

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2009-AH-008**

IN THE MATTER OF:
SALEM MORTGAGE, INC.

AGREED ORDER

BACKGROUND AND FACTUAL FINDINGS

1. The Department of Financial Institutions (“DFI”) is responsible for licensing and regulating mortgage loan brokers and mortgage loan companies in accordance with the provisions set forth in KRS Chapter 286.8, The Mortgage Loan Company and Mortgage Loan Broker Act.

2. Salem Mortgage, Inc. is currently not authorized to do business in Kentucky as a mortgage loan broker or mortgage loan company.

3. Salem Mortgage, Inc. formerly held a KRS 286.8-020(2)(a) claim of exemption at the following address: 62 Public Square, Salem, Indiana 47167. Salem Mortgage, Inc. subsequently submitted a licensure application upon the expiration of the above referenced exemption. During this application process, Salem Mortgage, Inc. disclosed the origination of two loans in Kentucky by an unregistered loan originator in violation of KRS 286.8-030 and KRS 286.8-090.

AGREEMENT AND ORDER

The Department of Financial Institutions and Salem Mortgage, Inc., in the interest of economically and efficiently resolving the violations described in the foregoing Background and Factual Findings, agree as follows:

1. Salem Mortgage, Inc. agrees to pay a fine in the amount of two thousand five hundred dollars (\$2,500) for the violation set forth above, which shall be in the form

of a certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Attn: Jessica Sharpe, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601 prior to the entry of this Order.

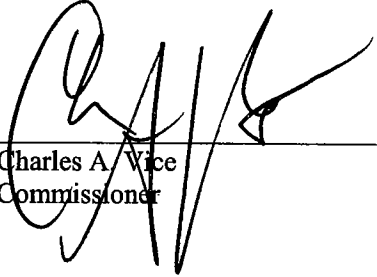
2. Salem Mortgage, Inc. shall devote the time and resources necessary to ensure continual and full compliance with all statutory requirements set forth in KRS Chapter 286.8 and the regulations set forth in 808 KAR Chapter 12.

3. Salem Mortgage, Inc. agrees to and shall not transact business in Kentucky as a mortgage loan company or mortgage loan broker unless and until it submits a complete application for licensure, complete applications for all branch offices from which it intends to transact business in Kentucky, complete applications for all loan originators and loan processors it intends to utilize in the origination and processing of loans in Kentucky, and all required fees to DFI, and those applications are deemed sufficient for approval by the commissioner via the issuance of all required licenses and registrations.

4. In regard to this matter, Salem Mortgage, Inc. waives its right to demand a hearing, at which Salem Mortgage, Inc. would be entitled to legal representation, to confront and cross examine witnesses for the Department of Financial Institutions, and to present evidence on its own behalf, or to otherwise appeal or set aside this Order. Further, Salem Mortgage, Inc. consents to and acknowledges the jurisdiction of the Department of Financial Institutions over this matter and that this Agreement is a matter of public record and may be disseminated as such.

5. This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 23rd day of February, 2009.

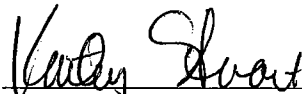


Charles A. [unclear] Vice
Commissioner

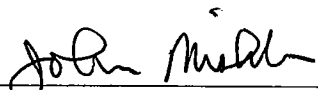
Agreed to:

This 13 day of February, 2009.

This 12th day of February, 2009.



Kathy Stewart, Director
Division of Financial Institutions
Department of Financial Institutions

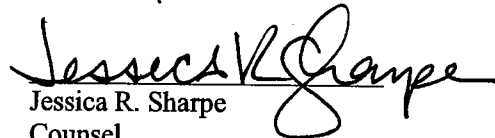


John Mishler, President
Salem Mortgage, Inc.

Certificate of Service

I, Jessica R. Sharpe, hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 25th day of Feb., 2009 by certified mail, return receipt requested, to the following:

Salem Mortgage, Inc.
ATTN: John Mishler
62 Public Square
Salem, Indiana 47167



Jessica R. Sharpe
Counsel
Department of Financial Institutions
1025 Capital Center Drive
Frankfort, Kentucky 40601
(502) 573-3390