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

11 In the Matter of:)	CRMLA LICENSE NO.: 413-0272
12 THE COMMISSIONER OF BUSINESS)	ACCUSATION IN SUPPORT OF NOTICE OF
13 OVERSIGHT,)	INTENTION TO ISSUE ORDER
14 Complainant,)	SUSPENDING LICENSE AND IMPOSING
15 v.)	PENALTIES
16)	
17 iFREEDOM DIRECT CORPORATION,)	
18 Respondent.)	
19)	
20)	

21
22 The Complainant, the Commissioner of Business Oversight (Commissioner), alleges and
23 charges Respondent iFreedom Direct Corporation (iFreedom) as follows:

24 **I.**
25 **INTRODUCTION**

26 1. The Commissioner brings this action under Financial Code sections 50327,
27 subdivision (a)(1), and 50513, subdivision (b). The Commissioner is authorized to administer and
28 enforce the provisions of the California Residential Mortgage Lending Act (Fin. Code, § 50000 et

1 seq.) (CRMLA) and the rules promulgated thereunder (Cal. Code Regs., tit. 10, § 1950.003 et seq.)
2 that regulate the business and activities of residential mortgage lenders and servicers.

3 2. iFreedom is a residential mortgage lender and servicer licensed by the Commissioner
4 pursuant to the CRMLA. iFreedom has its place of business located at 124 N. Charles Lindberg
5 Drive, Salt Lake City, Utah 84116. iFreedom employs mortgage loan originators in its CRMLA
6 business.

7 **II.**
8 **CRMLA VIOLATIONS**

9 3. On or about April 4, 2016, the Commissioner commenced a regulatory examination of
10 the books and records of iFreedom under the CRMLA. Based on this examination, the
11 Commissioner found violations of the CRMLA which were explained in two examination reports
12 dated July 28, 2016 and November 14, 2016.

13 4. Financial Code section 50307 requires each residential mortgage lender or servicer to
14 file an annual report known as the “Principal Amount of Loans Originated and Aggregate Amount of
15 Loans Serviced” report (“Annual Report”). Although iFreedom filed its Annual Report with the
16 Commissioner each year since 2009, iFreedom failed to report servicing activity of its subservicer,
17 Central Loan Administration, on each report. This report is filed under penalty of perjury.

18 5. In the examination report of November 14, 2016, the Commissioner requested
19 iFreedom to report its servicing activity in corrected annual reports and/or in the Mortgage Call
20 Report filed through the Nationwide Mortgage Licensing System & Registry. To date, iFreedom has
21 failed to provide corrected reports to the Commissioner.

22 6. Financial Code section 50204, subdivision (i), prohibits an unlawful act in violation of
23 Business and Professions Code section 17200. Civil Code section 2923.5, subdivision (e), requires a
24 mortgage servicer to post a prominent link on the homepage of its Internet website which must
25 include the following:

26 (a) Options that may be available to borrowers who are unable to afford their mortgage
27 payments and who wish to avoid foreclosure, and instructions to borrowers advising them of steps to
28 take to explore those options.

1 (b) A list of financial documents borrowers should collect and be prepared to present to
 2 the mortgage, beneficiary, or authorized agent when discussing options for avoiding foreclosure.

3 (c) A toll-free telephone number for borrowers who wish to discuss options for avoiding
 4 foreclosure with their mortgage, beneficiary, or authorized agent.

5 (d) The toll-free telephone number made available by HUD to find a HUD-certified
 6 housing counseling agency.

7 7. As cited in the Commissioner’s examination reports, iFreedom did not have a
 8 prominent link on its website, as required by law. To date, iFreedom has not submitted to the
 9 Commissioner the requested corrective action to comply with the law.

