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11 Attorneys for Complainant

12 BEFORE THE DEPARTMENT OF CORPORATIONS
13 OF THE STATE OF CALIFORNIA

14 In the Matter of the Accusation/Statement of) File Nos.: 100-1658; 100-2626; 100-2627; &
15 Issues of THE CALIFORNIA) 100-2628
16 CORPORATIONS COMMISSIONER,)
17 Complainant,) ACCUSATION/STATEMENT OF ISSUES
18 vs.)
19 DOLLARWORKS, INC.,)
20 Respondent.)
21)

22 The Complainant is informed and believes, and based upon such information and belief,
23 alleges and charges Respondent as follows:

24 I
25 INTRODUCTION

26 The proposed orders seek to revoke the deferred deposit transaction license of Dollarworks,
27 Inc. (“Dollarworks”) pursuant to Section 23052 of the California Deferred Deposit Transaction Law
28 (California Financial Code §§ 23000 et. seq.)(“CDDTL”) and deny the issuance of three further
deferred deposit transaction licenses to Dollarworks pursuant to Section 23011(a)(3) in that
Dollarworks has committed numerous violations of the CDDTL, and its president and sole
shareholder, David Walker, through its affiliated company, Dollarworks, LLC, has committed

1 numerous violations of the California Finance Lenders Law (“CFL”), a similar regulatory scheme
2 of the State of California.

3 II

4 CURRENT DEFERRED DEPOSIT TRANSACTION LICENSE

5 Dollarworks, a California corporation, currently holds deferred deposit transaction originator
6 license number 100-1658 for 3600 Wilshire Boulevard, Suite 1010, Los Angeles, California 90010.
7 Dollarworks has been licensed by the California Corporations Commissioner (“Commissioner”)
8 pursuant to the CDDTL at this location since on or about December 31, 2004.

9 David Walker (“Walker”) is, and was at all times relevant herein, the president, sole
10 shareholder and a director of Dollarworks.

11 Dollarworks, LLC is an affiliate of Dollarworks and was licensed by the Commissioner
12 under the CFL. Walker is the president, sole shareholder and a director of Dollarworks, LLC.

13 III

14 THE APPLICATIONS

15 On May 24, 2005, Dollarworks filed three (3) applications for deferred deposit transaction
16 licenses (File Nos. 100-2626; 100-2627; and 100-2628 hereinafter "applications") with the
17 Commissioner pursuant to the CDDTL, in particular, California Financial Code section 23005. The
18 applications were for locations situated at 119 S. Atlantic Boulevard, Monterey Park, California
19 91754; 18726 S. Western Avenue, Gardena, California 90248; and 520 N. Brookhurst Street,
20 Anaheim, California 92801. Walker verified the application as president of Dollarworks. The
21 application identified Walker as the president, sole shareholder and a director of Dollarworks.

22 IV

23 DEFERRED DEPOSIT TRANSACTION LAW VIOLATIONS

24 Pursuant to California Financial Code sections 23005 and 23020, any person engaged in
25 the business of deferred deposit transactions must have a separate license for each location in
26 which it engages in deferred deposit activity.

27 On or about May 16, 2005, the Commissioner commenced a special examination of
28 Dollarworks to determine if Dollarworks was engaging in unlicensed deferred deposit transaction

1 business (“CDDTL examination”). The CDDTL examination revealed that Dollarworks was
2 originating deferred deposit transactions from four locations, including its licensed location at 3600
3 Wilshire Boulevard, Suite 1010, Los Angeles, California. The three locations from which
4 Dollarworks was engaging in deferred deposit activity without a license were 119 S. Atlantic
5 Boulevard, Monterey Park, California 91754; 18726 S. Western Avenue, Gardena, California 90248;
6 and 520 N. Brookhurst Street, Anaheim, California 92801. Dollarworks had originated at least 277
7 deferred deposit transactions from January 1, 2005 through June 1, 2005 in violation of California
8 Financial Code section 23005.

