STATE OF NORTH CAROLINA

WAKE COUNTY

IN A MATTER
BEFORE THE COMMISSIONER OF BANKS
Docket No. 09:162:MBB

IN RE: PHOENIX HOUSING GROUP, INC. d/b/a HOMES AMERICA; GARY GOOD; DENNIS PARRIS; ROGER BAILEY; DENNIS SETZER; GEORGE W. VARSAMIS; FIRST PRIORITY MORTGAGE & FINANCE, Inc. (NCCOB B-132649; NMLS ID No. 98979); ROBERT C. ANDERSON (NCCOB I-114810; NMLS ID No. 119136); WR STARKEY MORTGAGE, LLC (NCCOB L-112550; NMLS ID No. 2146); WILLIAM R. STARKEY JR. (NMLS ID No. 13796); TODD A. BERGWALL (NMLS ID No. 13807); GARY E. LACEFIELD (NMLS ID No. 13805); ANDREW M. CHURCH; ISAAC VINSON a/k/a IKE VINSON (NCCOB I-147474; NMLS ID No. 85047); MARINA MCCUEN (NCCOB I-1042351; NMLS ID No. 120046 SUSAN REED; and K&B HOMEBUILDERS, Inc.	)	**SETTLEMENT AGREEMENT AND CONSENT ENTRY OF A CONSENT ORDER**

WR Starkey Mortgage, LLC ("WRSM") and the Office of the Commissioner of Banks ("OCOB"), hereinafter referred to collectively as the "Parties," voluntarily enter into this SETTLEMENT AGREEMENT AND CONSENT TO ENTRY OF A CONSENT ORDER ("Agreement") for the purpose of avoiding further costs and expenses and to settle, resolve and compromise the OCOB's claims against WRSM arising out of the above-referenced administrative enforcement action. This Agreement is made pursuant to the authority of Chapter 150B, Article 3A, of the North Carolina General Statutes.

I. RECITALS

1. If this matter were to proceed to hearing, the OCOB would put on evidence which it contends would show that:

(a) Between January 2007 and September 2008, WRSM provided financing for consumers purchasing Manufactured and Modular homes from Phoenix Housing Group, Inc. ("PHG") and other manufactured housing dealers located in North Carolina. These loans were subsequently sold on the secondary market;

(b) WRSM used PHG employees to solicit and accept mortgage loan applications from PHG customers. These PHG employees were not licensed by the OCOB to act as loan officers or mortgage loan originators ("MLOs"). Additionally, WRSM allowed WRSM employees not licensed by the OCOB to solicit and accept mortgage loan applications;

(c) WRSM solicited and accepted loan applications from employees' homes and other branch locations that were not licensed by the OCOB, and failed to ensure that all loan officers and MLOs operated under the full charge, control, and supervision of WRSM's managing principal, qualifying individual, or licensed branch managers;

(d) To expedite the loan process associated with PHG sales, WRSM entered into an agreement with PHG to pay a PHG employee for certain duties that WRSM's employees should have been performing themselves;

(e) PHG's employees collected consumers' financial information directly from the consumers and forwarded it to WRSM's employees or agents. Certain of WRSM's employees or agents, knowing that the financial information was inaccurate, accepted the information from PHG and sent it to WRSM's underwriters without verifying any of the information;

(f) To disguise the fact that WRSM was receiving the consumers' financial information directly from defendant PHG and was not independently verifying the information, certain of WRSM's employees or agents cut off the fax headers from the fax sheets received from defendant PHG and placed this "short paper" in the files. In some instances these same WRSM employees or agents recopied the "short paper" before placing it in the files so that it would be the same size as the other papers in the file;

(g) Certain of WRSM's employees or agents placed inaccurate, positive rental histories on consumers' credit reports and used these entries to boost the consumers' credit worthiness to qualify consumers for loans they would not have qualified for otherwise;

(h) A certain WRSM loan underwriter instructed a loan processor, who was processing the PHG loans, on how to submit information for underwriting to ensure that consumers would qualify for loans when the consumers would not have otherwise qualified for the loans;

(i) WRSM extended credit to consumers without due regard to the consumers' ability to repay the loans;

(j) WRSM added discount points to mortgages when the same were not knowingly and voluntarily elected by WRSM's borrowers and when such points did not result in a bona fide reduction in the interest rate on the borrowers' mortgages.

