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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.: 413-0493
12 CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ORDER REVOKING RESIDENTIAL
14 Complainant,) MORTGAGE LENDER LICENSE
15 v.)
16 KASTLEPOINT MORTGAGE, INC.,)
17 Respondent.)
18)

19 The California Corporations Commissioner finds:

20 1. Kastlepoint Mortgage, Inc. (“Respondent”) is a residential mortgage lender licensed
21 by the Commissioner of Corporations of the State of California (“Commissioner” or
22 “Complainant”) pursuant to the California Residential Mortgage Lending Act (“CRMLA”),
23 California Financial Code section 50000 *et seq.* Respondent’s main office is located at 23161 Lake
24 Center Drive, Suite 100, Lake Forest, California 92630.
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1 2. Pursuant to California Financial Code sections 50307 and 50401¹, all licensees under
2 the CRMLA are required to file an annual Report of Principal Amount of Loans and Aggregate
3 Amount of Loans Serviced (“Report”) on or before March 1 of each year for the preceding 12-month
4 period ended December 31. To date, Respondent has failed to submit the Report despite repeated,
5 written demand.

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

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

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

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

19 7. Pursuant to section 50200, Respondent was required to submit its audited financial
20 statements for fiscal year ended December 31, 2004 (“2004 Audit Report”) to the Commissioner on
21 or before April 15, 2005, including a reconciliation of trust accounts, and an Independent Auditor’s
22 Report on Internal Controls (“Report on Internal Controls”) pursuant to California Code of
23 Regulations, Title 10, section 1950.200.
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28 ¹ All references are to the California Financial Code unless otherwise noted.

1 8. On or about December 13, 2004, Complainant notified Respondent by letter that its
2 2004 Audit Report, trust account reconciliation, and Report on Internal Controls were due on or
3 before April 15, 2005. Respondent failed to submit the 2004 Audit Report, trust account
4 reconciliation or Report on Internal Controls by such date.
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6 9. On or about July 7, 2005, Complainant sent a second letter to Respondent
7 demanding that Respondent file its 2004 Audit Report, trust account reconciliation, and Report on
8 Internal Controls on or before July 27, 2005 and assessing a \$1,000 penalty pursuant to section
9 50326. The notice also advised Respondent that the failure to file the report or pay the penalty
10 would result in an action to suspend or revoke its license. Respondent filed its 2004 Audit Report,
11 trust account reconciliation, and Report on Internal Controls on or about July 27, 2005; however,
12 Respondent failed to pay the \$1000 penalty.
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14 10. On or about October 5, 2005, Complainant sent a third letter to Respondent notifying
15 Respondent that the Commissioner had received its 2004 Audit Report, trust account reconciliation,
16 and Report on Internal Controls; however, Respondent had failed to pay the \$1000 penalty. A copy
17 of the July 7, 2005 letter was enclosed. To date, Respondent has failed to pay the penalty in
18 violation of section 50326.
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20 11. Pursuant to section 50200, Respondent was required to submit its audited financial
21 statements for fiscal year ended December 31, 2005 (“2005 Audit Report”) to the Commissioner on
22 or before April 15, 2006, including a reconciliation of trust accounts, and an Independent Auditor’s
23 Report on Internal Controls (“Report on Internal Controls”) pursuant to California Code of
24 Regulations, Title 10, section 1950.200.
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26 12. On or about December 6, 2005, Complainant notified Respondent by letter that its
27 2005 Audit Report, trust account reconciliation, and Report on Internal Controls were due on or
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1 before April 15, 2006. Respondent failed to submit the 2005 Audit Report, trust account
2 reconciliation or Report on Internal Controls by such date.

3 13. On or about August 10, 2006, Complainant sent a second letter to Respondent
4 demanding that Respondent file its 2005 Audit Report, trust account reconciliation, and Report on
5 Internal Controls on or before August 20, 2006, and assessing a \$1,000 penalty pursuant to section
6 50326. The notice also advised Respondent that the failure to file the report or pay the penalty
7 would result in an action to suspend or revoke its license. Respondent filed its 2005 Audit Report,
8 trust account reconciliation, and Report on Internal Controls on or about September 5, 2006;
9 however, Respondent failed to pay the \$1000 penalty, which remains outstanding.

10 14. On or about July 28, 2005, the Commissioner commenced a regulatory examination
11 of the books and records of Respondent through his examination staff pursuant to section 50302.

12 15. On or about January 10, 2006, the Commissioner issued a Report of Examination to
13 Respondent setting forth the results of the examination and requiring Respondent to submit a report
14 to Complainant within thirty (30) days describing in detail the corrective action taken by
15 Respondent in response to the exceptions set forth in the report. The Report of Examination further
16 notified Respondent that the failure to file the report within ten (10) days of the due date would
17 result in penalties under section 50326, and thereafter, any failure would constitute grounds for the
18 suspension or revocation of Respondent's license. Respondent failed to respond to the Report of
19 Examination as required by section 50326.

20 16. Failure to file the Report, respond to the Commissioner's Report on Examination as
21 directed and/or pay assessed penalties constitute grounds under California Financial Code section
22 50327 for the revocation of a license issued under the CRMLA.
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17. On September 13, 2007, the Commissioner issued a Notice of Intention to Issue Order Revoking Residential Mortgage Lender License, Accusation and accompanying documents against Respondent based on the foregoing. Respondent was served with those documents on September 13, 2007 via certified mail, return-receipt requested, at its address of record on file with the California Department of Corporations. The Department has received no request for a hearing from Respondent.

NOW THEREFORE, GOOD CAUSE APPEARING, it is hereby ordered that the residential mortgage lender license issued by the Commissioner to Kastlepoint Mortgage, Inc. is hereby revoked. This Order is effective as of the date hereof. Pursuant to California Financial Code section 50311, Kastlepoint Mortgage, Inc. has sixty (60) days within which to complete any loans for which it had commitments.

Dated: October 17, 2007
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Alan S. Weinger
Lead Corporations Counsel
Enforcement Division