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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of :)	CRMLA LICENSE NO.: 413-0752
)	
THE CALIFORNIA COMMISSIONER OF)	ORDER REVOKING RESIDENTIAL
BUSINESS OVERSIGHT,)	MORTGAGE LENDER LICENSE
)	
Complainant,)	
v.)	
)	
LEGACY GROUP LENDING, INC.,)	
)	
Respondent.)	
)	
)	
)	

The California Commissioner of Business Oversight ("Commissioner") finds:
Legacy Group Lending, Inc. ("Legacy Group") is a residential mortgage lender licensed by
the Commissioner under the California Residential Mortgage Lending Act (Fin. Code, § 50000 et

1 seq.) (“CRMLA”) since April 12, 2006¹. Its principal place of business is located at 11225 SE 6th
2 Street, Suite 110, Bellevue, Washington. At all relevant times herein, Legacy Group operated
3 branches in the states of Arizona, California, Colorado, Oregon, Hawaii and Washington.

4 At all relevant times herein, Scott Rerucha was the president of Legacy Group and Edward
5 Bachtold (“Bachtold”) was its chief financial officer.

6 On or about November 8, 2012, the Commissioner, by and through her staff, commenced a
7 regulatory examination of Legacy Group. The examination revealed numerous violations of the
8 CRMLA, including the following:

9 1. Legacy Group did not directly deposit escrow funds into its proper trust accounts as
10 required by Financial Code section 50202. Consequently, it failed to maintain current its books and
11 records with reference to the trust accounts in violation of CCR section 1950.314.1;

12 2. Legacy Group had and continued to overcharge borrowers per diem interest in
13 violation of Financial Code section 50204, subdivisions (k) and (o); CCR section 1950.314.4,
14 subdivision (j) (6); and Civil Code section 2948.5. It was noted during the examination that eight
15 out of twenty-six funded loan files showed per diem interest overcharges. The Commissioner
16 previously cited the company for overcharging per diem interest during the April 2009 regulatory
17 examination;

18 3. At least one borrower was overcharged on the appraisal fee because there was no
19 evidence provided to fully substantiate the actual amount of the fee in violation of Financial Code
20 section 50204, subdivisions (c), (j), (k) and CCR section 1950.314.4, subdivision (j) (6); and

21 4. Legacy Group failed to maintain its books and records in a manner that would enable
22 the Commissioner to determine whether the licensee is in compliance with the CRMLA and the rules
23 and regulations promulgated therein in violation of Financial Code section 50314 and CCR section
24 1950.314.2. For instance, the evidence of disbursement date for loan proceeds on at least four loan
25 files was not in the file during the examination. In addition, a review of at least three loan files
26 disclosed that borrowers were given a disclosure labeled “California Finance Lenders Law Statement
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¹ The Commissioner initially issued the lender license to First Independent Mortgage Company. On March 30, 2007, the Commissioner issued an order approving the licensee’s name change to Legacy Group Lending, Inc.

1 of Loan” which would give the appearance that the loan was made under the authority other than the
2 CRMLA.

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1 Following the conclusion of the November 8, 2012 regulatory examination, the Report of
2 Examination (“Report”) dated August 7, 2013 was sent to Legacy Group noting the violations found
3 during the examination. The Report stated that Legacy Group must reply within thirty days from the
4 date of the report. The Report also stated that failure to comply within ten days from the due date, or
5 any extension of granted by the Commissioner, would result in penalties. Legacy Group failed to
6 submit its regulatory response or request an extension of time to submit its response by the deadline
7 imposed by the report.

8 On or about November 21, 2013, a letter along with a copy of the Report dated August 7,
9 2013 was sent to Legacy Group to remind it of its requirement to submit its regulatory response.

10 On or about December 10, 2013, the Commissioner received an undated letter from Legacy
11 Group stating that it was surrendering its license for its home office and for all of its branch
12 locations. Thereafter, on December 12, 2013, the Commissioner notified Legacy Group that under
13 Financial Code section 50123, prior to surrendering its license the company must file a plan for
14 surrender for the Commissioner’s approval. In addition, it must comply with all requirements of the
15 CRMLA and resolve all regulatory and administrative matters before the Department.