2. WRSM neither admits nor denies the allegations in Paragraph 1 but desires to eliminate the substantial and ongoing cost, attention, and commitment necessitated by this dispute, and to resolve the uncertainty that is inherent in any litigation. Thus, WRSM does not object to the entry of a Consent Order. WRSM's consent to the entry of a Consent Order shall not be deemed to be an admission of any of the OCOB's allegations.

3. WRSM provided financial information to the OCOB in connection with the settlement of this proceeding. WRSM warrants that the financial information it provided is true and accurate and fully and fairly reflects its financial condition as of the date reflected on the financial information.

4 In an effort to enhance its compliance function, WRSM has voluntarily undertaken remedial efforts, including but not limited to:

(a) WRSM is conducting a nationwide search for a new head of its Compliance Department;

(b) William Starkey Jr. has resigned as Chairman and CEO, and is no longer an employee of WRSM;

(c) John L. Aspinwall has been installed as the new CEO and Qualifying Individual of WRSM;

(d) Brian Bennett was terminated as President of WRSM;

(e) WRSM is employing the services of Patton Boggs as necessary to serve as a compliance watchdog for the company;

(f) WRSM hired a new head of Quality Control, as well as several additional Quality control staff persons and has conducted multiple announced and unannounced branch audits in North Carolina;

(g) WRSM has consolidated a number of its branches in North Carolina in order to be able to provide additional oversight and control;

(h) WRSM has hired a new Vice President of Underwriting and has increased its number of underwriting personnel by approximately 20%; and

(i) WRSM has made changes to its manual and automated systems to prevent unlicensed loan origination activity.

5. Pursuant to a Consent Judgment entered into by WRSM with the North Carolina Department of Justice and, with the assistance, support, and approval of the North Carolina Commission of Banks ("NCCOB"), WRSM was ordered to pay $4,446,000 in compensatory damages suffered by North Carolina borrowers as a direct consequence of their Starkey financed purchase of Manufactured and Modular Homes from Phoenix Housing Group (the "Damages Pool"). Each borrower is entitled to receive $26,000 in damages.

6. WRSM has made a voluntary contribution of $360,933.00 to the North Carolina State Home Foreclosure Prevention Project ("SHFPP") for the purpose of assisting North Carolina borrowers who are facing foreclosure, including but not limited to borrowers who received WRSM loans.

II. CONSENT AND SETTLEMENT AGREEMENT

NOW, THEREFORE, the Parties, in order to resolve the matters raised in the foregoing Recitals, agree as follows:

1. The North Carolina Commissioner of Banks ("Commissioner") has jurisdiction over Respondent WRSM and the subject matter of this proceeding.

2. Mark Pearce, Chief Deputy Commissioner of Banks has the authority to enter into this Agreement for and on behalf of the OCOB.

3. WRSM waives its right to a contested hearing before the Commissioner or to appeal the Consent Order to the North Carolina State Banking Commission or any court and consents to entry of a Consent Order that provides as follows:

(a) WRSM shall not make or broker any loan in violation of the North Carolina Secure and Fair Enforcement Mortgage Licensure Act ("NC SAFE").

(b) WRSM shall implement all reasonable efforts, internal safeguards and controls as may be necessary to ensure future compliance with NC SAFE.

(c) WRSM shall cooperate and work in good faith with the OCOB to comply with the requirements of Chapter 45, Articles 10 and 11, of the North Carolina General Statutes.

(d) WRSM, its partners, officers, agents, and employees, shall be permanently enjoined from:

i. Directly or indirectly soliciting or accepting a mortgage loan application, negotiating mortgage rates or terms, by or through any person unless such a person is:

1.) Properly licensed as a MLO pursuant to Chapter 53 of the General Statutes;

2.) Working as a W-2 employee of WRSM;

3.) Working from a branch office licensed by the OCOB; and

4.) Working under the supervision of a branch manager licensed by the OCOB.

ii. Making or attempting to make any material misstatement, misrepresentation, or omission within the mortgage lending process with the intention that any mortgage lender, mortgage broker, borrower, or any other person or entity that is involved in the mortgage lending process will rely upon it;

iii. Using or facilitating or attempting to use or facilitate the use of any misstatement, misrepresentation, or omission within the mortgage lending process with the intention that any mortgage lender, borrower, or any other person or entity that is involved in the mortgage lending process will rely upon it;

iv. Failing to implement all reasonable efforts to ensure that WRSM's underwriters comply with all applicable state and federal guidelines, rules, and regulations associated with the type of mortgage product being originated;

v. Charging discount points without providing borrowers a bona fide and documented reduction in such borrowers' interest rate; and

vi. Charging discount points where such points are not knowingly requested and paid by a borrower for the purpose of reducing the borrower's interest rate.

