jersey to economic recovery in the event of a natural disaster.

"I think we all have a pretty good idea why we are here," DOBI Commissioner Steven Goldman told the group during the first meeting. "And it can all be summed up in the Boy Scout motto: Be prepared."

Commissioner Goldman noted that recent reports on global climate change and changing weather patterns seem to indicate that it is not a matter of if a major natural disaster will hit New Jersey, but when. And drawing from the lessons learned from Hurricane Katrina, he said, providing for the smooth payment of insurance claims to property owners is a key part of the recovery process.

Selection of the Disaster Response Plan Development Group is the first phase of a two-phase process that ultimately, will better prepare New Jersey in the event of a major catastrophic event – and

map out a comprehensive plan for recovery. The plan developed by the group will be integrated into an overall state disaster response plan, in conjunction with the Department of Law and Public Safety and the Office of Homeland Security and Preparedness.



Governor Jon Corzine, DOBI Commissioner Steven Goldman, and Department of Environmental Protection Commissioner Lisa Jackson listen to presentations from nationally-recognized experts on global climate change during a summit in Trenton. Concerns over the changes in global weather patterns and their potential impact on New Jersey has prompted DOBI to develop a plan for economic recovery in the event of a major disaster.

#### Responsibilities of the Development Group:

- Identifying obstacles facing insureds and insurers after a catastrophe, such as restricted access to damaged property, disrupted communications, insufficient personnel, and restricted access to banking services;

*continued on page 2*

Jon S. Corzine  
Governor

Steven M. Goldman  
Commissioner

#### Inside this issue:

Division of Insurance  
2-7

Division of Banking  
8-9

Real Estate Commission  
10-11

Letter from Commissioner  
back cover

#### REMINDER!

All Consumer Finance  
Licenses will expire  
June 30, 2007

For renewal  
information, visit

[www.njdoabi.org](http://www.njdoabi.org)



## DOBI convenes disaster response plan development group

*continued from page 1*

- For each obstacle, identifying entities with whom coordination may be necessary for resolution;
- Making preliminary recommendations for addressing each obstacle;
- Inviting representatives of other entities to discuss and refine recommendations; and,
- Issuing final recommendations to the Commissioner and the Department in the form of a comprehensive disaster response plan.

Development of the plan will ultimately include consideration of:

**Public safety concerns:** Experiences of other states indicate that homeowners are reluctant to leave disaster areas before insurers have inspected damage. Meanwhile, access to these areas is often restricted by emergency response personnel.

**Managing adjusters:** One possibility might be the creation of an “adjuster’s pool,” which would have access to the

*‘Quite frankly, I hope this is a plan we will never have to use. But if and when a disaster occurs, this plan could very well make the difference between a quick recovery and Katrina-like chaos.’*

– Commissioner Steven M. Goldman

disaster site and work on behalf of all insurance companies.

**Cashing checks and accessing existing funds:** After receiving a settlement, disaster victims need to be assured of access to funds necessary to temporarily secure their property, as well as cash for living expenses and temporary relocation.

**Complaint handling and resolution:** During an event as stressful as a natural disaster, there will be consumer complaints. Quick resolution is imperative, and requires established lines of communication between consumers, the industry, and DOBI.

The group will also take a look at similar lessons learned by other states when preparing their own disaster preparedness

plan. The New York Department of Insurance, for example, drew from experiences in Florida in addressing public safety concerns and the importance of establishing a relationship with emergency management personnel.

February’s meeting kicked off a timeline that will enable DOBI to have a plan in place prior to the historic period of maximum hurricane activity in the Atlantic Basin. Final recommendations are due by this spring, after which a permanent state disaster coalition will be named. The first table-top exercise based on the group’s plan will be conducted by Aug. 15.

“Quite frankly, I hope this is a plan we will never have to use,” said Commissioner Goldman. “But if and when a disaster occurs, this plan could very well make the difference between a quick recovery and Katrina-like chaos.”

### Insurers, Producers and Agencies: Appointment renewal process now online

Pursuant to N.J.A.C. 11:17-2.9(a)5 all producer and agency appointment notifications shall be renewed with the Department annually on **May 1**. The renewal appointment fee as set forth in N.J.A.C. 11:17-2.12 shall be collected from the insurer. All active appointments on record with the New Jersey Department of Banking and Insurance as of April 1 of the same year shall be subject to renewal.

The Department will provide electronic appointment renewal processing through

the National Insurance Producer Registry (NIPR). The NIPR web site ([www.nipr.com](http://www.nipr.com)) will have the renewal invoice and a list of appointments due for renewal on **April 16, 2007**. The invoices will not be displayed on the NIPR web site after close of business Thursday, May 31, 2007.

Prior to April 8, 2007, companies that subscribe to NIPR may obtain a listing of the appointments currently on record with the Department and terminate any appointments listed that are no longer

active via the Company Appointment Reconciliation Report (CARR). If the company does not have a subscription, they may contact NIPR at **1-816-783-8467** or e-mail [marketing@nipr.com](mailto:marketing@nipr.com).