9 Dollarworks was aware or should have been aware that a separate CDDTL license was
10 required for each location, as Dollarworks had already been issued a CDDTL license for the
11 Wilshire Boulevard location, and in obtaining that license specifically represented to the
12 Commissioner that it had read and understood all the provisions of the CDDTL. California
13 Financial Code section 23020 clearly states that a licensee shall maintain only one place of
14 business under an original license. Further, Dollarworks originated at least 23 more unlicensed
15 deferred deposit transactions after being specifically informed that a separate license was
16 required at each location.

17 V

18 FINANCE LENDER LAW VIOLATIONS

19 Pursuant to information obtained by the Commissioner from reviewing the books and records
20 of Dollarworks, LLC, the only transactions that Dollarworks, LLC engages in are sale-leaseback
21 transactions involving automobiles. In each transaction, the consumer sells their automobile to
22 Dollarworks, LLC and then leases the automobile back from Dollarworks, LLC with an option to
23 repurchase the automobile at the end of the lease if there was no delinquency. These transactions are
24 loans subject to the CFLL because the purpose of the transactions were to extend credit using their
25 automobile as security.

26 1. Unlicensed Activity:

27 During the course of the CDDTL examination discussed in Section IV above, the
28 Commissioner discovered that Dollarworks, LLC, a licensee under the CFLL for a location situated

1 at 3600 Wilshire Boulevard, Suite 1010, Los Angeles, California 90010, was engaged in unlicensed
2 CFLL activity. A special examination of Dollarworks, LLC commenced by the Commissioner on or
3 about July 12, 2005 (“CFLL examination”) disclosed that Dollarworks, LLC was engaged in
4 unlicensed CFLL activity at 119 S. Atlantic Boulevard, Monterey Park, California 91754; 18726 S.
5 Western Avenue, Gardena, California 90248; and 520 N. Brookhurst Street, Anaheim, California
6 92801; the same locations that Dollarworks was engaged in unlicensed CDDTL activity.
7 Dollarworks, LLC had originated at least 1,208 loan transactions from May 2003 through June 2005
8 at these locations in violation of California Financial Code sections 22100 and 22155.

9 Dollarworks, LLC was aware or should have been aware that a separate CFLL license was
10 required for each location, as Dollarworks, LLC had already been issued a CFLL license for the
11 Wilshire Boulevard location, and in obtaining that license specifically represented to the
12 Commissioner that it had read and understood all the provisions of the CFLL. California Financial
13 Code sections 22152 and 22155 clearly provide that a licensee shall maintain only one place of
14 business under an original license.

15 2. Interest Overcharges:

16 Dollarworks, LLC, in addition to the 1,208 unlicensed loans, made 333 loans at its licensed
17 Wilshire location during the period of May 2003 through June 2005. The CFLL examination
18 disclosed that Dollarworks, LLC had charged and received interest in excess of that allowed
19 pursuant to California Financial Code sections 22303 and 22304 on all loans reviewed in an amount
20 of less than \$2,500.00 (20 of 20). Dollarworks, LLC has yet to refund any of the excess interest to
21 the affected customers notwithstanding the Commissioner’s demand to refund excess interest.

22 3. Excessive Late Fees:

23 Dollarworks, LLC violated California Financial Code section 22320.5 by providing for
24 excessive late fees in all the loans reviewed (20 of 20). Dollarworks, LLC was charging a late fee of
25 \$29.00 instead of \$10.00 whenever a borrower’s payment was more than ten days late or \$15.00
26 whenever a borrower’s payment was more than fifteen days late as required by California Financial
27 Code section 22320.5. There were actual late fee overcharges in 8 of the 20 loans reviewed.
28

1 4. Excessive Registration Fees:

2 Dollarworks, LLC violated California Financial Code section 22336 by charging excessive
3 registration fees in 15 of the 20 loans reviewed. Dollarworks, LLC was charging a registration fee
4 of \$45.00 when only incurred a \$15.00 registration cost or no registration cost was incurred by
5 Dollarworks, LLC.

