

COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
ADMINISTRATIVE ACTION NO. 2025-DFI-0149

KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

v.

PROSPER MARKETPLACE, INC.

RESPONDENT

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AGREED ORDER

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PARTIES

1. The Kentucky Department of Financial Institutions is responsible for administering the provisions of KRS Chapter 286, Subtitle 8, of the Kentucky Financial Services Code ("the Code"), as well as any applicable rules, regulations and orders entered pursuant to the Code.

2. Prosper Marketplace, Inc. is a Delaware corporation, conducting business as a mortgage broker. The company's principal office is located at 221 Main Street, 3rd Floor, San Francisco, CA 94105. The company's registered agent is listed with the Kentucky Secretary of State as Corporation Service Company located at 421 West Main Street, Frankfort, KY, 40601.

STATEMENT OF FACTS

3. On March 24, 2025, the Department conducted a routine compliance examination of Prosper Marketplace, Inc. The period of conduct under examination spans from May 24, 2021, to December 31, 2024. The following events occurred during that examination.

4. The Department confirmed that Prosper Marketplace, Inc. had employees utilizing alternate work locations when performing job duties within the mortgage lending process.

5. The Department reviewed Prosper Marketplace, Inc.'s Remote Work Policy. The Remote Work Policy has no mention of performing any type of documented review of employee's remote

work locations and equipment. While Prosper Marketplace, Inc. provided a record of acknowledgement from employees that they are agreeing to adhere to the Remote Work Policy, the Policy did not contain all the requirements to meet KRS 286.8-295 requirements.

6. The licensee has implemented a Flexible Work Mode Policy that outlines the terms and conditions for its remote employees, including work expectations, employee responsibilities, and information technology requirements. The policy states that the licensee has "the right to review the effectiveness of different work modes in relation to business needs or culture outcomes and may change or terminate any flexible work mode agreement or option, with or without reason or prior notice." However, the policy does not include language pertaining to annual documented reviews for each alternate work location.

7. The Department requested additional information pertaining to the licensee's alternate work location policies and procedures, and the licensee stated: "Prosper requires all employees to sign the Flexible Work Mode Policy that outlines expectations and requirements of hybrid and remote work locations. Prosper does not conduct formal reviews of each alternate work location. Prosper does routinely have meetings with hybrid and remote employees and Prosper's managers can assess and review an employee's workspace during these meetings."

8. The Department requested documented reviews from Prosper Marketplace, Inc., which would certify that all employees engaged in the mortgage lending process at alternate work locations had met appropriate standards and safeguards required by statute and expressed in the company's policy. The company was unable to provide responsive documents to that request.

9. The Department asked Prosper Marketplace, Inc. if it had conducted documented reviews of alternate work locations. Prosper Marketplace, Inc. responded that it did not have dedicated reviews for remote locations.

10. In a letter dated April 21, 2025, Prosper Marketplace, Inc.'s representative sent the Department confirmation that it had received the Examiner Noted Violation on the Report of Examination dated January 14, 2025. In response, the company attached its Branch and Remote Work Location Audit Procedure to verify updated controls for statutory compliance. The company further attached proof that documented audits of alternate work locations had recently occurred pursuant to the new procedure.

### **STATUTORY AUTHORITY**

11. KRS 286.8-010(2) states that "Alternate work location":

(a) Means a physical location, other than the principal office or a branch, at which the employees of a licensee are authorized by the licensee to remotely engage in the mortgage lending process; and

(b) May include a physical location, other than the principal office or a branch, where an employee:

1. Completes mortgage-related activities if the location is not maintained or utilized for the purpose of conducting in-person mortgage lending business; and
2. Meets in person at the convenience of the borrower on an infrequent or as-needed basis in order to complete the mortgage lending process if the location is not the employee's home.

