

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 WAYNE STRUMPFER
Deputy Commissioner
3 ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
4 Department of Corporations
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-6205 Fax: (213) 576-7181

6 Attorneys for Complainant

7
8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of THE CALIFORNIA) File Nos.: 413-0460, 413-0461, 413-0462, 413-
11 CORPORATIONS COMMISSIONER,) 0463, et al.
12)
Complainant,) ORDER TO DISCONTINUE VIOLATIONS
13) AND UNSAFE AND INJURIOUS
vs.) PRACTICES PURSUANT TO CALIFORNIA
14) FINANCIAL CODE SECTIONS 50321 AND
15 AEGIS MORTGAGE CORPORATION,) 50322 AND STATEMENT OF FACTS IN
AEGIS LENDING CORPORATION,) SUPPORT THEREOF
16 AEGIS FUNDING CORPORATION, and)
AEGIS WHOLESALE CORPORATION,)
17)
18 Respondents.)
19)
20)

21 TO: AEGIS MORTGAGE CORPORATION
3250 BRIARPARK DRIVE, 4TH FLOOR
HOUSTON, TEXAS 77042

22
23 AEGIS LENDING CORPORATION
10049 NORTH REIGER ROAD
24 BATON ROUGE, LA 70809

25
26 AEGIS FUNDING CORPORATION
27 AEGIS WHOLESALE CORPORATION
3010 BRIARPARK DRIVE, SUITE 700
28 HOUSTON, TEXAS 77042

1 was also informed that borrowers had executed loan documents but the loans had not been and will
2 not be funded by Aegis.

3 6. On August 7, 2007 representatives for the Department, joined representatives of other
4 state banking and mortgage lending regulators, and had a telephone conference call with executives
5 of Aegis, to discuss concerns regarding the Company’s financial condition and its apparent inability
6 to fund mortgage loans.

7 7. During the conference call, the Department learned that Aegis’s warehouse lines of
8 credit had been terminated although Aegis was unsure if all their warehouse lines had been
9 terminated. The Department was also informed that the only company operating was Aegis
10 Wholesale Corporation and that Aegis was not funding any more loans.

11 8. A line of credit used by a residential mortgage lender enables the entity to fund
12 residential mortgage loans prior to selling them to an investor. Without access to its lines of credit,
13 and in the absence of the residential mortgage lender independently maintaining sufficient reserves
14 and liquidity positions within the institution to fund such loans, the residential mortgage lender
15 would be unable to meet its funding commitments, negating its ability to meet contractual
16 obligations to fund residential mortgage loans.

17 9. During the August 7, 2007 conference call, the Department requested that Aegis
18 provide a pipeline report regarding mortgage loans involving residential property in California
19 (“pipeline report”) by close of business on August 7, 2007. Aegis did not provide the requested
20 pipeline report in the time requested. On August 8, 2007 Aegis provided the Department with a
21 pipeline report. However, the pipeline report was incomplete. The pipeline report failed to include
22 crucial information concerning pending applications which had not yet been approved.

23 10. Pursuant to Financial Code section 50307(b), Aegis is required to submit to the
24 Commissioner any and all special reports the Commissioner from time to time may require. The
25 information requested in paragraph 9 above was such a special report required by the Commissioner
26 under Section 50307(b).

27
28

1 that the business will be operated honestly, fairly, and in accordance with the requirements of the
2 CRMLA.

3 19. Based upon the information contained in Paragraphs 1 through 14, had the facts and
4 conditions found therein existed at the time of Aegis’s original residential mortgage lender and/or
5 residential mortgage loan servicer license applications, the Commissioner would have been
6 warranted in refusing to issue such licenses. Further, the facts and conditions set forth in paragraphs
7 1 through 14 present sufficient grounds for the revocation of the residential mortgage lender and/or
8 residential mortgage loan servicer licenses of Aegis pursuant to Financial Code section 50327.

9 **ORDER TO DISCONTINUE VIOLATIONS**

10 **AND UNSAFE AND INJURIOUS PRACTICES**

11 Based upon the FINDINGS OF FACT and CONCLUSIONS OF LAW stated herein, it is
12 hereby ORDERED that Aegis immediately discontinue the violations and unsafe and injurious
13 practices described above as follows:

14 1. Aegis and any and all employees, and their successors or assigns, shall immediately
15 cease soliciting or accepting, either directly or indirectly, any residential mortgage loan applications
16 from consumers for residential property located in California, until further order of the
17 Commissioner.

