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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
11 OF THE STATE OF CALIFORNIA  
12

13 In the Matter of: ) NMLS NO. 202137  
14 THE COMMISSIONER OF BUSINESS )  
OVERSIGHT, ) ORDER DENYING MORTGAGE LOAN  
15 )  
16 Complainant, )  
17 v. )  
18 NICHOLAS STEPHEN CARABBA, )  
19 Respondent. )  
20

21 The Commissioner of Business Oversight (Commissioner) finds that:

22 1. On March 9, 2015, Respondent, Nicholas Stephen Carabba (Carabba), filed an  
23 application for a mortgage loan originator license with Complainant pursuant to the California  
24 Finance Lenders Law (Fin. Code § 22000 et seq.), in particular, Financial Code section  
25 22105.1. The application was for employment as a mortgage loan originator with or working  
26 on behalf of St. Fin Corp located at 23330 Mill Creek Drive, Suite 250, Laguna Hills,  
27 California 92653. The application was submitted to the Commissioner by filing a Form MU4  
28 through the Nationwide Mortgage Licensing System & Registry (NMLS).

1 2. In submitting his application, Carabba answered “yes” to question (A)(1) on the Form  
2 MU4, which specifically asked: “Have you filed a personal bankruptcy petition or been the subject  
3 of an involuntary bankruptcy petition within the past 10 years?”

4 3. Supporting documentation provided by Carabba of his bankruptcy shows that on April 29,  
5 2008, he was granted a chapter 7 discharge under the Bankruptcy Code. (11 U.S.C. § 727.)

6 4. In addition, Carabba initially falsely answered no and failed to provide a detailed  
7 explanation and supporting documentation to question (K)(5) on the Form MU4 which specifically  
8 asked:

9 (K) Has any State or federal regulatory agency or foreign  
10 financial regulatory authority or self-regulatory organization  
(SRO) ever:

11 . . .

12 (5) revoked your registration or license?

13 5. A review of the California Bureau of Real Estate (BRE, formerly known as the Department  
14 of Real Estate) public license information on its website revealed that on April 3, 2012, the BRE  
15 had revoked a license issued to Carabba. Consequently, Carabba was instructed to amend his  
16 response and provide a detailed explanation and supporting documentation. Thereafter, on May  
17 13, 2015, Carabba amended his response to question (K)(5) from “no” to “yes”, but again did not  
18 submit supporting documentation. Carabba was again instructed to contact the BRE or visit its  
19 website to obtain and submit the requested information. On May 14, 2015, Carabba submitted  
20 supporting documentation regarding his license revocation.

21 6. In submitting his application, Carabba signed the Form MU4 swearing that the answers  
22 were true and complete to the best of his knowledge.

23 7. Documentation and information obtained by the Commissioner during the application  
24 process revealed that on March 18, 2011 a default order was filed against Serenity Enterprises,  
25 Inc., doing business as New Harvest Mortgage (Serenity Enterprises), and Carabba, individually  
26 and as designated officer thereof, and that a decision was filed on June 10, 2011 revoking the real  
27 estate broker licenses of each, effective June 30, 2011. On June 13, 2011 Carabba and Serenity  
28 Enterprises requested a hearing and on June 30, 2011, the default order and decision were set aside

1 allowing the Accusation filed on October 21, 2008 to proceed to hearing which was then set for  
2 February 1, 2012. Again, Carabba and Serenity Enterprises failed to appear after being duly  
3 notified and another default was ordered against them on February 22, 2012.

4 8. The BRE’s action against Carabba revealed that Serenity Enterprises and Carabba, as its  
5 designated officer, brokered multiple loans on different properties for borrowers all as their  
6 primary residences, while employing an unlicensed sales agent. The respondents there acted as the  
7 mortgage and real estate broker, including soliciting borrowers and lenders and negotiating loans  
8 on real property for which they received a commission at closing for the loans. The decision found  
9 that Carabba knew these borrowers closed on their loans under the false premise that each property  
10 would be their primary residence. Further, due to the higher risk related to investment properties,  
11 the BRE found that lenders would not have likely approved the loans for the terms granted had the  
12 respondents disclosed that the properties were actually investments.

13 9. As Serenity Enterprise’s designated officer, Carabba was responsible for the supervision  
14 and control of the activities conducted on behalf of the corporation by its officers and employees to  
15 ensure full compliance with the real estate laws, including the supervision of salespersons licensed  
16 to the corporation in the performance of acts for which a real estate license is required. By clear  
17 and convincing proof to a reasonable certainty, the BRE determined that Carabba willfully  
18 disregarded the law and made substantial misrepresentations in violating Business and Professions  
19 Code sections 10137 and 10159.2 by employing an unlicensed agent and failing to adequately  
20 supervise and control the activities of Serenity Enterprises. The BRE therefore revoked all licenses  
21 and license rights of Carabba and Serenity Enterprises.

22 10. Financial Code section 22109.1 provides in relevant part:

23 (a) The commissioner shall deny an application for a mortgage loan  
24 originator license unless the commissioner makes, at a minimum, the  
25 following findings:

26 . . .

27 (3) The applicant has demonstrated such financial responsibility,  
28 character, and general fitness as to command the confidence of the  
community and to warrant a determination that the mortgage loan  
originator will operate honestly, fairly, and efficiently within the  
purposes of this division.

. . .

1 11. Carabba’s personal bankruptcy and conduct leading to the revocation of his real estate  
2 license shows Carabba’s failure to demonstrate such financial responsibility, character and general  
3 fitness as to command the confidence of the community and to warrant a determination that he will  
4 operate honestly, fairly, and efficiently as a mortgage loan originator. He failed to exercise  
5 reasonable supervision and control as the designated officer, including in the supervision of  
6 salespersons, in the solicitation of borrowers and lenders and in negotiating loans on real property.  
7 As designated officer, he brokered multiple loans on different properties for borrowers all as their  
8 primary residences, while employing an unlicensed sales agent for which he received commissions  
9 at closing for the loans. Carabba knew these borrowers closed on their loans under the false  
10 premise that each property would be their primary residence. He willfully disregarded the law and  
11 made substantial misrepresentations while employing an unlicensed agent and failing to adequately  
12 supervise and control the activities of Serenity Enterprises, a financial-services related business  
13 responsible for the proper treatment of funds pertaining to mortgage loans.

14 12. Complainant finds, by reason of the foregoing, that Carabba’s prior bankruptcy and conduct  
15 leading to the revocation of his real estate license fails to demonstrate such character and general  
16 fitness as to command the confidence of the community and to warrant a determination that he will  
17 operate honestly, fairly, and efficiently as a mortgage loan originator.

18 13. On March 24, 2017, the Commissioner issued a Notice of Intention to Issue Order Denying  
19 Mortgage Loan Originator License Application, Amended Statement of Issues and accompanying  
20 documents based on the above findings. On or around June 1, 2017, Carabba was served with  
21 those documents at his address of record. Carabba did not file a request for hearing and the time to  
22 do so has expired.

23 14. Based on the foregoing findings, pursuant to Financial Code section 22109.1, the  
24 Commissioner is, therefore, mandated to deny Carabba’s application for a mortgage loan originator  
25 license.

26 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the  
27 application for a mortgage loan originator license of Nicholas Stephen Carabba is denied. This

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1 order is effective as of the date thereof.

2 Dated: July 24, 2017  
3 Sacramento, California

JAN LYNN OWEN  
Commissioner of Business Oversight

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By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner