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Deputy Commissioner
2 MIRANDA LEKANDER
Assistant Chief Counsel
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Counsel
4 Department of Business Oversight
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7 Attorneys for Complainant
8

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

12 In the Matter of:) CRMLA LICENSE NO. 413-0940
13)
14 MORTGAGE RESEARCH CENTER, LLC doing) CFLL LICENSE NO. 603A581
15 business as VALOANS.COM, VETERAN LOAN)
16 CENTER, VETERANS UNITED HOME) **NOTICE OF ERRATA**
17 LOANS, VETERANS UNITED HOME LOANS) **RE: CONSENT ORDER**
18 OF HAWAII, VETERANS UNITED HOME)
19 LOANS OF SAN DIEGO, and)
20 www.VAMORTGAGECENTER.com,)
Respondent.)

21 PLEASE TAKE NOTICE that the following correction of an inadvertent error has been
22 made to the above-captioned Consent Order executed on January 27, 2017:

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(1) The term “funding” was changed to “disbursement” in line 17 of paragraph 9 on page 6 to properly reflect the term to which the Consent Order intended to refer. A corrected copy of the Consent Order is attached herewith as Exhibit A.

Dated: 2/17/17 JAN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: 2/16/17 MORTGAGE RESEARCH CENTER, LLC doing business as VALOANS.COM, VETERAN LOAN CENTER, VETERANS UNITED HOME LOANS, VETERANS UNITED HOME LOANS OF HAWAII, VETERANS UNITED HOME LOANS OF SAN DIEGO, and www.VAMORTGAGECENTER.com

By _____
Nathaneal K. Long
Chief Executive Officer

1 MARY ANN SMITH
Deputy Commissioner
2 MIRANDA LEKANDER
Assistant Chief Counsel
3 MARISA I. URTEAGA-WATKINS (State Bar No. 236398)
Counsel
4 Department of Business Oversight
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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

12 In the Matter of:) CRMLA LICENSE NO. 413-0940
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14 MORTGAGE RESEARCH CENTER, LLC doing) CFLL LICENSE NO. 603A581
business as VALOANS.COM, VETERAN LOAN)
15 CENTER, VETERANS UNITED HOME) **CONSENT ORDER**
16 LOANS, VETERANS UNITED HOME LOANS)
OF HAWAII, VETERANS UNITED HOME)
17 LOANS OF SAN DIEGO, and)
www.VAMORTGAGECENTER.com,)
18 Respondent.)
19)
20)

21 This Consent Order (Order) is entered into between the Commissioner of Business
22 Oversight (Commissioner) and Mortgage Research Center, LLC doing business as VALoans.com,
23 Veteran Loan Center, Veterans United Home Loans, Veterans United Home Loans of Hawaii,
24 Veterans United Home Loans of San Diego, and www.VAMortgageCenter.com (collectively,
25 Mortgage Research) , and is made with respect to the following facts:

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RECITALS

A. The Commissioner has jurisdiction over the licensing and regulation of persons and entities engaged in the business of lending and/or servicing residential mortgage loans pursuant to the California Residential Mortgage Lending Act (CRMLA) (Fin. Code, § 50000 et seq.)

B. Mortgage Research is a residential mortgage lender and loan servicer licensed by the Commissioner since April 3, 2008 pursuant to the CRMLA. Mortgage Research is also a finance lender licensed by the Commissioner since October 15, 2014, pursuant to the California Finance Lender Law (CFL) (Fin. Code, § 22000 et seq.). Mortgage Research has its principal place of business located at 1400 Veterans United Drive, Columbia, Missouri, 65023. Mortgage Research operates branch offices in California.

C. Nathaneal K. Long is the Chief Executive Officer of Mortgage Research and is authorized to enter into this Consent Order on behalf of Mortgage Research.