10 8. Financial Code section 50204, subdivision (o), and Civil Code section 2948.5 provide
 11 that a borrower shall not be required to pay interest on a loan more than one day prior to the date the
 12 loan proceeds are disbursed to the borrower, as specified. iFreedom overcharged interest to
 13 borrowers on the following two (2) of sixteen (16) loan files reviewed during the examination:

Loan Number	Borrowers	Date Disbursed	Interest Start Date	Interest Charged	Correct Charge	Overcharge	Extra Days
0000481262	JG	07/13/2015	07/10/2015	\$802.65	\$729.68	\$72.97	2
2002012399	JB	01/19/2016	01/15/2016	\$344.76	\$283.89	\$60.87	3

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 18 9. Although the examination report requested refunds for both borrowers, iFreedom
 19 failed to refund overcharged interest to Borrower JG. iFreedom provided an escrow ledger from its
 20 settlement agent, Castlehead, Inc. Escrows, indicating that some loan proceeds were disbursed on
 21 July 13, 2015 (not July 10, 2015 as contended by iFreedom). The examination report of November
 22 14, 2016 requested evidence of either a refund to the borrower, or complete information from the
 23 settlement agent’s escrow ledger to demonstrate the disbursement date. iFreedom failed to provide
 24 that information. Moreover, interest overcharges were noticed in the prior examination that
 25 commenced on November 1, 2011; thus, this is a repeat violation by iFreedom.

26 **III.**
 27 **CRMLA SUSPENSION/PENALTY STATUTES**

28 10. Financial Code section 50327 provides in pertinent part:

1 (a) The commissioner may, after notice and a reasonable opportunity to be heard,
2 suspend or revoke any license, if the commissioner finds that:

3 (1) the licensee has violated any provision of this division or rule or order of the
4 commissioner thereunder; or (2) any fact or condition exists that, if it had
5 existed at the time of the original application for license, reasonably would
6 have warranted the commissioner in refusing to issue the license originally.

6 11. Financial Code section 50513 provides in pertinent part:

7 (a) The commissioner may do one or more of the following:

8 . . . (4) Impose fines on a mortgage loan originator or any residential mortgage
9 lender or servicer license employing a mortgage loan originator pursuant to
10 subdivisions (b), (c), and (d).

11 (b) The commissioner may impose a civil penalty on a mortgage loan originator
12 or any residential mortgage lender or servicer licensee employing a mortgage loan
13 originator, if the commissioner finds, on the record after notice and opportunity
14 for hearing, that the mortgage loan originator or any residential mortgage lender
15 or servicer licensee employing a mortgage loan originator has violated or failed to
16 comply with any requirement of this division or any regulation prescribed by the
17 commissioner under this division or order issued under authority of this division.

16 (c) The maximum amount of penalty for each act or omission described in
17 subdivision (b) shall be twenty-five thousand dollars (\$25,000).

18 (d) Each violation or failure to comply with any directive or order of the
19 commissioner is a separate and distinct violation or failure.

20 **IV.**
21 **CONCLUSION**

22 12. Based on the foregoing, the Commissioner finds that iFreedom violated Financial
23 Code section 50204, subdivisions (i) and (o), and section 50307, and based thereon, grounds exist to:

24 (1) suspend the residential mortgage lender and servicer license of iFreedom pursuant to Financial
25 Code section 50327, subdivision (a)(1); and (2) assess penalties against iFreedom pursuant to
26 Financial Code section 50513, subdivision (b).

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WHEREFORE, pursuant to Financial Code section 50327, subdivision (a)(1), the Commissioner gives notice of her intention to issue an order suspending the residential mortgage lender and servicer license of iFreedom for a period of up to 12 months.

Further, pursuant to Financial Code section 50513, subdivision (b), the Commissioner gives notice of her intention to impose penalties against iFreedom for seven violations of Financial Code section 50204, subdivision (i), two violations of section 50204, subdivision (o), and one violation of section 50307, in an amount of \$2,500.00 per violation, for a total penalty of \$25,000.00.

Dated: May 26, 2017
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
Timothy L. Le Bas
Senior Counsel