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9  
10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
11 OF THE STATE OF CALIFORNIA

12 In the Matter of: ) NMLS ID NO. 339382  
13 THE COMMISSIONER OF BUSINESS )  
OVERSIGHT, ) AMENDED ACCUSATION IN SUPPORT OF  
14 ) NOTICE OF INTENTION TO BAR  
15 Complainant, ) MATTHEW R. HODLIN FROM ANY  
16 v. ) POSITION OF EMPLOYMENT,  
17 MATTHEW R. HODLIN, ) MANAGEMENT, OR CONTROL PURUANT  
18 Respondent. ) TO FINANCIAL CODE SECTION 50318  
19 )

20 The Commissioner of Business Oversight (Commissioner) hereby amends her Accusation  
21 dated October 19, 2016, to solely seek an order barring Respondent Matthew R. Hodlin (Hodlin)  
22 pursuant to Financial Code section 50318; and, by doing so, withdraws her notice of intention to  
23 revoke Hodlin’s mortgage loan originator license that was issued therewith. In support of the order  
24 to bar Hodlin, the Commissioner finds as follows:

25 I.

26 INTRODUCTION

27 The Commissioner seeks to bar Hodlin pursuant to Financial Code section 50318 from any  
28 position of employment, management, or control that participates in any business activity of a

1 licensed residential mortgage lender, residential mortgage loan servicer, or mortgage loan originator  
2 because he has been convicted of conspiracy to commit wire fraud in violation of 18 United States  
3 Code section 371. Hodlin’s felony conviction occurred less than seven years from the date of his  
4 application and is reasonably related to the qualifications, functions, or duties of a person engaged in  
5 the business in accordance with the provisions of the California Residential Mortgage Lending Act  
6 (CRMLA). (Fin. Code, § 50000 et. seq.)

7 II.

8 PROCEDURAL HISTORY

9 1. On December 8, 2015, Hodlin filed an application with Commissioner for the renewal of  
10 his mortgage loan originator license pursuant to the CRMLA. Hodlin was originally licensed by  
11 the Commissioner on September 22, 2010. At the time of his filing for renewal, Hodlin was  
12 working for “Lenders Marketing Silutions [*sic*]” according to his application, which is not a  
13 licensed mortgage lender or servicer, located at 1022 N Stage Coach Lane, Fallbrook, California  
14 92028. The application was submitted to the Commissioner by filing a Form MU4 through the  
15 Nationwide Mortgage Licensing System & Registry (NMLS).

16 2. In submitting his application, Hodlin answered “yes” to the following disclosure questions on  
17 the Form MU4:

18 a. (A)(3): “Have you been the subject of a foreclosure action within the last 10 years?”

19 b. (F)(1) : “Have you ever been convicted or pled guilty or nolo contendere (“no contest”) in  
20 a domestic, foreign, or military court to any felony?”

21 b. (J)(1)(b): “Has any domestic or foreign court ever: found that you were involved in a  
22 violation of any financial services-related statute(s) or regulation(s)?”

23 c. (Q)(2): “Have you ever voluntarily resigned, been discharged, or permitted to resign after  
24 allegations were made that accused you of:…fraud, dishonesty, theft, or the wrongful taking or  
25 property?”

26 3. Hodlin’s license was renewed on December 24, 2015. Supporting documentation provided  
27 by Hodlin of his conviction, shows that on July 10, 2015 in *United States of America v. Matthew*  
28 *Hodlin*, judgment was entered based on his guilty plea to Count 1 of the Indictment, Conspiracy to

1 Commit Wire Fraud in violation of 18 United States Code section 371. (*United States v. Hodlin*  
2 (S.D.Cal. Jul. 10, 2015, No. 11CR3486).)

3 4. In submitting his application, Hodlin signed the Form MU4 swearing that the answers were  
4 true and complete to the best of his knowledge.

5 III.

6 FELONY CRIMINAL CONVICTION

7 5. In or about October and November 2006 while working for Summit Lending Solutions, Inc.,  
8 a home mortgage lending business, Hodlin conspired with others to make material  
9 misrepresentations in the refinance mortgage loan applications for a borrower “in order to obtain  
10 fraudulent mortgage loans totaling \$342,000 for the borrower.” Hodlin communicated with  
11 employees of Terra Finance, Inc., a mortgage brokerage business, as to whether the fraudulent data  
12 they presented would fit the lender’s guidelines. Based on such false statements, the fraudulent loan  
13 application was approved and the loan was funded via interstate wire. After default and foreclosure,  
14 an “estimated loss of approximately \$157,000” resulted from the transaction.