D. On May 5, 2014, the Department of Business Oversight (Department) commenced a duly noticed regulatory examination of the books and records of at Mortgage Research's principal place of business pursuant to the CRMLA (Examination). The Examination disclosed the following:

1. Mortgage Research assessed and collected per diem interest charges in loan transactions in excess of amounts permitted by the CRMLA, in violation of Financial Code section 50204, subdivision (o), and Civil Code section 2948.5;

2. Mortgage Research used a Fair Lending Notice, in some instances, referring applicants to multiple contact agencies, rather than directing applicants solely to the Department, as required by Health and Safety Code section 35830 and Code of Federal Regulations, title 21, section 7114; and,

3. Mortgage Research did not properly reconcile company trust funds as of March 31, 2014, in violation of California Code of Regulations, title 10, section 1950.314.1. While Mortgage Research reconciled trust funds weekly, it did not reconcile them at month end. As a result, trust cash balances as of March 31, 2014 were not sufficient to cover the trust liabilities, resulting in a trust shortage of \$714,543.00 in trust account ending in 6718 at Boone County National Bank, in violation of Financial Code section 50202 and California Code of Regulations, title 10, section

1 1950.314.During the course of the examination, Mortgage Research corrected the shortage on and
2 instituted procedures designed to ensure trust funds are reconciled at the end of each month.

3 E. Beginning in August 2014, Mortgage Research voluntarily conducted a self-audit designed
4 to ensure any per diem interest overcharges during the exam period were refunded (Self-Audit).
5 From this Self-Audit, refunds were issued in connection with 283 loans, totaling \$19,515.69. In
6 June 2015, Mortgage Research engaged an independent third-party auditor to review the Self-Audit
7 covering all closed loans from March 18, 2011 to May 19, 2015 (Independent Audit). The
8 Independent Audit confirmed the results of the Self-Audit but included additional refunds to
9 account for a larger review period and refunds of interest on the amounts owed. Between the two
10 audits, refunds were made on 519 loans, with interest and overcharges totaling \$40,579.82. As the
11 Independent Audit identified overcharges, Mortgage Research issued refund checks to the affected
12 borrowers for the amount of the overcharge to each borrower plus 10 percent annual interest. The
13 total amount of refunds issued by Mortgage Research based upon the results of the Self-Audit and
14 the Independent Audit was \$40,579.82.

15 F. Mortgage Research agrees to the issuance of this Consent Order without the need for the
16 Commissioner to file an administrative action and desires to cooperate fully with the Department to
17 correct and remedy any past violations.

18 G. It is the intention and desire of the parties to resolve this matter without the necessity of a
19 hearing and/or other litigation.

20 H. The Commissioner finds that this action is appropriate, in the public interest, protects
21 consumers, and is consistent with the purposes fairly intended by the policy and provisions of the
22 CRMLA.

23 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set
24 forth herein, the parties agree as follows:

25 TERMS AND CONDITIONS

26 1. Purpose. The purpose of this Consent Order is to resolve the violations discovered during
27 the Examination in a manner that avoids the expense of court proceedings and a hearing.

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1 2. Finality of Order. Mortgage Research hereby agrees to comply with the Consent Order and,
2 further, stipulates that this Consent Order is hereby deemed a final and enforceable order issued
3 pursuant to the Commissioner's authority under Financial Code sections 50321, 50504 and 50513.

4 3. Waiver of Hearing Rights. Mortgage Research acknowledges that the Commissioner is
5 ready, willing, and able to proceed with the filing of an administrative action on the charges
6 contained in this Consent Order, and Mortgage Research hereby waives the right to a hearing, and
7 to any reconsideration, appeal, or other right to review which may be afforded pursuant to the
8 CRMLA. Mortgage Research further expressly waives any requirement for the filing of an
9 Accusation that may be afforded by Government Code section 11415.60, subdivision (b); the
10 Administrative Procedure Act, the Code of Civil Procedure, or any other provision of law; and by
11 waiving such rights, Mortgage Research effectively consents to this Consent Order becoming final.