All appointment terminations will need to be posted on NIPR’s Producer Database (PDB) before close of business April 8, 2007, or they will be included on the renewal invoice and must be paid. Find appointment renewal invoices at: <https://www.licenseregistry.com/html/renWelcome.htm>

## NJ Civil Union Act takes effect: Laws relate to dependent coverage

Enacted last December, the New Jersey Civil Union Act became effective Feb. 19, 2007. The act provides that “civil union couples shall have all of the same benefits, protections and responsibilities under law, whether they derive from statute, administrative court rule, public policy, common law or any other source of civil law, as are granted to spouses in a marriage.” Those rights include “laws relating to insurance, health and pension benefits.”

In response, Commissioner Steven M. Goldman signed a bulletin on Feb. 5 to address some of the inquiries that the Department has received about the Act. The bulletin reminded the public that beginning Feb. 19 all plans that include dependent coverage must also provide coverage to civil union couples. Coverage should not be deferred until the plan renewal date. Carriers were instructed to provide employees with the opportunity to make an election to cover a dependent through a civil union on or after Feb. 19 in the same manner as the opportunity would be provided to cover a dependent acquired through marriage.

The Act does not alter federal law, which only confers marriage rights and privileges to opposite-sex married couples. However, a contract issued in New Jersey will, as

*Carriers were instructed to provide employees with the opportunity to make an election to cover a dependent through a civil union on or after Feb. 19, 2007, in the same manner as the opportunity would be provided to cover a dependent acquired through marriage.*

of Feb. 19, cover civil union partners. For example, a group life contract allowing a covered employee to buy life insurance for their spouse must be read as allowing an employee with a civil union partner to purchase coverage for the partner.

New Jersey employers no longer have the option to elect whether to add coverage for domestic partners. Insurers should seek guidance about the Act from their legal counsel.

To access the full text of Commissioner Goldman’s bulletin, visit: [www.state.nj.us/dobi/bulletins/blt07\\_04.pdf](http://www.state.nj.us/dobi/bulletins/blt07_04.pdf)

The Small Employer Health Benefits Program also issued an advisory bulletin regarding civil unions. This bulletin can be accessed at: [www.state.nj.us/dobi/ihseh/blt07\\_seh\\_01.pdf](http://www.state.nj.us/dobi/ihseh/blt07_seh_01.pdf)

## Web site allows free public access to New Jersey Administrative Code

The Office of Administrative Law recently announced that a new free public access portal is available for the New Jersey Administrative Code (N.J.A.C.). The portal’s web address is: [www.lexisnexis.com/njoal](http://www.lexisnexis.com/njoal). Those interested in the portal such as licensees, attorneys and the general public can secure free copies of rules online. This new technology research tool will boost efficiency for DOBI staff as well as other state agencies, professionals and the general public.

It should be noted, however, that the portal is updated quarterly. Where the Department adopted new rules or amendments, it may be necessary to review the latest editions of the New Jersey Register to access information. Users can access instructions through the portal’s registration page concerning the Register database to check on the currency of any N.J.A.C. provision.



The portal also provides access to the lexis.com database for the New Jersey Register, which includes content dating to mid-1995. While hyperlinking is not possible to the New Jersey Register, access directions are simple and available online.

Researchers can browse online N.J.A.C. documents by title, chapter, subchapter and section levels. Data topics are also searchable. Code documents can be printed and e-mailed. The documents cannot be downloaded, but the text can be copied onto another document.

Users can create hyperlinks from other electronic documents or from web page text. However, permission is required for such links. LexisNexis is expected to give permission liberally. This can be done by e-mailing: [permissions@lexisnexis.com](mailto:permissions@lexisnexis.com).

## 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)

Eligible Persons Qualifications – Automobile Insurance Eligibility Points Schedule

Proposed Amendments: N.J.A.C. 11:3-34.4, and 34.5 and 11:3-34 Appendix, Schedule 1

Joint Insurance Funds for Local Governmental Units Providing Property and Liability Coverages

Proposed Amendment: N.J.A.C. 11:15-2.6

Joint Insurance Funds for Local Governmental Units Providing Property and Liability Coverages Refund; Interyear Fund Transfers

Proposed Amendments: N.J.A.C. 11:15-2.21

Filings: Property and Casualty – Filing of Rates, Manual Rules, Rating Plans, Policy Forms and Endorsements

Proposed Amendments: N.J.A.C. 11:1-2.2 and 11:1-2.6; and 11:2-2 Appendix; 11:2-42.3 and 11:2-42 Appendix Exhibit A; 11:3-16.3 and 16.6; and 11:13-2.5

Health Benefit Plans – Minimum Standards for Network-Based Health Benefit Plans – Basis for Payment of Out-of-Network Non-Hospital Provider Claims