16 On or about March 4, 2014, the Commissioner issued an Order to Discontinue Residential
17 Mortgage Lending and/or Servicing Activities Pursuant to Section 50319, California Financial Code
18 because Legacy Group failed to maintain its surety bond as required by Financial Code section
19 50205.

20 On or about March 5, 2014, the Commissioner, through her staff, sent a letter to Legacy
21 Group identifying the documents that had been received and/or completed towards the surrender of
22 its lender license. Those documents include the closing audit, the electronic filing of the surrender
23 request through the Nationwide Mortgage Licensing System and Registry, and the company’s
24 payment of Invoice Numbers MB130185 and MB130185-1. The letter also indicated that all
25 regulatory and administrative matters with the Department must be completed prior to surrender.
26 Furthermore, Legacy Group was asked to provide a complete response to the report of examination
27 dated August 7, 2013 by March 31, 2014.

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1 On September 30, 2014, the Commissioner received an e-mail from Bachtold stating that
2 Legacy Group “has not closed a loan in California since last June and our company is out of
3 business.” Bachtold also attached the company’s Report of Principal Amount of Loans Originated
4 and Aggregate Amount of Loans Service for the 12 Month Period Ended December 31, 2013.

5 Numerous e-mails have been exchanged between the Commissioner’s staff and Legacy
6 Group concerning the company’s request to surrender its lender license. The Commissioner has
7 repeatedly asked for Legacy Group’s response to the violations noted in the August 7, 2013 report of
8 regulatory examination, specifically, Legacy Group’s improper calculations of the borrowers’ per
9 diem interest. Likewise, the Commissioner’s staff has repeatedly told Legacy Group that the
10 Department cannot accept the surrender of the company’s license until it has accounted for the per
11 diem overcharges. To date, Legacy Group has not submitted proof that it has properly accounted for
12 the per diem overcharges noted in the August 7, 2013 report of regulatory examination.

13 In addition to the noted violations discovered during the November 2012 regulatory
14 examination, Legacy Group also violated the CRMLA, as follows:

- 15 1. Legacy Group failed to file its audited financial statements for its fiscal year ended
16 December 31, 2013 as required by Financial Code section 50200 and CCR section 1950.200; and
- 17 2. Legacy Group failed to file its Mortgage Call Reports for Standard Financial
18 Condition for 2013 and 2014, and the Standard Mortgage Call Reports for the second, third and
19 fourth quarters of 2014 and the first quarter of 2015 as required by Financial Code sections 50124,
20 50307 and 50307.2, and CCR sections 1950.122 and 1950.307.
- 21 3. Legacy Group failed to pay its annual assessment, invoice numbers MB140195 and
22 MB140366, issued on September 30, 2014 and October 3, 2014, respectively, as required by
23 Financial Code section 50401.

24 On May 22, 2015, the Commissioner issued against Legacy Group a Notice of Intent to Issue
25 Order to Revoke residential Mortgage Lender License; Accusation to Revoke Residential Mortgage
26 Lender License; and accompanying documents (“administrative pleadings”) based upon the above,
27 and Legacy Group was serve with the administrative pleadings on May 26, 2015 at its mailing
28 address on file with the Department. However, on June 3, 2015, the package containing the

1 administrative pleadings was returned to the Department without a forwarding address.
2 Subsequently, Legacy Group was served via certified, return-receipt mail at 400 112th Ave., NE,
3 Suite 300, Bellevue, WA 98004 on June 6, 2015. The Commissioner has received no request for a
4 hearing from Legacy Group and the time to request a hearing has now expired.

5 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential
6 mortgage lender license issued by the Commissioner to Legacy Group Lending, Inc. is hereby
7 revoked. This order is effective as of the date hereof.

8 Dated: July 17, 2015

JAN LYNN OWEN
Commissioner of Business Oversight

11 By: _____
12 MARY ANN SMITH
13 Deputy Commissioner
14 Enforcement Division

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