(e) To the extent that WRSM has not already done so, WRSM shall apply $289,067.00 in restitution in respect of alleged violations under Chapters 24 and 53 of the North Carolina General Statutes. These refunds shall be made in a manner consistent with directions set forth in the OCOB's 23 July 2010 Addendum to its confidential 27 April 2010 Report of Examination.

(f) WRSM shall within 10 days of the entry of the Consent Order pay to the OCOB $150,000 for reasonable expenses incurred by OCOB during the course of the investigation and examination of WRSM, and for consumer protection and education purposes as directed by the OCOB.

(h) Provided that WRSM complies with the terms of the Consent Judgment, including the funding of the Damage Pool referenced in Paragraph 5 of the Recitals above, the Commissioner shall waive his right to seek or impose additional disgorgement upon WRSM for the actions alleged in this proceeding.

4. From and after the date of this Agreement, provided that WRSM complies fully with the terms of the same as expressed above, and in consideration thereof, the OCOB will consider its claims against WRSM to be fully resolved and agree to institute no further enforcement action against WRSM regarding the violations alleged in this proceeding.

5. Nothing in this Agreement shall be construed to prohibit the OCOB from investigating compliance with this Agreement or to prohibit the OCOB from investigating or pursuing enforcement proceedings against other individuals for their involvement in the matters alleged in this proceeding. Furthermore, nothing in this agreement shall constitute a waiver, settlement, or resolution of the Parties rights, claims, or defenses as to the remaining respondents in this enforcement action, which are hereby expressly reserved by the Parties. Nothing in this Agreement shall be construed as a waiver of any individual borrower's claims or defenses which such borrower may have against WRSM (except to the extent of any damages payments).

6. The parties further agree and acknowledge that this Agreement sets forth all of the terms and conditions between them concerning the above-entitled matter and supersedes all prior oral and written statements and representations, and that there are no terms or conditions between the parties except as specifically herein set forth.

7. The Parties represent and warrant that they have sought and received advice of an attorney in this matter.

8. The undersigned represent and warrant that they are authorized to enter into this Agreement.

9. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF the parties have executed multiple originals of this Consent Agreement, with original copies being retained by each of the Parties.

For the Office of the Commissioner of Banks

By: _____
Mark E. Pearce,
Chief Deputy Commissioner of Banks

Date: 7/29/2010

For W.R. Starkey Mortgage, LLC

By: _____
John L. Aspinwall
CEO

Date: 07-26-2010

Counsel for the Office of the Commissioner of Banks

By: _____
Seth P. Rosebrock
Assistant Attorney General

Date: 7/29/10

Counsel for the Respondent

By: Valecia M. McDowell/s/ TAF
Valecia M. McDowell
Attorney at Law
Moore & Van Allen PLLC
Counsel for W.R. Starkey Mortgage, L.L.P.

Date: July 29, 2010

STATE OF NORTH CAROLINA

WAKE COUNTY

IN A MATTER
BEFORE THE COMMISSIONER OF BANKS
Docket No. 09:162:MBB

IN RE: PHOENIX HOUSING GROUP, INC. d/b/a HOMES AMERICA; GARY GOOD; DENNIS PARRIS; ROGER BAILEY; DENNIS SETZER; GEORGE W. VARSAMIS; FIRST PRIORITY MORTGAGE & FINANCE, Inc. (NCCOB B-132649; NMLS ID No. 98979); ROBERT C. ANDERSON (NCCOB I-114810; NMLS ID No. 119136); WR STARKEY MORTGAGE, LLC (NCCOB L-112550; NMLS ID No. 2146); WILLIAM R. STARKEY JR. (NMLS ID No. 13796); TODD A. BERGWALL (NMLS ID No. 13807); GARY E. LACEFIELD (NMLS ID No. 13805); ANDREW M. CHURCH; ISAAC VINSON a/k/a IKE VINSON (NCCOB I-147474; NMLS ID No. 85047); MARINA MCCUEN (NCCOB I-1042351; NMLS ID No. 120046 SUSAN REED; and K&B HOMEBUILDERS, Inc.	)	**CONSENT ORDER (AS TO RESPONDENT WR STARKEY MORTGAGE, LLC)**

THIS MATTER came before the Commissioner of Banks (hereinafter "Commissioner") for the State of North Carolina upon a Settlement Agreement and Consent to Entry of a Consent Order, hereinafter the "Agreement," between WR Starkey Mortgage, LLC ("WRSM"), and the Office of the Commissioner of Banks ("OCOB"). WRSM and OCOB shall hereinafter be referred to collectively as the "Parties."