Proposed Amendments: N.J.A.C. 11:22-5.2 and 5.6

Persons Employed in the Business of Insurance – Convicted Persons; Waiver

Proposed Re-adoption: N.J.A.C. 11:17E

Private Passenger Automobile Insurance Territorial Rating Plans – Territorial Rating Equalization Exchange

Proposed Amendments: N.J.A.C. 11:3-16A.1, 16A.2 and 16A.4; Proposed New Rules: N.J.A.C. 11:3-16A.10, 16A.11 and 16A.12

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

Producer Licensing

Adopted Amendments: N.J.A.C. 11:17-1 through 3; Adopted Repeal: N.J.A.C. 11:17-3.7

New Jersey Commercial Automobile Insurance Plan – New Jersey Personal Automobile Insurance Plan Definitions; Governing Committees

Adopted Amendments: N.J.A.C. 11:3-1.2, 1.4, 2.2 and 2.5

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

Bulletin No. 06-24: Homeowners Annual Comparison Survey, N.J.A.C. 11:4-29

Bulletin No. 06-26: Use of Clearinghouses in Electronic Transactions, N.J.A.C. 11:22-3.8

Bulletin No. 06-27: Change in Bail Forfeiture Procedure; New Jersey Superior Court Letter, December 18, 2006

Bulletin No. 07-02: Annual Reporting by Managed Behavioral Health Care Organizations

Bulletin No. 07-03: National Provider Identifier (NPI) – New Jersey Comprehensive Recommended Solutions to NPI Enumeration

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

Notice of Extension of Public Comment Period – Medical Fee Schedules: Automobile Insurance Personal Injury Protection and Motor Bus Medical Expenses Insurance Coverage

Notice of Administrative Changes and Correction – Health Maintenance Organizations; Health Care Quality Act Application to Insurance Companies, Health Service Corporations, Hospital Service Corporations, and Medical Service Corporations; Organized Delivery Systems; Managed Care Plans – Recodification of N.J.A.C. 8:38 through 8:38C as 11:24 through 11:24C

Notice of Public Hearing on the Exportable List – N.J.A.C. 11:1-34

List of Accredited Reinsurers

Notice of Extension of Public Comment Period – Health Benefits Plans – Minimum Standards for Network-Based Health Benefit Plans – Basis for Payment of Out-of-Network Non-Hospital Provider Claims

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

**Lisa M. Dumey**, Phillipsburg, NJ – Final Order #E06-165, December 18, 2006; Order to Show Cause #E06-138, issued September 25, 2006; charged Dumey with preparing fraudulent title insurance commitments; failing to remit and converting to her own use premium payments; failing to report her criminal indictment on charges of second degree Conspiracy to Commit Theft by Deception; failing to report her criminal accusation charging the crime of Theft by Deception; failing to report her criminal convictions; misrepresenting her place of employment and thereafter failing to correct her business address; and failing to respond to a Department inquiry. Although provided with notice and an opportunity to contest these charges, Dumey failed to do so. **Sanctions:** Revocation of license; Fine – \$30,000; Costs – \$875.

**Derrick L. Jenkins**, New Brunswick, NJ – Final Order #E06-163, December 13, 2006; Order to Show Cause #E06-128, issued September 6, 2006; charged Jenkins with transacting the business of insurance using the name “First Choice Bail Bonds,” without having registered the name with the Department; making and disseminating an advertisement that was untrue, deceptive and misleading in claiming he offered the lowest rates for bail bonds; and failing to respond to a Department inquiry. Although provided with notice and an opportunity to contest these charges, Jenkins failed to do so. **Sanctions:** Revocation of License; Fine – \$7,500.

### Orders to Show Cause

**Vincent P. Ascolese**, Morganville, NJ; **Frank Donofrio**, Ridgefield, NJ; **Estate Title Management, Inc.**, Fort Lee, NJ; **Chicago Title Insurance Co.**, Jacksonville, FL – Order to Show Cause #E07-05, January 18, 2007. Charges against Chicago Title Insurance Co. and the affiliated respondents include: that Ascolese, while a Limited Registrant (bail bonds), failed to timely notify the Department of his criminal conviction; Ascolese engaged in sales, solicitations and negotiations of bail bond insurance without obtaining a 1033 waiver; Ascolese engaged in the business of title insurance without advising the Department or obtaining a 1033 waiver; Chicago Title and the other respondents knowingly accepted insurance business from Ascolese whom they knew to be an unlicensed producer; Chicago Title and the other respondents published (through business cards) that Ascolese was an issuing agent of Chicago Title; and Chicago Title and the other respondents facilitated Ascolese’s violation of federal and state laws.

**Stacy A. Bates**, Millville, NJ; **Pladeck Associates, Inc., d/b/a Bates General Insurance Agency**, Millville, NJ – Order to Show Cause #E06-158, November 21, 2006; Bates is charged with misappropriating premium payments from 106 clients. (Bates pled guilty to a criminal accusation charging one count of theft in the amount of \$105,552.62.)

