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8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of:) NMLS ID: 1000217
12 THE CALIFORNIA COMMISSIONER OF) STATEMENT OF ISSUES
13 BUSINESS OVERSIGHT,)
14 Complainant,)
15 v.)
16 JEFFREY ALLAN FORREST,)
17 Respondent.)
18

19
20 The Commissioner of Business Oversight of the State of California (“Commissioner”), is
21 informed and believes, and based upon such information and belief, alleges and charges Respondent
22 as follows:

23 **I**
24 **INTRODUCTION**

25 The proposed order seeks to deny the issuance of a mortgage loan originator (“MLO”)
26 license to Jeffrey Allan Forrest (“Respondent”) pursuant to Financial Code section 50141 of the
27 California Residential Mortgage Lending Act (Fin. Code § 50000 et seq.) (“CRMLA”) in that
28 Respondent has not demonstrated such financial responsibility, character, and general fitness as to

1 command the confidence of the community and to warrant a determination that the mortgage loan
2 originator will operate honestly, fairly, and efficiently within the purposes of this division.

3 **II**
4 **APPLICATION**

5 On or around December 12, 2012, Respondent filed an application for an MLO license with
6 the Commissioner by submitting a Form MU4 through the Nationwide Mortgage Licensing System
7 (“NMLS”) (hereinafter, “Application”) pursuant to Financial Code section 50140.

8 Respondent answered “Yes” to questions on the Application regarding his history, including:
9 (1) financial disclosures, including, but not limited to, bankruptcy and unsatisfied judgments or liens,
10 (2) civil judicial disclosures, including, but not limited to, injunctions and findings of violations of
11 financial services-related statutes or regulations, (3) regulatory actions disclosures, including, but not
12 limited to, findings by a regulatory agency or self-regulatory organization (“SRO”) that led to
13 suspension, revocation, or restriction of a license, and disciplinary orders, and (4) customer
14 arbitration or litigation disclosures, including, but not limited to, arbitration awards or settlements in
15 customer-initiated arbitration or civil litigation. The Application required Respondent to explain in
16 detail all these “Yes” answers.

17 Respondent’s explanation in the Application disclosed the complaint filed on March 4, 2008
18 in *U.S. Securities and Exchange Commission v. Thompson Consulting, Inc.*, Case Number 2:08-cv-
19 00171 (“Thompson Consulting Complaint”), which did not list Respondent or his investment
20 advisory firm, WealthWise, LLC (“WealthWise”) as defendants. Respondent submitted a copy of
21 the Thompson Consulting Complaint as supporting documentation.

22 Because neither Respondent’s explanation nor the Thompson Consulting Complaint
23 supported his “Yes” answers to the disclosure questions regarding, among other things, the issuance
24 of injunctions, findings of violations of financial services-related statutes and regulations, or
25 restrictions on licenses and other disciplinary actions against him, on or around April 2, 2013, the
26 Commissioner through NMLS instructed Respondent to provide additional supporting
27 documentation.
28

III

**FAILURE TO DEMONSTRATE REQUISITE FINANCIAL RESPONSIBILITY,
CHARACTER AND GENERAL FITNESS**

On or around November 11, 2013, Respondent submitted another copy of the Thompson Consulting Complaint as well as a detailed account of the events surrounding said complaint, entitled “Further Explanation on Disclosure Events” (hereinafter, “Further Explanation”), and a three page-Financial Industry Regulatory Authority (“FINRA”) Broker Summary purportedly from FINRA’s public website (hereinafter, “Broker Summary”).

The Broker Summary Respondent submitted listed the following five events: (1) on February 9, 2009, the Securities and Exchange Commission (“SEC”) entered a final judgment permanently enjoining Respondent from future violations of the federal securities laws; (2) on June 8, 2009, FINRA rendered a final decision against Respondent for violating FINRA Rules 2010 and 8210 by not responding to FINRA’s requests for information; (3) on June 29, 2009, FINRA suspended Respondent for failing to comply with an arbitration award or settlement agreement, or to satisfactorily respond to FINRA’s request for information about the status of compliance; (4) on November 6, 2009, FINRA barred Respondent from associating with any FINRA member in any capacity; and (5) on November 29, 2010, FINRA lifted the suspension issued on June 29, 2009.

Respondent’s regulatory history also included 21 significant disclosure events from December 1, 2003 through March 10, 2010, including ten customer disputes that settled or awarded damages to customers for alleged violations of financial services-related statutes and regulations, such as mismanagement of clients’ assets, recommending investments unsuitable for customers, and misrepresentations in recommending a hedge fund that resulted in an arbitration award of \$8,858,596.00.

On May 15, 2009, *In the Matter of WealthWise, LLC, and Jeffrey A. Forrest*, the SEC barred Respondent from the securities industry with a right to reapply after five years, and revoked the investment advisory license of his investment advisory firm, WealthWise, based on the complaint filed on September 24, 2008 in *Securities and Exchange Commission v. WealthWise, LLC and Jeffrey A. Forrest*, No. 2:08-cv-06278-GAF-SS. The SEC’s complaint alleged that Respondent

1 failed to disclose a material conflict of interest, namely a side agreement with Thompson Consulting
2 whereby WealthWise received approximately \$388,401.80 for investing an estimated
3 \$40,000,000.00 of Respondents’ clients’ money in a risky hedge fund. For more than two years
4 from April 2005 through September 2007, Respondent and his firm failed to disclose this material
5 conflict of interest. In August 2007 the hedge fund collapsed, resulting in more than 90% in losses
6 to their clients.

7 Respondent’s financial history includes at least nine California State tax liens and at least
8 five federal IRS tax liens filed against him in various counties in California between May 2004 and
9 January 2016.

10 **IV**
11 **APPLICABLE LAW**

12 Financial Code section 50141 provides in relevant part:

13 (a) The commissioner **shall** deny an application for a mortgage loan
14 originator license unless the commissioner makes **at a minimum the**
15 **following findings: . . .**

16 (3) The applicant has demonstrated such financial responsibility,
17 character, and general fitness as to command the confidence of the
18 community and to warrant a determination that the mortgage loan
19 originator will operate honestly, fairly, and efficiently within the purposes
20 of this division (Emphasis added)

21 **V**
22 **CONCLUSION**

23 The Commissioner finds that Respondent does not meet at least one of the minimum
24 requirements for issuance of a mortgage loan originator license as set forth in Financial Code section
25 50141. Respondent’s financial history, including multiple unsatisfied judgments and/or tax liens,
26 multiple disciplinary actions by financial services industry regulators, including bar orders, a
27 suspension, and a license revocation, allegations of mismanagement of clients’ funds, and a final
28 judgment of permanent injunction for violations of federal securities laws all belie the requirement
under Financial Code section 50141, subdivision (a)(3), that the applicant “demonstrated such

1 financial responsibility, character, and general fitness as to command the confidence of the
2 community and to warrant a determination that the mortgage loan originator will operate honestly,
3 fairly, and efficiently within the purposes of this division.”

4 By reason of the foregoing, pursuant to Financial Code section 50141, the Commissioner
5 shall deny Respondent’s application for a mortgage loan originator license.

6 WHEREFORE IT IS PRAYED that the mortgage loan originator application filed by Jeffrey
7 Allan Forrest be denied.

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9 Dated: April 6, 2016
10 Los Angeles, CA

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JAN LYNN OWEN
Commissioner of Business Oversight

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By _____
SOPHIA C. KIM
Counsel

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