12. KRS 286.8-036(6) states,

(6) A licensee may permit employees to engage in the mortgage lending process at an alternate work location if:

(a) The licensee has written policies and procedures for supervision of employees working from alternate work locations;

(b) Access to the licensee's computer systems and customer information is in accordance with the licensee's comprehensive written information technology security plan;

(c) Employees are not permitted to conduct in-person customer activities at the alternate work location except as provided in KRS 286.8-010(2)(b)2.;

(d) The licensee ensures that no physical or electronic documents are maintained at the alternate work location; and

(e) No signage or advertising of the licensee or the mortgage loan originator is displayed at any alternate work location.

13. KRS 286.8-295 states,

(1) As used in this section, "employee" shall include a mortgage loan originator engaged as an independent contractor.

(2) (a) Every mortgage loan company and mortgage loan broker shall exercise proper supervision and control over the operations, employees, and affairs of its company.

(b) A mortgage loan company or mortgage loan broker shall supervise and control all employees acting as a mortgage loan originator on behalf of the mortgage loan company or mortgage loan broker.

(3) A licensee that allows employees to engage in the mortgage lending process from an alternate work location shall:

(a) Exercise proper supervision and control over the employees;

(b) Have written policies and procedures in place that ensure a safe, secure system for the mortgage lending process;

(c) Oversee compliance, and require all employees to comply, with the policies and procedures referenced in paragraph (b) of this subsection;

(d) Employ appropriate risk-based monitoring and oversight processes;

(e) Ensure that:

1. Customer interactions and communications about consumer accounts are in compliance with federal and state information security requirements, including applicable provisions of:

a. The Gramm-Leach-Bliley Act of 1999, Pub. L. No. 106-102, as amended; and

b. The Federal Trade Commission's Safeguards Rule, set forth in 16 C.F.R. Part 314;

2. Any employee that engages in the mortgage lending process at an alternate work location accesses the company's secure systems, including a cloud-based system, directly from any out-of-office device via a virtual private network (VPN) or a comparable system that ensures secure connectivity and requires passwords or other forms of authentication to access;
3. Appropriate security updates, patches, or other alterations to the security of all devices used at an alternate work location are installed and maintained;
4. Any employee that engages in the mortgage lending process at an alternate work location agrees to comply with the licensee's processes established under paragraph (d) of this subsection; and
5. The Nationwide Multistate Licensing System and Registry record of a mortgage loan originator that works from an alternate work location designates a properly licensed location as the mortgage loan originator's official work station;

(f) Have the ability to:

1. Remotely lock or erase company-related contents of any device; or
2. Otherwise remotely limit all access to the company's secure systems; and

(g) At least annually:

1. Certify that all employees engaged in the mortgage lending process at alternate work locations meet the appropriate standards and safeguards to continue engaging in the mortgage lending process from the alternate work locations; and
2. Review each alternate work location and provide proof of the documented review to the department upon request.

14. KRS 286.8-046 states,

(1) The commissioner may levy a civil penalty against any person who violates any provision of or any administrative regulation promulgated under this subtitle or order issued by the commissioner under this subtitle. The civil penalty shall be not less than one thousand dollars (\$1,000) nor more than twenty-five thousand dollars (\$25,000) per violation, plus the state's costs and expenses for the examination, investigation, and prosecution of the matter, including reasonable attorney's fees and court costs.

(2) The commissioner may order restitution, refund, recovery of expenses, or direct such other affirmative action as the commissioner deems necessary against any person who

violates any order issued by the commissioner or any provision of, or administrative regulation promulgated under, this subtitle.

### **VIOLATIONS**

15. In contravention of KRS 286.8-295(2), (3)(a) and (b), Prosper Marketplace, Inc. did not have adequate written policies and procedures to address all the requirements in the above referenced statute for supervision of employees working at alternative work locations, which is defined in KRS 286.8-010(2).

16. In contravention of KRS 286.8-036(6), because it did not supervise employees at alternate work locations to ensure compliance with the statute, Prosper Marketplace, Inc. did not meet statutory requirements to permit employees to engage in the mortgage lending process at an alternate work location.