6 5. Excessive Administrative Fees:

7 Dollarworks, LLC, in 4 of the 9 loans reviewed of an amount of less than \$1,000.00
8 (44.44%), was charging excessive administrative fees in violation of California Financial Code
9 section 22305. Dollarworks, LLC was routinely charging \$45.00 instead of the lesser of 5% or
10 \$50.00 allowed under California Financial Code section 22305.

11 6. Rate of Charge and Annual Percentage Rate:

12 Dollarworks, LLC violated California Financial Code sections 22332 and 22337, subsection
13 (a), by failing to disclose the rate of charge and annual percentage rate in all the loans reviewed (20
14 of 20).

15 7. First Payment Due Date:

16 The agreements employed by Dollarworks, LLC in connection with the 20 loans reviewed
17 stated a first payment due date of less than 15 days. California Financial Code section 22307(b)
18 requires that all loan contracts for amounts under \$10,000.00 state a first payment due date which
19 shall be not less than 15 days nor more than 1 month and 15 days from the date of the loan.

20 8. Borrower Statement:

21 Dollarworks, LLC, in connection with the 20 loans reviewed, failed to include a statement to
22 the borrower, which set forth Dollarworks, LLC's finance lender's license number and information
23 about the Department of Corporations as required by California Financial Code section 22337 and
24 California Code of Regulations, title 10, section 1454(a)(5), respectively.

25 9. Balloon Payments:

26 The agreements employed by Dollarworks, LLC in connection with the 20 loans reviewed all
27 provided for balloon payments in violation of California Financial Code section 22307 and
28 California Code of Regulations, title 10, section 1453. California Financial Code section 22307

1 requires substantially equal payments and California Code of Regulations, title 10, section 1453
2 prohibits any payment that is more than twice any other scheduled payment. The full repurchase
3 payment scheduled by Dollarworks, LLC at the end of the loan term is always more than twice the
4 normal scheduled payment.

5 VI

6 FAILURE TO MAINTAIN SURETY BOND

7 Pursuant to California Financial Code section 23013, all CDDTL licensees are required to
8 maintain a surety bond in the minimum amount of \$25,000.00. The surety bond of Dollarworks
9 expired on May 31, 2006. On or about May 8, 2006, the Commissioner notified Dollarworks that a
10 replacement surety bond had to be filed immediately, but no later than the expiration date to avoid
11 suspension or revocation of its CDDTL license.

12 Dollarworks has yet to obtain a replacement surety bond in violation of California Financial
13 Code section 23013.

14 VII

15 CONCLUSION

16 Complainant finds, by reason of the foregoing, that:

- 17 (1) Dollarworks has committed at least 277 violations of Financial Code section 23005;
18 (2) Walker, the president and sole shareholder of Dollarworks, through an affiliate, has
19 repeatedly violated provisions of the CFLL, a similar regulatory scheme, including California
20 Financial Code sections 22100, 22152, 22155, 22303, 22305, 22307, 22320.5, 22332, 22336, and
21 22337 and Sections 1453 and 1454 of the California Code of Regulations, title 10.

22 (3) Dollarworks has failed to maintain a surety bond in violation of California Financial
23 Code section 23013;

24 (4) Dollarworks is incapable of operating its business in compliance with the CDDTL as
25 demonstrated by its flagrant and continuous pattern of violations; and

26 (5) It is in the best interests of the public to revoke Dollarworks' current finance lenders
27 license and to deny Dollarworks' pending applications for CDDTL licenses.
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California Financial Code section 23011 provides in pertinent part:

(a) Upon reasonable notice and the opportunity to be heard, the commissioner may deny the application for any of the following reasons:

(3) The applicant or any officer, director, or general partner, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

THEREFORE, Complainant asserts that he is justified under California Financial Code sections 23011 and 23052 in revoking the CDDTL license of Dollarworks and denying Dollarworks' applications for three further CDDTL licenses.

WHEREFORE, the Commissioner prays that the CDDTL license of Dollarworks be revoked and the three applications for further CDDTL licenses filed by Dollarworks on May 24, 2005 be denied.

Dated: June 7, 2006
Los Angeles, CA

WAYNE STRUMPFER
Acting California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel