

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Acting Deputy Commissioner
3 JOHN R. DREWS (CA Bar No. 69595)
Corporations Counsel
4 71 Stevenson Street, Suite 2100
5 San Francisco, California 94105-2980
6 Telephone: (415) 972-8570
7 Facsimile: (415) 972-8550
Attorneys for the Complainant

8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Accusation of THE
CALIFORNIA CORPORATIONS
11 COMMISSIONER,
12 Complainant,
13
14 vs.
15 AMERICAN HOME EQUITY
CORPORATION
16 Respondent.

File No.: 413-0452

**ORDER REVOKING RESIDENTIAL
MORTGAGE LENDER LICENSE**

17
18 The California Corporations Commissioner finds:

19 I

20 1. Respondent American Home Equity Corporation (“American Home”) is a residential
21 mortgage lender licensed by the California Corporations Commissioner (“Commissioner”) pursuant
22 to the California Residential Mortgage Lending Act (California Financial Code, sections 50000 et
23 seq.) (“CRMLA”). American Home has its principal place of business located at 2677 N. Main
24 Street, Suite 225, Santa Ana, CA 92705.

25 II

26 2. Pursuant to California Financial Code Sections 50307 and 50401, all licensees under
27 the CRMLA are required to file an annual Report of Principal Amount of Loans and Aggregate

28 //

1 Amount of Loans Serviced (“Activity Report”) on or before March 1st of each year for the preceding
2 12-month period ended December 31.

3 3. On or about February 1, 2008, an Activity Report form was sent to all CRMLA
4 licensees with a notice that the Activity Report was due on or before March 1, 2008. Also, pursuant
5 to Title 10, section 1950.314.8 of the California Code of Regulations Respondent was to submit a
6 Non-traditional Report and Survey as an addendum to the Activity Report. American Home has yet
7 to submit the Activity Report or the Non-traditional Report and Survey to the Commissioner.

8 4. On or about May 15, 2008 a letter was sent to American Home demanding that the
9 Activity Report be filed no later than May 25, 2008 and assessing American Home a penalty of
10 \$1,000.00 pursuant to California Financial Code section 50326. American Home was notified in the
11 letter that failure to file the Activity Report and/or pay the penalty by May 25, 2008 would result in
12 an action to either suspend or revoke its license.

13 5. American Home has yet to submit the Activity Report, the Non-traditional Report and
14 Survey or pay the penalty as required by California Financial Code sections 50307, 50326, and
15 50401, and Title 10, section 1950.314.8 of the California Code of Regulations.

16 III

17 6. Pursuant to California Financial Code sections 50200, subdivision (a), American
18 Home was required to submit its audited financial statement for its fiscal year ended December 31,
19 2007 (“Audit Report”) to the Commissioner on or before April 15, 2008, including a reconciliation
20 of its trust accounts. In addition, pursuant to the California Code of Regulations, Title 10, section
21 1950.200, American Home was required to submit an Independent Auditor’s Report on Internal
22 Controls (“Report on Internal Controls”) to the Commissioner on or before April 15, 2008.
23 American Home has yet to file its Audit Report, trust account reconciliation, or Report on Internal
24 Controls with the Commissioner.

25 7. On or about April 24, 2008 Complainant received a letter from American Home
26 purporting to surrender their Residential Mortgage License. The letter did not comply with the
27 provisions set out in Financial Code section 50123, and specifically failed to include a closing audit
28 as required in the statute.

1 8. On or about April 30, 2008 the Complainant sent to American Home a detailed letter
2 setting out the requirements for surrender of the license under the CRMLA. American Home was
3 informed that “The company’s license is not considered surrendered until all of the items required
4 have been received including the closing audit and the plan of surrender is accepted by the
5 Commissioner...”

6 9. An additional letter was set to American Home on May 7, 2008, reiterating the
7 requirements for surrendering a license under the CRMLA as set out in Financial Code section
8 50123. To date no response has been received from American Home.

9 10. American Home has yet to file its Audit Report, trust account reconciliation, Report
10 on Internal Controls as required by Financial Code sections 50200, subdivision (a), 50326, and Title
11 10, section 1950.200 of the California Code of Regulations and has failed to comply with all of the
12 surrender provisions of Financial Code section 50123, including failure to provide a closing audit.

13 IV

14 11. On or about May 28, 2008, Fidelity and Deposit Company of Maryland (“Fidelity”)
15 notified the Commissioner that the bond that Fidelity had put in place in favor of the Principal,
16 American Home in the amount of \$50,000 would be terminated effective June 28, 2008. In response
17 to said bond termination notice, the Commissioner, pursuant to California Financial Code section
18 50319, issued an Order to Discontinue Residential Mortgage Lending on June 30, 2008 for failure to
19 comply with the bonding requirements of the CRMLA. American Home was validly served with the
20 above captioned Order and never requested a hearing in the matter as provided for in Financial Code
21 section 50319. To date the Order remains in effect and the bond has not been reinstated.

22 V

23 California Financial Code section 50327 provides in pertinent part:

- 24 (a) The commissioner may, after notice and a reasonable opportunity to be
25 heard, suspend or revoke any license if the commissioner finds that: (1) the licensee
26 has violated any provision of this division or any rule or order of the commissioner
27 thereunder; or (2) any fact or condition exists that, if it had existed at the time of the
28 original application for license, reasonably would have warranted the commissioner
in refusing to issue the license originally.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

VI.

12. The Commissioner finds that, by reason of the foregoing, American Home Equity Corporation, has violated Financial Code sections 50200(a), 50307, 50319, 50326, 50401 and California Code of Regulations, Title 10, sections 1950.200 and 1950.314.8 and based thereon, grounds exist to revoke the residential mortgage lender license of American Home Equity Corporation.

13. Failure to file an activity report, audit report, trust account reconciliation, report on internal controls, and/or pay assessed penalties are grounds under California Financial Code section 50327 for the revocation of a license issued under the CRMLA.

14. On August 19, 2008, the Commissioner issued a Notice of Intention to Issue Order Revoking Residential Mortgage Lender License, Accusation and accompanying documents against American Home Equity Corporation and American Home Equity Corporation was served with those documents via certified mail, return receipt requested, at its licensed location on file with the California Department of Corporations. The Department has not received a request for a hearing from American Home Equity Corporation and the time to request a hearing has expired.

NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential mortgage lender license issued by Commissioner to American Home Equity Corporation is hereby revoked. This order is effective as of the date hereof. Pursuant to California Financial Code section 50311, American Home Equity Corporation has sixty (60) days within which to complete any loans for which it had commitments.

//
//
//
//
//
//

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: September 5, 2008
San Francisco, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
Alan S. Weinger
Acting Deputy Commissioner
California Department of Corporations