17. In contravention of KRS 286.8-295(3)(g)(1), Prosper Marketplace, Inc. did not annually certify that all employees engaged in the mortgage lending process at alternative work locations met the appropriate standards and safeguards to continue engagement in that process from those locations.

18. In contravention of KRS 286.8-295(g)(2), Prosper Marketplace, Inc. did not provide the Department proof responsive to the Department's request that a documented review had occurred regarding alternate work location compliance.

### **AGREEMENT AND ORDER**


19. Without Prosper admitting fault, to resolve this matter without litigation or other adversarial proceedings, the Department and Prosper Marketplace, Inc. agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

20. In the interest of economically and efficiently resolving the violations described herein, it is hereby **AGREED** and **ORDERED**:

- i. Prosper Marketplace, Inc. agrees to pay a civil fine in the amount of one thousand dollars (\$1,000.00) for the violations described herein, which shall be due and payable within thirty (30) days of the entry of this Order;
- ii. All payments under this Order shall be made through the NMLS system by invoice created by DFI;
- iii. Prosper Marketplace, Inc. waives the right to demand a hearing at which it would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on its behalf, or to otherwise appeal or set aside this Agreed Order;
- iv. Prosper Marketplace, Inc. consents to and acknowledges the jurisdiction of the Department over this matter and that this Agreed Order is a matter of public record and may be disseminated as such;
- v. In consideration of execution of this Agreed Order, Prosper Marketplace, Inc. for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, the Department, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Prosper Marketplace, Inc. ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration;

- vi. By signing below, the parties acknowledge they have read the foregoing Agreed Order, fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties; and
- vii. This Agreed Order shall constitute the Final Order in this matter.

**SO ORDERED** on this the 5th day of February, 2026.

  
MARNI ROCK GIBSON  
COMMISSIONER



Consented to:

*On behalf of the Department of Financial Institutions,*

This 4 day of February, 2026.



Director, Division of Non-Depository Institutions  
Department of Financial Institutions

and

*On behalf of Prosper Marketplace, Inc.,*

This 4 day of February, 2026.



Edward Buell, III General Counsel & Chief Compliance Officer  
Prosper Marketplace, Inc.

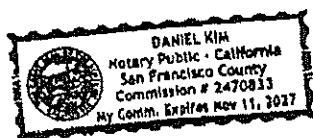
#### ACKNOWLEDGEMENT

STATE OF California )

COUNTY OF San Francisco )

On this the 4<sup>th</sup> day of February, 2026, **Edward Buell, III**, in my presence,  
acknowledged himself to be the authorized representative of **Prosper Marketplace, Inc.**, and,  
being authorized to do so, did enter into and execute the foregoing instrument, on behalf of  
**Prosper Marketplace, Inc.**, for the purposes therein contained, acknowledging the same.

My Commission Expires: 11/11/27



Daniel Kim  
Notary Public

## CERTIFICATE OF SERVICE

SM I certify that a true and correct copy of the foregoing Agreed Order was sent on this the 5th day of February, 2026, by the method indicated below to the following:

*Via certified mail, return receipt requested:*

Corporation Service Company  
PROSPER MARKETPLACE, INC.  
421 West Main Street,  
Frankfort, KY, 40601  
*Registered Agent on behalf of Respondent*

Edward Buell, III, General Counsel & Chief Compliance Officer  
PROSPER MARKETPLACE, INC.  
221 Main Street, 3rd Floor,  
San Francisco, CA 94105  
*Respondent*

*Via electronic delivery:*

Addison Lowry, Staff Attorney III  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
500 Mero Street  
Frankfort, KY 40601  
[addison.lowry@ky.gov](mailto:addison.lowry@ky.gov)  
*Counsel for Department of Financial Institutions*

Kentucky Department of Financial Institutions

Name: Addison Lowry

Title: Executive Staff Advisor