15 6. On March 5, 2015, Hodlin entered a Plea Agreement, which was adopted by the United  
16 States district court on April 28, 2015 and resulted in the judgment on July 10, 2015. Hodlin  
17 pleaded guilty to Count 1 of the Indictment for conspiracy to commit wire fraud, a felony crime in  
18 violation of 18 United States Code section 371.

19 7. Count 1 of the Indictment charged Hodlin and other coconspirators with having knowingly  
20 conspired and agreed with each other to commit wire fraud in violation of 18 United States Code,  
21 section 1343, as follows:

22 [B]y devising, intending to devise, and carrying out a material  
23 scheme to defraud and to obtain money by means of materially false  
24 and fraudulent pretenses and representations, and omissions of  
25 material facts, and for the purpose of executing this fraudulent  
26 scheme, to knowingly use, and cause to be used, interstate wire  
communications. The principal goal of the conspiracy was to  
deceive lenders into loaning millions of dollars to borrowers who did  
not honestly qualify for such mortgage and home-equity loans.

27 8. Hodlin’s sentence includes, but is not limited to the following: (1) five years of probation  
28 with restriction to his residence unless otherwise approved; (2) six months of monitoring using

1 location monitoring technology; (3) 30 days of residence in a half-way house; (4) 100 hours of  
2 community service; (5) disclosure of personal and business financial records to the probation officer  
3 as requested; (6) prohibition from opening checking accounts, incurring new credit charges or  
4 opening additional lines of credit without approval of the probation officer; (7) and restitution in the  
5 amount of \$157,000 for which Hodlin is jointly and severally liable.

6 IV.

7 BAR FROM EMPLOYMENT FOR CRIMINAL CONVICTION

8 9. Under Financial Code section 50318 provides in pertinent part:

9 (a) The commissioner may, after appropriate notice and opportunity  
10 for hearing, by order censure or suspend for a period not exceeding 12  
11 months, or bar from any position of employment, management, or  
12 control any residential mortgage lender, residential mortgage loan  
servicer, or mortgage loan originator, or any other person, if the  
commissioner finds either of the following:

13 . . .

14 (2) That the person (A) has been convicted of or pleaded nolo  
15 contendere to any crime, or (b) has been held liable in any civil action  
16 by final judgment, or any administrative judgment by any public  
17 agency, if that crime or civil or administrative judgment involved any  
offense specified in subdivision (b) of Section 50317, or any other  
offense reasonably related to the qualifications, functions, or duties of  
a person engaged in the business in accordance with the provisions of  
this division.

18 10. Persons barred under Financial Code section 50318 are prohibited from participating in any  
19 business activity of a licensed residential mortgage lender, residential mortgage loan servicer, or  
20 mortgage loan originator and from engaging in any business activity on the premises where such  
21 lender, servicer or originator conducts its business. (Fin. Code, § 50318, subd. (d).)

22 11. Hodlin’s felony conviction for conspiracy to commit wire fraud involving fraudulent  
23 mortgage loans is a crime reasonably related to the qualifications, functions or duties of person  
24 engaged in the mortgage loan industry regulated under the CRMLA. A mortgage loan originator is  
25 an individual who, for compensation or gain, takes a residential mortgage loan application, or offers  
26 or negotiates terms of a residential mortgage loan. (Fin. Code, § 50003.5.) Every loan made or  
27 brokered by a residential mortgage lender or servicer must be negotiated by or applied for through a  
28 licensed mortgage loan originator. (Fin. Code, § 50002.5.)

1 12. To qualify for licensure as a mortgage loan originator, the individual must meet minimum  
2 standards for licensing required under Financial Code section 50141. Minimum licensing standards  
3 prohibit having any prior felony conviction either within the last seven years of filing an application  
4 or at any time if involving acts of fraud, dishonesty and/or breach of trust. Licensing requirements  
5 also impose standards of financial responsibility, character and fitness so as to command the  
6 confidence of the community that the individual will operate honestly and fairly under the CRMLA.  
7 Financial Code section 50141 provides in relevant part:

8 (a) The commissioner shall deny an application for a mortgage loan  
9 originator license unless the commissioner makes at a minimum the  
10 following findings:

11 . . .

12 (2)(A) The applicant has not been convicted of, or pled guilty or nolo  
13 contendere to, a felony in a domestic, foreign, or military court  
14 during the seven-year period preceding the date of the application  
15 for licensing and registration, or at any time preceding the date of  
16 application, if such felony involved an act of fraud, dishonesty, a  
17 breach of trust, or money laundering. Whether a particular crime is  
18 classified as a felony shall be determined by the law of the jurisdiction  
19 in which an individual is convicted.