**Sammy Battista**, Bridgewater, NJ; **John H. Lay, II**, Princeton, NJ – Order to Show Cause #E07-04, January 16, 2007; charges include that Battista requested Lay to misrepresent his identity to an insurer by impersonating a client of Battista who had applied for a life insurance policy; Lay impersonated the client in a telephone conversation with the insurer by answering a Personal History Interview; and Lay failed to notify the Department of changes in his home and business addresses.

**Michael B. Chamberlain**, Basking Ridge, NJ – Order to Show Cause #E06-160, November 21, 2006; Chamberlain is charged with improperly withdrawing annuities belonging to a client in the aggregate amount of \$303,756.92 and using the funds for his own personal benefit. (Chamberlain pled guilty to one count of second degree theft relating to the improper withdraw of annuity funds.)

**First Keystone Risk Retention Group, Inc.**, Philadelphia, PA; **Four Seasons Insurance Agency, Inc.**, Langhorne, PA; **Michael R. Etemad**, Philadelphia, PA; **Joseph B. Schmidt**, Langhorne, PA; **Christopher R. Stewart**, Langhorne, PA; **Polina Krass**, Philadelphia, PA – Order to Show Cause #E06-161, December 13, 2006; charges against First Keystone Risk Retention Group and the other respondents (affiliated producers and individuals) include: soliciting insurance without a producer license; aiding and abetting in such solicitation activities; charging rates that were inconsistent with First Keystone’s actuarial studies or which were

*continued on page 6*

## Recent Enforcement Actions

(Division of Insurance)

inadequate or discriminatory, and aiding and abetting in charging such rates; failing to timely inform the Department of Etemad's and Stewart's criminal information filed by the U.S. Attorney and Stewart's subsequent guilty plea; unworthiness due to Etemad's and Stewart's federal charges relating to conspiracy to defraud Washington Mutual Bank by submitting numerous fraudulent loan applications and overstating the value of collateral; Stewart's failure to timely report a PA DOI disciplinary action resulting from fraudulent and dishonest practices and the commission of a felony; Stewart's ineligibility to hold a NJ producer license in view of the fact that he was no longer licensed in good standing in PA, his home state; issuing proof of insurance for liability limits in excess of those permitted to be issued by First Keystone; failing to follow various provisions of First Keystone's business plan or feasibility study, including using an unapproved risk retention limit, assessing unreasonable fees, improperly charging insureds for payment of premium taxes, false or deceptive solicitations, writing in unapproved territories and applying split apportionment to a combined single limit; and financing insurance premiums without obtaining a premium finance company license.

**Nelson Gonzales**, Perth Amboy, NJ – Order to Show Cause #E06-159, November 21, 2006; Gonzales is charged with unworthiness in that during the course of his employment with Blaze Bail Bonds, he went to post bail for a prisoner whereupon he acted in an unprofessional manner with lock-up staff, refused to leave lock-up and was thereafter arrested and charged with possession of marijuana and interference with a police officer (the latter charge being a township ordinance offense). (Gonzales was found guilty of the township ordinance offense and the marijuana charged was dismissed.)

**Victor Pastor**, Gibbsboro, NJ – Order to Show Cause #E06-155, November 22, 2006; Pastor is charged with forging client requests and cash surrendering for his own personal benefit client annuities; Pastor failed to timely notify the Department that he was charged with four counts of forgery, two counts of theft by unlawful taking and one count of conspiracy; and he failed to timely notify the Department of his conviction (based on a guilty plea) to one count of forgery and one county of theft by unlawful taking.

**Related Action (Victor Pastor):** Order to Show Cause Seeking Immediate Suspension of Producer License and Mortgage Solicitor Registration #E06-156, November 22, 2006

**James P. Philbin**, Bridgewater, NJ – First Amended Order to Show Cause #E06-154, November 15, 2006; Philbin is charged with sponsoring investment seminars where the principal purpose was to generate leads and thereafter commissions from the sale of insurance, and doing so using the unregistered trade name Senior Income Solutions, LLC; using coercive and deceptive practices by charging a \$2,165 fee for insurance-related services without an executed fee agreement and despite promising there would be no charge for the services, where the purpose of imposing the fee was to coerce a consumer into purchasing an annuity at a time when the consumer had already declined to do so; charging an unreasonable fee; issuing an improper inducement by offering to forgive payment of a fee if the consumer purchased insurance; failing to timely notify the Department of a change in business address; failing to report to the Department that he was the subject of a disciplinary action by the NJ Bureau of Securities alleging that he sold 18 worthless promissory notes in an amount of \$490,542.74; failing to disclose to the Department the existence of Bureau of Securities Order BOS 5368-03, which directed that he pay a fine to the NASD, disgorge commissions, pay partial restitution to his victims and pay a civil penalty to the Bureau of Securities; and demonstrating lack of integrity, dishonesty and incompetency by recommending that two clients liquidate annuities, incur penalties for the liquidation and invest the funds in "safe" and "guaranteed" promissory notes, even though Philbin failed to adequately research the financial soundness of the investments.

