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State of Idaho

none pro tune
7/2/2012

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:)	
)	Docket No. 18-2751-12
VINCENZO G. COVINO,)	
Resident Producer License)	HEARING OFFICER'S FINDINGS
No. 58232,)	OF FACT, CONCLUSIONS OF
)	LAW AND PRELIMINARY ORDER
Respondent.)	
_____)	

This matter came on for an evidentiary hearing on June 7, 2012, before Jean R. Uranga, the designated Hearing Officer. The Department of Insurance appeared by and through its Deputy Attorney General, Richard B. Burleigh, and Vincenzo G. Covino appeared representing himself. Both parties presented testimony. The Department also admitted exhibits. Mr. Covino did not admit any exhibits.

FINDINGS OF FACT

1. Vincenzo G. Covino was issued an Idaho Resident Producer License, No. 58232, on September 6, 1997. Mr. Covino's license was scheduled to expire February 29, 2012. He timely filed a renewal application. Mr. Covino's February 24, 2012 application was electronically submitted.

2. Question No. 2 on the application states:

Have you been named or involved as a party in an administrative proceeding including a FINRA sanction or arbitration proceeding regarding any professional or occupational license or registration, which has not been previously reported to this insurance department?

Mr. Covino answered "Yes". The application was submitted under penalty of perjury certifying that all the information and attachments are true and complete. Paragraph 1 of the attestation further states that submitting false information or omitting pertinent and material information in connection with the application is grounds for license revocation or denial.

3. On March 6, 2012, as part of his application, Mr. Covino submitted documents regarding VSR Financial Services, a prior employer, related to an incident which occurred in 2010. Mr. Covino submitted Page 26 of a FINRA report which he ran March 5, 2012. FINRA is a Federal agency which maintains licensing information on certain licensees. That report indicates VSR had reported that Mr. Covino was terminated because he violated firm policy by not timely and adequately responding to the firm's request for information. Mr. Covino's response to the VSR report refers to compromises with creditors and claims that he did disclose his financial history to VSR at least seven (7) times. The VSR financial information which Mr. Covino provided with his application did not concern an administrative action against Respondent, but rather related to a voluntary resignation by Mr. Covino.

4. As part of the routine processing of Mr. Covino's renewal application, the Department obtained a complete FINRA report regarding Mr. Covino around March 23, 2012. A copy of that FINRA report was attached as Exhibit A to the Verified Complaint. A second FINRA report was obtained on May 21, 2012 and was admitted as Exhibit 2 at the hearing. That report is 34 pages long and revealed an administrative action taken against Mr. Covino by FINRA under Docket No. 2009020793901 with a resolution date of February 10, 2012. On Page 8 of the FINRA report, FINRA reported a final action against Mr. Covino which occurred when he was employed by LPL Financial, LLC. The report states Mr. Covino purchased a home from one of his customers with a promissory note for approximately \$697,779. Mr. Covino only paid \$360,500 on the Note before he ran into financial difficulties and had to surrender the property to satisfy the outstanding debt. Mr. Covino was terminated from LPL Financial because the firm prohibits registered representatives from borrowing money from customers under any circumstances. Page 9 notes the FINRA action was final and resulted in civil and administrative penalties and fines and a suspension. The suspension was to run February 21, 2012, to April 2, 2012. A \$5,000 fine was levied. Page 11 indicates that Mr. Covino consented to the described sanctions and entry of the findings against him.

5. At the hearing, Mr. Covino argued that that FINRA action had been overturned or modified; however, he admitted that he had purchased a home in 2006 from his clients, David and Joyce Cook. He also admitted that the Cooks carried the paper and that he

returned the property with a deed in lieu of foreclosure three years ago. At that hearing, Mr. Covino presented absolutely no credible proof or written evidence to support his testimony and as of May 21, 2012, seventeen days before the evidentiary hearing, that FINRA administrative action was still reported as a final administrative action.

6. Mr. Covino failed to disclose this FINRA action, which is a reportable event, on his renewal application which was submitted under penalty of perjury. In addition, even if a renewal application had not been pending, Mr. Covino had until March 12, 2012, to report the FINRA action and provide a copy of the Order, Consent Order or other relevant documents to the Department. Mr. Covino failed to comply with those reporting requirements.

7. Further, pages 27 through 33 of the FINRA report identified ten (10) actions involving loans made to Mr. Covino which became delinquent and were settled and compromised at significantly less than the original loan amounts. Disclosure No. 1 indicates Mr. Covino had an original loan of \$1,785,000 with IndyMac and negotiated a short sale of the real estate resulting in only \$816,069.72 being applied against the debt. Disclosure No. 2 shows Mr. Covino owed IndyMac \$253,342.11 on a second mortgage and with a short sale only \$25,000 was paid against the debt. Disclosure No. 3 indicates Mr. Covino owed IndyMac \$500,000 for property at Tamarack in Valley County and after a short sale of the real estate only paid \$203,604.26 of the debt. Disclosure No. 4 shows that, on that same Valley County property, Mr. Covino owed

\$111,199.70 to IndyMac on a second mortgage and through the short sale paid only \$12,500. Disclosure No. 5 indicates Mr. Covino owed IndyMac \$475,000 and through a short sale paid only \$61,000 of the debt. Disclosure No. 6 shows Mr. Covino owed Litton Loan Services \$300,000 and following a short sale paid \$274,000 of the debt. Disclosure No. 7 indicates Mr. Covino owed Aurora Loan Services \$675,000 and through a short sale paid only \$468,000 of the debt. Disclosure No. 8 shows Mr. Covino owed Bank of the West \$100,000 and agreed to make payments of \$2,000 a month and would ultimately pay \$89,000 on the debt. Disclosure No. 9 indicates Mr. Covino owed Pioneer Federal Credit Union \$65,419.04 and agreed to pay \$250 per month and negotiated a payoff of \$25,256. Disclosure No. 10 shows Mr. Covino owed Wells Fargo Bank \$50,386 and negotiated a compromise payoff of \$25,193.