20 . . .

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

26 13. Hodlin’s conviction for conspiracy to commit wire fraud in violation of 18 United States  
27 Code section 371 violates minimum standards for licensing because it is a felony involving an act of  
28 fraud, dishonesty, and/or breach of trust. In addition, Hodlin was convicted of his felony within the  
seven-year period preceding the date of his application on July 10, 2015.

14. Further, by having been convicted of conspiracy to commit wire fraud and by the information  
obtained during Hodlin’s application for renewal, Hodlin has failed to demonstrate such financial  
responsibility, character and general fitness as to command the confidence of the community and to  
warrant a determination that he will operate honestly, fairly and efficiently as a mortgage loan  
originator. Hodlin conspired with others to make material misrepresentations in mortgage loan  
applications in order to obtain fraudulent mortgage loans for a borrower which ultimately resulted in

1 a loss of approximately \$157,000 for which he has been ordered to make restitution. The court in  
2 that criminal case has also ordered Hodlin to provide complete disclosure of personal and business  
3 financial records to the probation officer as requested, and has prohibited him from opening  
4 checking accounts or incurring new credit charges or opening additional lines of credit without  
5 approval of the probation officer. In addition, according to Hodlin’s application, he has been the  
6 subject of a foreclosure action within the last 10 years and has voluntarily resigned, been discharged,  
7 or was permitted to resign after allegations against him were made of fraud, dishonesty, theft or  
8 wrongful taking of property.

9 15. Mortgage loan originators serve in important and entrusted positions of employment within  
10 mortgage lender or servicer businesses since every loan made or brokered by that business must be  
11 negotiated by or applied for through a mortgage loan originator. Hodlin engaged in fraudulent  
12 conduct and abused his role in negotiating mortgages to carry out his crime, and he is now seeking  
13 licensure by the Commissioner to be employed in a similar role. Hodlin’s felony conviction  
14 involved obtaining fraudulent mortgage loans based on communications he made in the course of his  
15 employment regarding fraudulent data, which is directly related to functions he would be performing  
16 as a licensed mortgage loan originator.

17 16. Hodlin’s conduct also violates the duties and qualification standards of a licensed mortgage  
18 loan originator who must be trained in the ethics on fraud, consumer protection and fair lending.  
19 Mortgage loan originators must also meet annual education requirements including three hours of  
20 ethics on fraud, consumer protection, and fair lending issues. (Fin. Code, § 50142, subd. (a)(2).)

21 17. Hodlin’s crime therefore not only disqualifies him from licensure since it is a felony based on  
22 fraud, dishonesty and/or breach of trust committed within the last seven years of his application, but  
23 it is directly relates to the qualifications, functions and duties of a mortgage loan originator since it is  
24 a felony involving obtaining fraudulent mortgage loans. As such, Hodlin should be barred under  
25 Financial Code section 50318.

26 V.

27 CONCLUSION

28 18. The Commissioner finds, by reason of the foregoing, that Hodlin has been convicted of

1 conspiracy to commit wire fraud in violation of 18 United States Code section 371, a felony  
2 involving an act of fraud, dishonesty, and/or breach of trust, which he committed within the last  
3 seven years preceding the date of his application.

4 19. The Commissioner further finds, by reason of the foregoing, that Hodlin has failed to  
5 demonstrate the necessary financial responsibility, character and general fitness as to command the  
6 confidence of the community and to warrant a determination that he will operate honestly, fairly, and  
7 efficiently as a mortgage loan originator.

8 20. In addition, the Commissioner finds that Hodlin has been convicted of a crime reasonably  
9 related to the qualifications, functions, or duties of a person engaged in the business in accordance  
10 with the provisions of the CRMLA.

11 21. THEREFORE, pursuant to Financial Code section 50318, grounds exist to bar Hodlin and to  
12 prohibit him from participating in any business activity of a licensed residential mortgage lender  
13 and/or servicer, or mortgage loan originator and from any business activity on the premises where  
14 such lender, servicer or originator is conducting its business.

15 WHEREFORE the Commissioner hereby gives notice of the intention to bar Matthew R.  
16 Hodlin from any position of employment, management or control that participates in any business  
17 activity of a licensed residential mortgage lender, residential mortgage loan servicer, or mortgage  
18 loan originator, and from any business activity on the premises where such lender, servicer or  
19 originator conducts its business.

20 Dated: March 8, 2017  
21 Sacramento, CA

JAN LYNN OWEN  
Commissioner of Business Oversight

22  
23 By \_\_\_\_\_  
24 LINDSAY B. HERRICK  
25 Counsel  
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