**Peter Rychok**, Maplewood, NJ – Amended Order to Show Cause #E07-01, January 3, 2007 (amends OTSC E#05-111, issued August 18, 2005); producer is charged with preparing and submitting four auto insurance applications on behalf of an insured that contained false and misleading information regarding prior driving history by marking "NO" on questions regarding prior accidents, convictions or DMV violations when Rychok had personal knowledge of the insured's prior driving history; submitting 32 deficient applications to the NJCAIP; in order to secure a lower premium, Rychok prepared and submitted to the NJ Workers Compensation Insurance Plan 57 applications that contained untrue lower risk information regarding employment activities; understated employee counts and contained incorrect salary information; and issuing 12 false or fraudulent certificates of insurance.

## Recent Enforcement Actions

(Division of Insurance)

### Consent Orders

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**AmeriChoice of New Jersey, Inc.**, Newark, NJ – Consent Order #E06-157, November 21, 2006; HMO failed to timely file with the Department seven prompt pay reports. **Sanction:** Fine – \$10,000.

**The Bail Agency, Inc.**, Woodstown, NJ – Consent Order #E06-166, December 18, 2006; Producer issued a check in payment of its license fee which was dishonored for insufficient funds. **Sanction:** Fine – \$500.

**Frank Bruzzese**, Somerdale, NJ – Consent Order #E06-164; Producer mailed life insurance solicitations which were deceptive and misleading in that the solicitations did not properly identify the sender as a producer, and, by placing the name of the prospect's lender in the envelope window with the words "Important Notice," created the false impression that the solicitations were sent by the lender. **Sanction:** Fine – \$2,500.

**Alfredo Cardenas**, Union, NJ – Consent Order #E07-06, January 18, 2007; producer failed to collect and remit premium to an insurer for an added vehicle; and erroneously issued a certificate of insurance for the added vehicle when no insurance was in effect since the required premium had not been paid. **Sanction:** Fine – \$2,500.

**Guardian Life Insurance Company**, Lehigh Valley, PA – Consent Order #E07-02, January 16, 2007; insurer issued two replacement life policies but failed to notify the predecessor insurer regarding the replacements. **Sanction:** Fine – \$3,000.

**Robert J. Kirner**, Bloomfield, NJ; **Kirner Insurance Agency**, Bloomfield, NJ – Consent Order #E07-07; January 26, 2007; producers failed to remit premium to NJPAIP, the appropriate insurer or applicable premium finance company; converted premium received from clients to their own use; issued checks that were dishonored for insufficient funds; and failed to maintain a premium trust account. **Sanctions:** Revocation of licenses; Fine – \$35,000; Costs – \$552.50.

**Lynwood Insurance Associates, Inc.**, Matawan, NJ – Consent Order #E07-03, January 16, 2007; producer issued three auto insurance ID cards that did not contain required information. **Sanction:** Fine – \$500.

**Eric Raymond**, Mount Laurel, NJ; **Corporate Synergies Group, Inc.**, Mount Laurel, NJ – Consent Order #E07-08; January 18, 2007; producers solicited health insurance through advertisements that were misleading and unfairly disparaged competitors. **Sanction:** Fine – \$2,500.

**David S. Rosen**, Freehold, NJ; **Financial Insurance Services, LLC**, South Amboy, NJ – Consent Order #E06-162, December 13, 2006; Producers mailed insurance solicitations which were deceptive and misleading in that the solicitations did not properly identify the sender as a producer and did not clearly convey to the recipients that they were insurance sales solicitations. **Sanction:** Fine – \$5,000 (allocated \$2,500 each to Rosen and Financial Insurance Services).

**Union Labor Life Insurance Company**, Washington, DC – Consent Order #E07-09; January 26, 2007; insurer provided coverage and utilized a network policy form that had not been approved for use in New Jersey. **Sanction:** Fine – \$10,000.

### Matters Resolved without Determination of Violation

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**George M. Barnard**; Consent Order #E07-10, January 30, 2007; Issue: licensee address information; **Administrative sanction** – \$250.

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

## Director speaks at first annual Hispanic Market Conference

Banking Director Terry K. McEwen and other leaders of the Department of Banking and Insurance attended the first annual Hispanic Market Conference in Atlantic City this past January. On the first day of the two-day conference, sponsored by the Mortgage Bankers Association of New Jersey, Director McEwen addressed a luncheon crowd of more than 100 mortgage professionals including many Hispanic financial industry executives.

“Serving emerging markets such as the state’s growing Hispanic population is very near and dear to our hearts at the Department of Banking and Insurance, and the Governor’s Office,” said McEwen. “It is an honor to be here at this historic gathering. There has never been a better time for it.”