18 2. Aegis shall immediately place with one or more qualified broker(s) or lender(s), with
19 applicants’ consent and at no loss to applicants, the following: (a) Aegis’s entire portfolio of
20 California residential mortgage loans which were closed by Aegis, as the case may be, and remain
21 unfunded as of the issuance of this Order to Discontinue; and (b) Aegis’s entire pending approved
22 application list of California residential mortgage loans. The term “no loss to the applicant” shall
23 mean that any loan, which was closed by Aegis, as well as any application which was approved by
24 Aegis, shall be placed with a lender willing to fund, or close, the residential mortgage loan under the
25 same terms and conditions extended by Aegis. In the event that no such placement can be made,
26 Aegis shall either independently fund the residential mortgage loan under such terms and conditions
27 or buy down the residential mortgage loan offered by the lender so that the applicant does not incur a
28

1 loss as a result of such placement. Aegis shall obtain the prior approval of the Commissioner before
2 placing such applications with qualified lender(s).

3 3. For those loan applications currently in the pipeline that have not been approved
4 and/or closed as of the effective date of this Order to Discontinue, Aegis shall, within three business
5 days of the effective date of this Order to Discontinue, either (i) obtain funding for and close the
6 loans, (ii) place with other qualified broker(s) or lender(s) with applicants' consent, or (iii) deny the
7 applications for cause. The term "deny for cause" shall mean that the underwriting guidelines of
8 Aegis in effect at the time of the application(s) would have provided grounds for Aegis to deny the
9 application(s) in the normal course of business.

10 4. No later than one (1) business day after the effective date of this Order to
11 Discontinue, Aegis shall submit to the Commissioner a detailed report, prepared as of the date of
12 submission, of all of their residential mortgage loans that were closed on property located in
13 California prior to the effective date of this Order, but remain as yet unfunded, including but not
14 limited to: The names of all individuals from whom they processed an application and closed the
15 residential mortgage loan, but failed to fund; the applicants' addresses and telephone numbers; the
16 loan number; the amount of all prepaid loan fees submitted by the customer; the amount of each
17 loan; the loan terms; the current funding status; the actual closing dates; the purpose of the loan (i.e.
18 purchase or refinance); and identification of the applicable broker(s) or lender(s) with whom each
19 application will be placed. The report should include telephone numbers of contact persons at each
20 broker or lender.

21 5. No later than five (5) days after the effective date of this Order to Discontinue, Aegis
22 shall submit to the Commissioner a detailed report, prepared as of the date of submission, of all of
23 their pending mortgage loan applications on property located in California, including but not limited
24 to: The names of all individuals from whom they have accepted an application for a residential
25 mortgage loan; the applicants' addresses and telephone numbers; the loan number; the amount of all
26 prepaid loan fees submitted by the customer; rate lock status; the amount of each loan; application
27 status (i.e. filed, cleared to close, etc.); loan terms, if approved; scheduled closing dates; the loan
28 purpose (i.e. purchase or refinance) and identification of the applicable broker(s) or lender(s) with

1 whom each application will be placed. The report should include telephone numbers of contact
2 persons at each broker or lender.

3 6. On the last business day of each subsequent week after the effective date of this Order
4 to Discontinue, Aegis shall provide the Commissioner with an updated, written status report of the
5 mortgage loan applications identified above in paragraphs 4 and 5. The form of the status report
6 shall follow the format of the initial submission under paragraphs 4 and 5 and shall indicate the final
7 disposition of the loan application and include the final terms under which each approved loan is
8 closed. The reporting requirement shall continue until each of the approved applications is funded
9 by Aegis, or withdrawn by the applicant(s) or is placed and funded by another lender.

10 7. No later than five (5) days after the effective date of this Order to Discontinue, Aegis
11 shall submit to the Commissioner a balance sheet and year-to-date income statement, prepared as of
12 the date of submission, and attested to by a duly authorized officer of the company. The balance
13 sheet should indicate the cash position of each company at each of its depository banks as well the
14 company's bank account numbers.

15 8. The Department reserves all of its rights, duties and authority to enforce the CRMLA
16 against Aegis in the future regarding all matters, including but not limited to, those matters covered
17 by this Order to Discontinue.

18 This Order to Discontinue shall become effective immediately and shall remain in effect
19 unless set aside by the Commissioner or by a court as provided in Financial Code section 50323.

20 It is the Commissioner's intention to make this Order to Discontinue final. A hearing will be
21 scheduled on this matter to determine whether or not this Order To Discontinue shall become final
22 only upon receipt of a written request for such a hearing from Aegis, respectively, within thirty (30)
23 days of the effective date of this Order To Discontinue. If no hearing is requested within this thirty
24
25
26
27
28

1 (30) day period, this Order To Discontinue shall become final unless and until it is modified or
2 vacated by the Commissioner.

3 Dated: August 8, 2007
4 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

5
6 By _____
7 Alan S. Weinger
8 Lead Corporations Counsel

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28