

1 STATE OF CALIFORNIA
2 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
3 DEPARTMENT OF BUSINESS OVERSIGHT

4 TO: LoanMe, Inc.
5 1900 S State College Blvd., Suite #300,
6 Anaheim, CA 92806

7 DESIST AND REFRAIN ORDER
8 (For violations of California Code of Regulations, Title 10, Section 1451)

9 The Commissioner of Business Oversight (Commissioner) finds that:

- 10 1. LoanMe, Inc. (LoanMe) is a finance lender and broker licensed by the Commissioner
- 11 pursuant to the California Financing Law¹, Financial Code section 22000 *et seq.* (CFL).
- 12 2. LoanMe’s main office is 1900 S State College Blvd., Suite #300, Anaheim, CA
- 13 92806.
- 14 3. On or around April 14, 2015, the Commissioner commenced a regulatory examination
- 15 of LoanMe pursuant to Financial Code section 22701 (April 2015 Regulatory Exam). The April
- 16 2015 Regulatory Exam disclosed that from at least 2013 through 2015, LoanMe compensated
- 17 unlicensed persons or companies who were not employees regularly employed at LoanMe’s licensed
- 18 place of business for soliciting or accepting applications for loans.
- 19 4. The Commissioner, on September 22, 2016, made a formal demand on LoanMe (2016
- 20 Demand) to produce, among other documents, all agreements, invoices and payments related to
- 21 referrals or leads to determine the full extent of unlicensed persons or companies that LoanMe paid
- 22 for loan referrals. LoanMe produced documents to the Commissioner in response to the 2016
- 23 Demand, including a Lead Providers Report, which disclosed LoanMe paid for loan referrals to
- 24 persons or companies that did not have a broker license under the CFL.

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26 ¹ “Effective October 4, 2017, the name of the “California Finance Lenders Law” changed to the “California Financing Law.” (Assem.
27 Bill No. 1284 (2017-2018 Reg. Sess.) § 4.) For purposes of this document, a reference to the California Finance Lenders Law means
28 the California Finance Lenders Law before October 4, 2017 and the California Financing Law on and after that date. (Cal. Fin. Code, §
22000.)”

1 5. A review of the agreements produced by LoanMe in response to the 2016 Demand
2 revealed that between 2014-2016, LoanMe compensated unlicensed persons or companies who were
3 not employees regularly employed at LoanMe’s licensed place of business for soliciting or accepting
4 applications for small business loans, through contract arrangements, including but not limited to
5 following:

6 a. LoanMe entered into a “Lead Referral Agreement” with at least 68 unlicensed
7 companies not regularly employed at LoanMe’s licensed place of business, whereby the “Lead
8 Provider” agrees to take reasonable efforts to ensure that each “Lead” contains “the first and last
9 name, email address, and working phone number of a business owner or officer...” The “Lead
10 Provider” then agrees to “provide Leads” to LoanMe.

11 b. LoanMe, in return, agrees to provide “a weekly accounting to Lead Provider of
12 all business owners who have been referred by Lead Provider to LoanMe. This report shall include
13 the status of the business owner’s loan application...”

14 c. The information shared between the parties are defined in the agreements as
15 “either proprietary or confidential.” The agreements state that “Leads”, as provided by the “Lead
16 Provider,” are part of the confidential information shared between LoanMe and the unlicensed
17 companies. The agreements further define confidential information to include, “[i]nformation relating
18 to and identified with persons and business, including, but not limited to, their names, addresses,
19 telephone numbers, fax numbers, e-mail addresses, Social Security numbers, applications, account
20 balances, account histories, employment histories, and all other non-public personal information...”

21 d. Furthermore, the agreements also stipulate that LoanMe will pay the
22 unlicensed companies a percentage of the loan proceeds from funded loans that LoanMe obtained
23 through referrals from the unlicensed companies. The agreements also provide that LoanMe will pay
24 the unlicensed companies a smaller percentage of the loan proceeds if the funded loan was obtained
25 from a prior lead. Payment is contingent on the funding of a loan for each lead.

26 e. In the invoices provided by LoanMe to the Commissioner, each invoice
27 contains a line item with the “Loan ID” number for the funded loan for each loan originated from the
28 leads provided by the unlicensed companies. Furthermore, the invoices also specifies that LoanMe is

1 being charged “Commissions” for funded loans. One invoice between LoanMe and at least one
2 unlicensed company contain line items under “Activity,” which specifically state “Broker Fees” as
3 the activity LoanMe is being charged for under “Commission.”

4 f. LoanMe also entered into “Marketing Services Agreements” with unlicensed
5 persons and companies who were not employees regularly employed at LoanMe’s licensed place of
6 business, whereby LoanMe would pay a marketing fee for each lead provided to LoanMe. In
7 exchange, the unlicensed companies would filter and exclude leads for LoanMe in accordance with
8 filter and exclusion criteria set forth in the Insertion Orders incorporated into the agreement,
9 including, but not limited to, age, income, FICO score, state of residency, credit status, military
10 status, employment status, and loan amount.

11 6. The Commissioner is authorized to pursue administrative actions and remedies against
12 persons and licensees who engage in violations of the CFL.

13 7. California Code of Regulations, title 10, section 1451, subsection (c) provides, in
14 pertinent part:

15 No finance company shall pay any compensation to an unlicensed person
16 or company for soliciting or accepting applications for loans, except for
17 an employee regularly employed at a licensed place of business of the
finance company

18 8. Financial Code section 22712, subdivision (a) provides, in pertinent part:

19 Whenever, in the opinion of the commissioner, . . . any licensee violates
20 any provision of this division, any provision of an order, or any regulation
21 adopted pursuant to this division, the commissioner may order that person
22 or licensee to desist and to refrain from engaging in the business or further
23 continuing that violation. If, within 30 days after the order is served, a
written request for a hearing is filed and no hearing is held within 30 days
thereafter, the order is rescinded

24 Based on the foregoing, the Commissioner of Business Oversight is of the opinion that
25 LoanMe, Inc. violated California Code of Regulations, title 10, section 1451, by paying
26 compensation to unlicensed persons or companies who were not employees regularly employed at its
27 licensed place of business for soliciting or accepting applications for loans.

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1 Pursuant to Financial Code section 22712, LoanMe, Inc. is hereby ordered to desist and
2 refrain from violating California Code of Regulations, title 10, section 1451.

3 This Order is necessary, in the public interest and consistent with the purposes, policies, and
4 provisions of the California Financing Law. This Order shall remain in full force and effect until
5 further order of the Commissioner.

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7 Dated: July 2, 2018
8 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

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By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

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