Held at the Borgata Casino Hotel, the conference included topics such as credit scoring for non-traditional borrowers, innovations in lending to first-time Hispanic home buyers and products for the Hispanic market from lenders. The Hispanic market is viewed as the fastest growing consumer sector in the United States, representing nearly \$500 billion in buying power. It is believed to represent about 40 percent of the first-time home buyer market in the next several years.



From left, Terry K. McEwen, Director, Division of Banking, NJDOBI, and E. Robert “Bob” Levy, Executive Director and Counsel of the Mortgage Bankers Association of New Jersey

***‘Hispanic lenders and all other lenders in this state should be encouraged to explore all opportunities for supporting housing market growth in and for the Hispanic community.’***

– Terry K. McEwen, Director, Division of Banking

“We firmly believe that there are palpable opportunities for regulators to reach out into our burgeoning emerging markets, including the Hispanic community,” said McEwen. “And promote solid, disciplined and significant growth.”

McEwen pointed out that Governor Corzine is in the early stages of rolling out his goal of making 100,000 affordable housing units available within the next decade. He said that the Department is working with other Departments and agencies as well as professionals from the financial services industries and schools to educate and promote the development

of a diverse lending portfolio. McEwen emphasized that supporting this initiative plays a key role in maintaining New Jersey’s economic vitality.

“We believe the Hispanic community has a large role to play in the Governor’s affordable housing initiative,” said McEwen. “Hispanic lenders and all other lenders in this state should be encouraged to explore all opportunities for supporting housing market growth in and for the Hispanic community. With this in mind we are working together to make dreams a reality, while fostering a fair, business friendly climate in the marketplace.”

## Federal, state regulatory guidance issued on non-traditional mortgage product risks

Last fall, federal regulators as well as the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) issued guidance on non-traditional mortgage product risks. On Jan. 8 of this year, Department of Banking and Insurance Commissioner Steven M. Goldman signed a bulletin distributed to the mortgage industry that fully endorses this guidance.

The Department encourages all New Jersey licensed mortgage and secondary lending professionals and officers of licensed mortgage companies to follow the guidance as outlined by the CSBS on its web site ([www.csbs.org](http://www.csbs.org)).

The Department strongly agrees with the points stressed in the guidance. The Department believes non-traditional mortgage products that include collateral-dependent loans, risk layering, reduced documentation, simultaneous second-lien loans, introductory interest rates and potential “payment shock,” lending to subprime borrowers and non-owner occupied investor loans carry a higher than normal risk to both the lender and the borrower.

The Department believes the guidance sets industry-wide best practices standards. The Department is considering rulemaking in this area or, where necessary, is seeking legislation.



**REMINDER: All online annual reports are DUE**

All online annual reports are due to the New Jersey Department of Banking and Insurance no later than April 1, 2007. If you have questions, please send e-mail (including your company name, license reference number and a contact phone number) to [bankingannualreports@dobi.state.nj.us](mailto:bankingannualreports@dobi.state.nj.us). Please be sure to have your online annual report filed by April 1, 2007 in order to avoid potential fines and penalties. We thank you for your prompt attention to this important matter.

**National Financial Literacy Month celebrated in April**

The New Jersey Department of Banking and Insurance and the New Jersey Department of Education are launching the Second Biannual celebration of National Financial Literacy Month on April 16-30, 2007. State financial and education regulators are cooperating with the New Jersey Bankers Association, New Jersey League of Community Bankers, Mortgage Bankers Association of New Jersey and the New Jersey Credit Union League in another ambitious financial education outreach project.

In October 2006, state agencies and financial professionals partnered to promote financial literacy in New Jersey's high schools. More than 110 high schools in 18 counties participated in a program that focused on basic information on savings, checking and credit card accounts. This program reached more than 4,650 students in 100 school districts.

In April, representatives from state agencies and New Jersey financial institutions will do it again. Instructors will present a 45-minute financial education program focusing on budgeting, saving and credit. The goal of the outreach effort is to teach young adults how to take control of their financial futures. For more information, send e-mail to: [FAM@dobi.state.nj.us](mailto:FAM@dobi.state.nj.us).

**Commissioner's Symposium to be held in May**

New Jersey Governor Jon S. Corzine will deliver the keynote address at this year's Commissioner's Symposium scheduled for May 8 at Forsgate Country Club in Jamesburg. Sponsored by the New Jersey Department of Banking and Insurance and the Conference of State Bank Supervisors, the day's theme will be "Growing New Jersey's Economy."

Executive officers of New Jersey depositories, bank board members and attorneys from the Banking Law Section of the New Jersey State Bar Association will attend this important event. Distinguished speakers will present high level discussions of banking policy, the economy as it affects depository institutions, the legal and legislative scene, and business opportunities for depository institutions. In the keynote address, Governor Corzine will present his ideas for growing the state's economy.

For more information, contact Donna Carroll at (609) 292-7272 ext. 50060.