It appears to the Commissioner that the terms of the Agreement, taken in conjunction with the Consent Judgment entered between WRSM and the North Carolina Department of

Justice filed on 27 July 2010 in a related matter (State v. W.R. Starkey Mortgage, LLC et al., Wake Country Superior Court Docket No. 09 CVS 023513, hereinafter referred to as the "Consent Judgment"), fairly and equitably resolve the issues between the Parties, and the entry of this order is in the public interest.

NOW, THEREFORE, it is ordered that:

1. WRSM shall not make or broker any loan in violation of the North Carolina Secure and Fair Enforcement Mortgage Licensure Act ("NC SAFE"), as the same may be amended or modified from time to time.

2. WRSM shall implement all reasonable efforts, internal safeguards and controls as may be necessary to ensure future compliance with NC SAFE, as the same may be amended or modified from time to time.

3. WRSM shall cooperate and work in good faith with the OCOB to comply with the requirements of Chapter 45, Articles 10 and 11, of the North Carolina General Statutes, as the same may be amended or modified from time to time.

4. WRSM, its partners, officers, agents, and employees, are permanently enjoined from:

    a. Directly or indirectly soliciting or accepting a mortgage loan application, negotiating mortgage rates or terms, by or through any person unless such a person is:

        i. Properly licensed as a MLO pursuant to Chapter 53 of the General Statutes;

        ii. Working as a W-2 employee of WRSM;

        iii. Working from a branch office licensed by the OCOB; and

        iv. Working under the supervision of a branch manager licensed by the OCOB.

    b. Making or attempting to make any material misstatement, misrepresentation, or omission within the mortgage lending process with the intention that any mortgage lender, mortgage broker, mortgage servicer, borrower, or any other person or entity that is involved in the mortgage lending process will rely upon it;

    c. Using or facilitating or attempting to use or facilitate the use of any misstatement, misrepresentation, or omission within the mortgage lending

process with the intention that any mortgage lender, borrower, or any other person or entity that is involved in the mortgage lending process will rely upon it;

d. Failing to implement all reasonable efforts to ensure that WRSM's underwriters comply with all applicable state and federal guidelines, rules, and regulations associated with the type of mortgage product being originated;

e. Charging discount points without providing borrowers a bona fide and documented reduction in such borrowers' interest rate; and

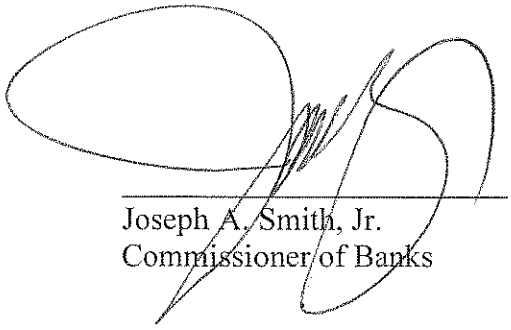
f. Charging discount points where such points are not knowingly requested and paid by a borrower for the purpose of reducing the borrower's interest rate.

5. To the extent that WRSM has not already done so, WRSM shall apply $289,067.00 in restitution in respect of alleged violations under Chapters 24 and 53 of the North Carolina General Statutes. These refunds shall be made in a manner consistent with directions set forth in the OCOB's 23 July 2010 Addendum to its confidential 27 April 2010 Report of Examination.

6. WRSM shall within 10 days of the entry of the Consent Order pay to the OCOB $150,000 for reasonable expenses incurred by OCOB during the course of the investigation and examination of WRSM, and for consumer protection and education purposes as directed by the OCOB.

7. Provided that WRSM complies with the terms of the Consent Judgment, the Commissioner waives his right to seek or impose additional disgorgement obligations or civil money penalties upon WRSM for the actions alleged by the OCOB in this proceeding.

This the 30th day of July, 2010.



Joseph A. Smith, Jr.
Commissioner of Banks