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California Corporations Commissioner
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8
9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE) File No.: 413-0747
12 CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ACCUSATION
)
14 Complainant,)
)
15 v.)
)
16 CLASSIC HOME LENDING, INC.,)
17)
18 Respondent.)
)

19 Complainant is informed and believes, and based upon such information and belief alleges
20 and charges as follows:
21

22 I

23 Classic Home Lending, Inc. (“Respondent”) is a residential mortgage lender licensed by the
24 Commissioner of Corporations of the State of California (“Commissioner” or “Complainant”)
25 pursuant to the California Residential Mortgage Lending Act (“CRMLA”), California Financial
26 Code section 50000 *et seq.* Respondent’s main office is located at 10255 Richmond Avenue, Suite
27 450, Houston, Texas 77042.
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II

Pursuant to California Financial Code sections 50307 and 50401¹, all licensees under the CRMLA are required to file an annual Report of Principal Amount of Loans and Aggregate Amount of Loans Serviced (“Report”) on or before March 1 of each year for the preceding 12-month period ended December 31. To date, Respondent has failed to submit the Report despite repeated, written demand.

On or about January 19, 2007, a Report form was sent to all CRMLA licensees with a notice that the Report was due on or before March 1, 2007.

On or about May 7, 2007, the Commissioner sent a letter to Respondent notifying Respondent of its failure to file the Report, assessing a \$1,000 penalty pursuant to section 50326 and demanding that the Report be filed no later than May 17, 2007. The letter notified Respondent that failure to file the Report and/or pay the penalty by such date would result in an action to suspend or revoke its license.

On or about June 27, 2007, another letter was sent to Respondent demanding that it submit its Report and pay the assessed penalty on or before July 7, 2007, and notifying Respondent that the failure to file the Report and/or pay the penalty by such date would result in an action to suspend or revoke its license pursuant to section 50327.

To date, Respondent has failed to pay the penalty or file the Report as required by sections 50307, 50326 and 50401.

III

Pursuant to section 50200, Respondent was required to submit its audited financial statements for fiscal year ended December 31, 2006 (“Audit Report”) to the Commissioner on or

¹ All references are to the California Financial Code unless otherwise noted.

1 before April 15, 2007, including a reconciliation of trust accounts, and an Independent Auditor’s
2 Report on Internal Controls (“Report on Internal Controls”) pursuant to California Code of
3 Regulations, Title 10, section 1950.200. To date, Respondent has failed to file its Audit Report,
4 trust account reconciliation, or Report on Internal Controls despite repeated, written demand.
5

6 On or about December 11, 2006, Complainant notified Respondent by letter that its Audit
7 Report, trust account reconciliation, and Report on Internal Controls were due on or before April
8 15, 2007. Respondent failed to submit the Audit Report, trust account reconciliation or Report on
9 Internal Controls by such date.
10

11 On or about June 12, 2007, a second letter was sent to Respondent demanding that
12 Respondent file its Audit Report, trust account reconciliation, and Report on Internal Controls on
13 or before June 22, 2007 and notifying Respondent that the failure to do so would result in
14 administrative action under section 50326. Respondent failed to submit the Audit Report, trust
15 account reconciliation, and Report on Internal Controls by such date.
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17 On or about August 2, 2007, a third letter was sent to Respondent demanding that its Audit
18 Report, trust account reconciliation, and Report on Internal Controls be filed on or before August
19 12, 2007, and assessing a \$1,000 penalty pursuant to section 50326. Respondent was also notified
20 that the failure to file the Audit Report, trust account reconciliation and Report on Internal
21 Controls and/or pay the penalty by such date would result in an action to suspend or revoke its
22 license.
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24 To date, Respondent has failed to file its Audit Report, trust account reconciliation, and
25 Report on Internal Controls or pay the assessed penalty as required by sections 50200 and 50326
26 and section 1950.200, Title 10, California Code of Regulations.
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IV

Section 50205 requires all CRMLA licensees to maintain a surety bond in the minimum amount of \$50,000.00. Respondent's surety bond expired effective January 18, 2007, and no replacement bond has been obtained.

On or about January 18, 2007, the Commissioner issued an Order to Discontinue Residential Mortgage Lending and/or Servicing Activities Pursuant to Section 50319, California Financial Code, based on Respondent's failure to maintain the required surety bond. This Order was served on Respondent on or about January 21, 2007. To date, Respondent has failed to obtain a surety bond in violation of section 50205 and the Order remains in effect.

V

Section 50123 requires that prior to surrendering a license, a licensee must file a plan for approval by the Commissioner. The plan must contain the licensee's detailed proposal for orderly closing out of the residential mortgage lending business. In addition, the Commissioner must make a determination that there has been no violation of the CRMLA.

On or about December 19, 2006, Respondent notified the Commissioner by letter that it intended to surrender its residential mortgage lender license. On or about January 11, 2007, the Commissioner sent Respondent a written response outlining the requirements for surrender under section 50123 and notifying Respondent that its surrender would not be accepted until such requirements were met. To date, Respondent has failed to meet the requirements of section 50123.

VI

California Financial Code section 50327 provides in pertinent part:

- (a) The commissioner may, after notice and a reasonable opportunity to be heard, suspend or revoke any license if the commissioner finds that: (1) the licensee has violated any provision of this division or any rule or order of the commissioner thereunder; or (2) any fact or

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condition exists that, if it had existed at the time of the original application for license, reasonably would have warranted the commissioner in refusing to issue the license originally.

VII

The Commissioner finds that, by reason of the foregoing, Respondent Classic Home Lending, Inc. has violated California Financial Code sections 50200, 50205, 50307, 50326 and 50401, and California Code of Regulations, Title 10, section 1950.200, and based thereon, grounds exist to revoke Respondent’s residential mortgage lender license.

WHEREFORE, IT IS PRAYED that the residential mortgage lender license of Classic Home Lending, Inc. be revoked, and pursuant to California Financial Code section 50311, Classic Home Lending, Inc. be given a transition period of sixty (60) days within which to complete any loans for which it had commitments.

Dated: September 14, 2007
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Jennifer A. Granat
Corporations Counsel