**Recent Legislative and Regulatory Actions**  
(Division of Banking)**Proposals** – [www.state.nj.us/dobi/proposed.htm](http://www.state.nj.us/dobi/proposed.htm)

## Procedural Rules

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

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

## General Provisions

Readoption with Amendments: N.J.A.C. 3:6

## Pawnbrokering Law Regulations

Readoption with Amendments: N.J.A.C. 3:16

## Home Repair Financing Act Regulations

Readoption: N.J.A.C. 3:19

## Mortgages

Readoption: N.J.A.C. 3:10; Adopted Repeals:  
N.J.A.C. 3:10-1, 2, 3, 4, 6 and 7

## Federal Matters

Readoption: N.J.A.C. 3:9; Adopted Repeals: N.J.A.C.  
3:9-4 and 5

## General Provisions

Readoption with Amendment: N.J.A.C. 3:26

## Reserves and Reserve Depositories

Readoption with Amendments: N.J.A.C. 3:8;  
Adopted Repeal: N.J.A.C. 3:8- 2.2; Adopted Repeal  
and New Rule: N.J.A.C. 3:8-2.1

## Retail Installment Sales Act Rules

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

Bulletin No. 06-25: The New Jersey Home Ownership Security Act of 2002

Bulletin No. 07-01: Re: Guidance on Non-Traditional Mortgage Product Risks

## When advertising real estate services in New Jersey, keep rules in mind

An old adage in real estate says the three most important things regarding a property are location, location and location. Much the same can be said about real estate advertising rules.

Without a doubt, questions regarding real estate advertising rules and when they apply are among the most frequently asked questions for the New Jersey Real Estate Commission from brokers and agents. So in the spirit of the location theme, the easiest way to understand when and where New Jersey's real estate advertising rules apply is to think of the term "everywhere." That is to say everywhere – with some exceptions – a real estate professional transacts business and affixes the firm's name.

The law (N.J.S.A. 11:5-6.1, under the heading, "Advertising Rules") states that rules shall apply to all advertising categories. This includes all publications, radio or television, all electronic media including e-mail and the Internet, business stationery, business cards, business and legal forms and documents, and signs and billboards.

Those rules apply to the office as well. Individuals operating as sole proprietors and licensed as employing brokers must display their name and the words "Licensed Real Estate Broker" on the exterior of their place of business.

Rules on advertising also apply to content. Ads must include the name of the individual, partnership, firm, or corporation as it is on record with the New Jersey Real Estate Commission. Furthermore, all advertising by a salesperson or broker-salesperson shall include the name in which they are licensed and the regular business name of the individual partnership, firm or corporate broker through whom they are licensed.

*The law states that rules shall apply to all advertising categories. This includes all publications, radio or television, all electronic media including e-mail and the Internet, business stationery, business cards, business and legal forms and documents, and signs and billboards.*



In addition, the license status of the person placing the ad must be included. A salesperson may not indicate in any advertisement that he or she is licensed as a broker-salesperson.

And in the case where a salesperson is placing an ad, size matters. The name of the employing individual, partnership, firm or corporate broker must appear in larger print or be displayed in a more prominent manner than the name of the salesperson.

So when in doubt whether state real estate rules apply, it is safest to assume they do. The Real Estate Commission makes every effort to keep up with new innovations and developments in advertising and promotion, but as is often the case in today's fast-moving, technology-oriented world, sometimes there is a lag.

For more information regarding New Jersey real estate issues, visit the Real Estate Commission's web site at [www.state.nj.us/dobi/remnu.shtml](http://www.state.nj.us/dobi/remnu.shtml). General questions can be submitted to [realestate@dobi.state.nj.us](mailto:realestate@dobi.state.nj.us).

### Recent Enforcement Actions (New Jersey Real Estate Commission)

**Deval Patel**, salesperson, Middlesex County – On December 12, 2006, the Commission approved a settlement whereby Mr. Patel agreed to pay a fine of \$500 for violation of N.J.S.A. 45:15-17(a) for making a material misrepresentation on a license application.

**Kathy C. Shiao**, broker, Middlesex County – On December 19, 2006, at a proof hearing at which Respondent failed to appear, the Commission revoked Ms. Shiao's license for two years and assessed a fine of \$1,000 for violations of N.J.S.A. 45:15-17(a) in making misrepresentations on her license application and N.J.S.A. 45:15-12 for failing to maintain an office open to the public; and N.J.A.C. 11:5-4.4(b) in not having a home office that complied with the requirements as set forth in that regulation.

**Jerome DiPentino**, broker, Atlantic County – On December 19, 2006, after a full hearing, the Commission revoked Mr. DiPentino's license from March 1, 2007 until June 30, 2009 for violations of N.J.S.A. 45:15-17(e) conduct demonstrating unworthiness, bad faith and dishonesty; N.J.S.A. 45:15-17(l) conduct demonstrating fraud or dishonest dealing. The violations were all related to Mr. DiPentino's criminal conviction on five counts of income tax evasion.

## It's that time again: License renewal preparation is under way

Real estate licenses are issued by the New Jersey Real Estate Commission every two years. All New Jersey Real Estate licenses will expire on June 30, 2007. Approximately 110,000 professionals are expected to renew their licenses.

### Renewal Timeline

#### Schedule of renewal notices

Initial renewal notice to be mailed: April 2, 2007  
 Requested return date: June 1, 2007  
 Deadline: Postmarked by June 30, 2007  
 Licensees who join a company after the initial renewal notice is printed will be listed on a second renewal notice or supplemental renewal notice

#### Schedule of 1st Supplemental renewal notice

1st Supplemental renewal notice to be mailed: May 7, 2007  
 Requested return date: June 11, 2007  
 Deadline: Postmarked by June 30, 2007  
 The Final renewal notice or 2nd Supplemental renewal notice will be issued after the deadline (Please note late fee schedule at right)

#### Schedule of Final renewal notice

2nd Supplemental renewal notice to be mailed: July 23, 2007  
 Requested return date: Aug. 17, 2007  
 Deadline: Postmarked by Aug. 27, 2007

### License Fees

#### License Renewal fees:

Corporation – \$200	Partnership – \$200
Sole Proprietorship – \$200	Limited Liability Company – \$200
Broker-of-Record – \$200	Broker-Salesperson – \$200
Salesperson – \$100	Branch Office – \$100

#### Late fees are as follows:

Corporations/Partnership/Sole Proprietorship/Limited Liability Company – \$40  
 Broker-of-Record – \$40  
 Broker-Salesperson – \$20  
 Salesperson – \$20

**Remember:** On all renewal notices postmarked after their deadline, the Real Estate Commission's records will reflect a break in licensure between June 30, 2007, and the date the renewal is received. By law, you cannot sue for compensation earned unless you can prove that you were duly licensed when the alleged cause of action arose. Furthermore, you are subject to fines by this Commission if you engage in the brokerage business at a time when you were not licensed to do so. The fines may range up to \$5,000 for the first violation and up to \$10,000 for subsequent violations.

### Real estate license renewal questions:

1. Since July 1, 2005, have you or any of your renewing licensees had their real estate license suspended or revoked by this Commission or by any other state or had a license for any other business or profession revoked, suspended or surrendered for cause?
2. Since July 1, 2005, have you or any of your renewing licensees been charged with, indicted, convicted or sentenced for any disorderly persons offense, crime, or misdemeanor (other than motor vehicle violations) in this state or any other jurisdiction, or are you or any renewing licensee presently enrolled in New Jersey's pre-trial intervention program or a similar program of another state or the federal government?
3. Do you have a child support obligation on which there is an arrearage due that equals or exceeds the amount of child support payable for six months, or are you the subject of a child support related warrant, or during the past six months have you failed to provide any court-ordered health care coverage, or have you failed to respond to a subpoena relating to a paternity or child support proceeding? **NOTE:** Making a false statement regarding a child support, paternity, or court-ordered health care coverage matter may subject you to contempt of court.



### Renewal Reminders:

**Do not add the name of any person to a license renewal notice** – Licensees who join a company after the initial license renewal notice is printed will be listed on the 1st or 2nd supplemental renewal notice.

**Do not wait for supplemental renewal notice(s) to submit your initial renewal notice** – Each renewal notice must be returned by the deadline indicated. Any licensee wishing to renew but is deleted from the renewal notice by their employing broker will be required to complete a reinstatement application and submit it to the Real Estate Commission. The fee for reinstatement for a salesperson is \$150 and \$250 for a broker-salesperson.

**Do not submit multiple checks with your renewal notice** – Submit one broker's business check, certified check, bank check or money order only. Late fees will be assessed after each renewal notice deadline.



New Jersey Department of Banking and Insurance  
 Banking and Insurance Quarterly  
 Office of Public Affairs  
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 Steven M. Goldman, Commissioner

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New Jersey Department of Banking and Insurance

# BANKING AND INSURANCE QUARTERLY

## A Letter from Commissioner Steven M. Goldman



Goldman

During the past year, we have continued to make strides on both the insurance and banking sides of the Department. From auto insurance reform to banking parity issues, I am certainly proud of our progress. And in one instance, we are working in tandem with representatives from both banking and insurance to develop a plan that, quite frankly, I hope we never need.

This plan – a disaster response plan – is under development by a group of industry professionals who have been meeting since February. Once completed, this economic recovery plan will serve as a blueprint on how to get communities back on their feet if disaster strikes. The plan will include procedures for the quick assessment of property damage, speedy payment of insurance claims, and contingencies on how to keep the banking system up and running in the event of communications disruptions.

This is truly one of those instances where an ounce of prevention is worth a pound of cure, because when disaster strikes, preparedness can make the difference between a speedy recovery and no recovery at all. By working together now, we can hope for the best and prepare for the worst.

Sincerely,  
 Steven M. Goldman, Commissioner  
 New Jersey Department of Banking and Insurance

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(questions, address changes, etc.)

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