12 4. Independent Audit Reports. Mortgage Research agrees to engage an independent certified
13 public accountant, certified public accounting firm, or compliance auditing firm that is reasonably
14 acceptable to the Department to conduct an independent audit and to provide the reports as set forth
15 in Paragraphs 4-6 of this Consent Order (Independent Audit Reports) as follows:

16 a. The first Independent Audit Report shall cover all California loans originated and/or
17 funded by Mortgage Research from May 20, 2015 through the date of execution of this Consent
18 Order, and shall be submitted to the Department by no later than 120 days after the execution of this
19 Consent Order; and,

20 b. For a period of one year from the date of the execution of this Consent Order,
21 Mortgage Research shall provide quarterly Independent Audit Reports to the Department as to all
22 new California loans originated and/or funded by Mortgage Research during that period. These
23 reports shall be due within 60 days of the completion of the quarters ending on the following dates:
24 (i) March 31, 2017; (ii) June 30, 2017; (iii) September 30, 2017; and (iv) December 31, 2017.

25 5. Reports on Per Diem Interest Overcharges. The audit report of the Independent Auditor
26 under Paragraph 4, with respect to per diem charges, shall include, at a minimum, the following: (i)
27 the total number of loans originated and funded by Mortgage Research during the period specified
28 in Paragraph 4; (ii) the number of loans with per diem interest charges in excess of the amount

1 permitted by Financial Code section 50204, subdivision (o) and Civil Code section 2948.5; and (iii)
2 for each and every loan, the borrower loan number, borrower name, address, loan amount, loan
3 date, per diem interest charged, per diem interest that should have been charged under Financial
4 Code section 50204, subdivision (o) and Civil Code section 2948.5, overcharge amount (if any),
5 date of refund (if applicable), and proof of refund (if applicable). Reports submitted pursuant to
6 this paragraph shall be sent to: Department of Business Oversight, Enforcement Division, Attn:
7 Marisa I. Urteaga-Watkins, Counsel, 1515 K Street, Suite 200, Sacramento, California 95814.

8 6. Reports on Loan Files and Trust Fund Accounts. Mortgage Research agrees to have the
9 Independent Auditor conduct an internal review of Mortgage Research trust account records to
10 determine whether its policies and procedures to prevent trust fund shortages are effective. The
11 audit shall cover a three-month period immediately following the engagement of the Independent
12 Auditor and an audit report shall be submitted to the Department no later than 60 calendar days after
13 the end of the three-month period that is audited. The report shall describe whether any additional
14 trust fund shortages were found. Reports submitted pursuant to this paragraph shall be sent to:
15 Department of Business Oversight, Enforcement Division, Attn: Marisa I. Urteaga-Watkins,
16 Counsel, 1515 K Street, Suite 200, Sacramento, California 95814.

17 7. Payment of Refunds. Mortgage Research agrees to refund any amounts of per diem interest
18 charged in excess of that permitted under Financial Code section 50204, subdivision (o), and Civil
19 Code section 2948.5 as follows:

20 a. Mortgage Research represents that as it was conducting the Self-Audit it sent refunds
21 to borrowers of the amount of per diem interest overcharged, plus interest at the rate of 10 percent
22 per annum as they were revealed by the Self-Audit. As a result, Mortgage Research has already
23 refunded \$40,579.82 to borrowers; and,

24 b. For any additional overcharges identified pursuant to the Independent Audit Reports
25 described in Paragraphs 4-6 above, that exceed the amount of \$1.00, refunds shall be mailed to the
26 last known address of each borrower no later than 30 calendar days after the date of loan
27 disbursement. For any overcharge identified pursuant to this paragraph that is not mailed as
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1 specified above, Mortgage Research shall pay the borrower interest on the amount of the refund at
2 the rate of 10 percent per annum.

