

# NEWS RELEASE

---

**JOSEPH A. SMITH, JR.**  
**COMMISSIONER OF BANKS**

---

<b>RELEASE:</b>	<b>IMMEDIATE</b>	<b>DATE:</b>	<b>March 4, 2008</b>
<b>CONTACT:</b>	<b>HA NGUYEN</b>	<b>DISTRIBUTION:</b>	<b>STATEWIDE</b>
<b>PHONE:</b>	<b>919/733-3016</b>		

---

**Mortgage Affiliate of Major Homebuilder Agrees to  
New Measures to Promote Fair and Competitive Lending**

*Ryland Mortgage adopts new practices, refunds over \$220,000 to North Carolina homeowners*

RALEIGH—Ryland Mortgage, a mortgage affiliate of Ryland Homes, has agreed to adopt new lending practices to improve competition and fairness in the mortgage market for new home buyers as part of a settlement agreement with the North Carolina Office of the Commissioner of Banks (NCCOB). In addition to improved lending practices, Ryland has agreed to refund North Carolina homeowners \$220,851 and pay a civil money penalty of \$161,000 to the State.

“As a result of this agreement, North Carolinians that buy homes from Ryland will be better able to shop around to get the best deal on their mortgage loan,” said Deputy Commissioner of Banks Mark Pearce. “Homebuyers will benefit from increased competition for their mortgage loan when they buy into a Ryland Homes neighborhood.”

Many large homebuilders have affiliated mortgage lenders that make loans to home buyers that purchase homes in newly-developed subdivisions. Builders commonly provide an incentive to the buyer if the buyer gets a loan from the builders’ affiliated mortgage company. This incentive should lower costs for homebuyers, but it can also harm home buyers if these incentives are recouped indirectly through inflated or excessive mortgage costs.

To ensure this does not occur, Ryland Mortgage has agreed to the following practices for loans offered to purchasers of homes by Ryland Homes:

- Rates and fees on Ryland Mortgage loans will not exceed general mortgage industry standards;
- Incentives offered for use of Ryland Mortgage will be true discounts from the market price of the home;
- Applicants will receive a disclosure that reflects the specific discount offered for the use of Ryland Mortgage which will be separated from other discounts and incentives; and
- Ryland Mortgage will use at least three different, unaffiliated appraisers in each Ryland Homes development.

“We hope that other mortgage companies affiliated with homebuilders will adopt similar practices to give home buyers’ added confidence they will be treated fairly. High ‘discounts’ tied to the use of an affiliated mortgage company will receive heightened scrutiny during examinations of these builder-affiliated mortgage companies to make sure these affiliated relationships do not stifle competition in the mortgage market,” said Deputy Commissioner Pearce.

As a result of an examination of Ryland Mortgage, NCCOB believed that Ryland Mortgage charged some homebuyers closing costs that exceeded the legal limits in North Carolina. Ryland Mortgage did not admit to any wrong-doing, but has agreed to make refunds to approximately 850 homebuyers to settle NCCOB’s allegations. On average, these borrowers will receive a refund of \$250.00.

In addition to these alleged overcharges, Ryland Mortgage has agreed to pay a civil money penalty of \$161,000 to the State to settle allegations that some loan officers at Ryland Mortgage were not licensed to originate mortgage loans in North Carolina.

Ryland Mortgage has an affiliated business arrangement with its affiliate, Ryland Homes. The Ryland Group, Inc. is a Fortune 500 company based in California and is one of the nation’s largest homebuilders. Ryland Homes is an active homebuilder in the Charlotte, Greensboro and Winston-Salem areas.

The settlement agreement and order are available on NCCOB’s website at <https://www.nccob.org/Online/MLS/CommissionOrderListing.aspx?Source=Mortgage>.

# # #