8. All of these defaults and compromises occurred between June, 2008 and July, 2009. In his interrogatory responses admitted as Exhibit 4, Mr. Covino admitted to all of these loan compromises. Some of the loans represented second mortgages on real estate. He admitted that eight of the loans related to the purchase of real estate and three others related to lines of credit and the purchase of a boat. During his testimony. Mr. Covino further admitted that two more real estate foreclosures have occurred since that report was obtained.

9. In addition, Mr. Covino has two (2) monetary judgments against him. One is a judgment for \$300,000 which was paid down to \$75,000. The second was a Bankruptcy Court judgment in the amount

of \$250,000. Finally, a third satisfied judgment was located in the case of Dina M. Pfeifer v. Covino.

10. After reviewing this information on April 4, 2012, the Department filed a verified Complaint and Notice of Right to Hearing determining that failure to disclose the FINRA action and these financial transactions demonstrated untrustworthiness and financial irresponsibility in the conduct of business resulting in a source of injury and loss to others in the conduct of business in this state or elsewhere.

11. In his defense, Mr. Covino argued he was making lots of money when he incurred all of these debts and had every intention to get the debts paid. He contends the real estate market went down in value by 50% to 80% while his income was also going down because of the economy. He claims these investments were an oversight caused by thinking the real estate market would never go down. Mr. Covino submitted no credible evidence to support his contentions that the income he was making when these debts were incurred justified the number and extent of money he borrowed.

12. Mr. Covino further argues that he made a choice not to file bankruptcy and instead has attempted to work with his creditors to resolve his financial problems. While that choice is admirable, the evidence still clearly establishes that Mr. Covino's various creditors have lost approximately \$3 million based on his speculation and financial irregularities.

13. He also argued that he has lost more than the banks, but that is beside the point.

14. Mr. Covino next argues that the Department has not attempted to revoke licenses when agents might have lost their homes or had short sales on their homes. However, as testified to by Georgia Siehl, these financial irregularities involve more than the loss of one's home. They represent multiple, speculative real estate investments, including second mortgages on real estate. Many of the loans were clearly for investment purposes.

15. Finally, Mr. Covino blames his failure to disclose the FINRA action as the fault of an employee of Mr. Covino's who completed the application. It is Mr. Covino's responsibility to complete and file true and accurate applications. He is responsible for any error by any employee.

16. With respect to Count 1, the Hearing Officer finds that Mr. Covino failed to disclose the final FINRA administrative action on his renewal application.

17. With respect to Count 2, the Hearing Officer finds that Mr. Covino failed to timely report the final FINRA administrative action.

18. With respect to Count 3, the Hearing Officer finds that Mr. Covino's failed transactions and unpaid loans demonstrate untrustworthiness and financial irresponsibility which has resulted in a source of injury and loss to others.

CONCLUSIONS OF LAW

19. Idaho Code §41-1016(1)(a) provides that the Department may impose an administrative penalty not to exceed \$1,000 and may

refuse to renew or may revoke the license of a producer who provides incorrect or incomplete information on a license application. Mr. Covino's failure to disclose the final FINRA administrative action provides grounds to deny renewal or revoke his producer license and impose an administrative penalty.

20. Idaho Code §41-1021(1) requires that a producer must report any administrative FINRA action within thirty (30) days of the final disposition, which would have been no later than March 12, 2012. Mr. Covino failed to comply with these requirements. Consequently, his failure to report the FINRA administrative action provides grounds to deny renewal or revoke his producer license and impose an administrative penalty.

21. Idaho Code §41-1016(1)(h) allows the Department to refuse to renew or revoke a license or impose an administrative penalty where the licensee demonstrates untrustworthiness or financial irresponsibility in the conduct of business or is a source of injury and loss to the public or others in the conduct of business in this State or elsewhere.

22. The Hearing Officer concludes there are grounds to deny renewal or revoke Mr. Covino's Resident Producer License.

23. Based upon the foregoing, the Department's refusal to renew and revocation of Mr. Covino's license and imposition of a \$1,000 penalty is appropriate.

PRELIMINARY ORDER

IT IS HEREBY ORDERED that Mr. Covino's Idaho license should not be renewed and should be revoked and the \$1,000 administrative penalty assessed.

DATED This 2nd day of July, 2012.



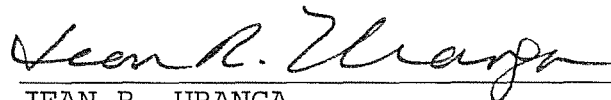
JEAN R. URANGA
Hearing Officer

CERTIFICATE OF MAILING

I HEREBY CERTIFY That on this 2nd day of July, 2012, I served true and correct copies of the foregoing HEARING OFFICER'S FINDINGS OF FACT, CONCLUSIONS OF LAW AND PRELIMINARY ORDER by depositing copies thereof in the United States mail, postage prepaid, in envelopes addressed to:

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