3 8. Outstanding Refunds. No later than 90 calendar days after the submission of each of the
4 Independent Audit Reports referred to in Paragraphs 4-6 above, Mortgage Research shall notify the
5 Commissioner of any refund payment that has been returned or remains outstanding for loans
6 originated during the period covered by the Independent Audit Reports. Mortgage Research shall be
7 responsible for ensuring that any outstanding refund payment owed to any borrower identified in
8 the Independent Audit Report required by Paragraph 4 above is escheated to the State of California
9 pursuant to the provisions of the Unclaimed Property Law (Code Civ. Proc., § 1500 et seq.).

10 9. Payment of Penalties. Mortgage Research shall pay the sum of \$100,000.00, which shall be
11 due within 30 calendar days of the effective date of this Consent Order, as such date is defined in
12 Paragraph 25, made payable in the form of a cashier's check or Automated Clearing House deposit
13 to the "Department of Business Oversight," and transmitted to the attention of: Accounting-
14 Enforcement Division, at the Department of Business Oversight located at 1515 K Street, Suite 200,
15 Sacramento, California, 95814.

16 Mortgage Research shall pay \$144.50 for each additional per diem interest overcharge
17 violation discovered by the Independent Audit that is not refunded within 30 days of loan funding to
18 be paid within 30 days of the submission of each Independent Audit Report described in Paragraphs
19 4-8 above and shall be paid in the same manner and location as indicated above. Notice of all
20 payments shall be sent to: Department of Business Oversight, Enforcement Division, Marisa I.
21 Urteaga-Watkins, Counsel, 1515 K Street, Suite 200, Sacramento, California 95814.

22 10. Declaration of Policies and Procedures. Mortgage Research has submitted to the
23 Commissioner a declaration under the penalty of perjury (Declaration) from an officer with personal
24 knowledge of Mortgage Research's policies and procedures that sets forth all policies and
25 procedures that have been implemented as of the date of this Consent Order by Mortgage Research
26 to ensure compliance with Financial Code sections 50204, subdivisions (e) and (o), and 50326, and
27 Civil Code section 2948.5. The Commissioner has reviewed the Declaration and deemed the
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1 policies and procedures contained therein as satisfactory. Mortgage Research agrees to continue
2 implementing those policies and procedures and to make updates as required in the future.

3 11. Effect of Consent Order on License. In consideration of Mortgage Research's agreement to
4 provide the audit reports described in the paragraphs above, to the entry of this Consent Order, and
5 to pay penalties required by Paragraph 9 hereof, the Commissioner hereby agrees that except as set
6 forth in this Consent Order, she shall not suspend the residential mortgage lender/servicer license or
7 the finance lender license of Mortgage Research or take any further action based on violation of the
8 code provisions cited in this order for the period of May 1, 2014 through the date of execution of
9 this Consent Order, as such date is defined in Paragraph 25. Accordingly, this Consent Order does
10 not affect the licensing status of Mortgage Research. It is further agreed that this Consent Order
11 resolves any and all issues arising from the Examination.

12 12. Suspension of License for Failure to Comply with Order. If Mortgage Research fails to
13 comply with any deadline or any requirement in this Consent Order, other than inadvertent and
14 isolated errors that are promptly corrected by Mortgage Research no later than 10 days after written
15 notification by the Commissioner, Mortgage Research shall be immediately suspended from lending
16 under its CRMLA license and its CFLL license until the requirement is met. In the case of any
17 failure involving an untimely or insufficient refund of per diem interest overcharges, Mortgage
18 Research shall have no more than 30 calendar days to correct such failure. If Mortgage Research
19 does not timely meet the deadline of 30 calendar days to correct such failure, Mortgage Research
20 shall be immediately suspended from lending under its CRMLA license until the requirement is
21 met. Mortgage Research shall immediately notify the Department of such failure and cooperate with
22 the Department to cause such failure to be rectified as soon as reasonably practicable. Mortgage
23 Research hereby waives any notice and hearing rights to contest the immediate suspension from
24 lending resulting from failure to comply with Paragraphs 4-9 above that may be afforded under the
25 Financial Code, the Administrative Procedures Act, the Code of Civil Procedure, or any other
26 provisions of law.

27 13. Full and Final Settlement. The parties hereby acknowledge and agree that this Consent
28 Order is intended to constitute a full, final, and complete resolution of the Department's

1 investigation of Mortgage Research for violations discovered during its Examination and that no
2 further proceedings or actions will be brought by the Commissioner in connection with these
3 matters either under the CRMLA, or any other provision of law, excepting therefrom any
4 proceeding to enforce compliance with the terms of this Consent Order, or action if such proceeding
5 or action is based upon discovery of new and further violations of the CRMLA which do not form
6 the basis for this Consent Order or which are not related to violations of either Civil Code section
7 2948.5 or Financial Code section 50204, subdivision (o), or California Code of Regulations, title 10,
8 section 1950.314.1., or Financial Code section 50202 and California Code of Regulations, title 10,
9 section 1950.314, or which were knowingly concealed from the Commissioner by Mortgage
10 Research.

11 14. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in interest.

12 15. Commissioner's Duties. The parties further acknowledge and agree that nothing contained
13 in this Consent Order shall operate to limit the Commissioner's ability to assist any other agency
14 (city, county, state or federal) with any prosecution, administrative, civil or criminal, brought by any
15 such agency against Mortgage Research or any other person based upon any of the activities alleged
16 in these matters or otherwise.

17 16. Third Party Actions. It is the intent and understanding between the parties that this Consent
18 Order does not create any private rights or remedies against Mortgage Research, create any liability
19 for Mortgage Research or limit defenses of Mortgage Research for any person or entity not a party
20 to this Consent Order.

21 17. Future Actions by Commissioner. This Consent Order may be revoked and the
22 Commissioner may pursue any and all remedies available under law against Mortgage Research if
23 the Commissioner later discovers that Mortgage Research knowingly or willfully withheld
24 information used for and relied upon in this Consent Order. Further, Mortgage Research agrees that
25 this Consent Order does not resolve any penalties that may be assessed by the Commissioner upon
26 discovery of new and further violations of the CRMLA.

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1 18. Independent Legal Advice. Each of the parties represents, warrants, and agrees that it has
2 received independent advice from its attorney(s) and/or representatives with respect to the
3 advisability of executing this Consent Order.

4 19. Counterparts. The parties agree that this Consent Order may be executed in one or more
5 separate counterparts, each of which when so executed, shall be deemed an original. Such
6 counterparts shall together constitute and be one and the same instrument.

7 20. Waiver, Modification, and Qualified Integration. The waiver of any provision of this
8 Consent Order shall not operate to waive any other provision set forth herein. No waiver,
9 amendment, or modification of this Consent Order shall be valid or binding to any extent unless it is
10 in writing and signed by all of the parties affected by it.

11 21. Headings and Governing Law. The headings to the paragraphs of this Consent Order are
12 inserted for convenience only and will not be deemed a part hereof or affect the construction or
13 interpretation of the provisions hereof. This Consent Order shall be construed and enforced in
14 accordance with and governed by California law.

15 22. Full Integration. Each of the parties represents, warrants, and agrees that in executing this
16 Consent Order it has relied solely on the statements set forth herein and the advice of its own
17 counsel. Each of the parties further represents, warrants, and agrees that in executing this Consent
18 Order it has placed no reliance on any statement, representation, or promise of any other party, or
19 any other person or entity not expressly set forth herein, or upon the failure of any party or any
20 other person or entity to make any statement, representation or disclosure of anything whatsoever.
21 The parties have included this clause to preclude any claim that any party was in any way
22 fraudulently induced to execute this Consent Order.

23 23. Presumption from Drafting. In that the parties have had the opportunity to draft, review and
24 edit the language of this Consent Order, no presumption for or against any party arising out of
25 drafting all or any part of this Consent Order will be applied in any action relating to, connected to,
26 or involving this Consent Order. Accordingly, the parties waive the benefit of Civil Code section
27 1654 and any successor or amended statute, providing that in cases of uncertainty, language of a
28 contract should be interpreted most strongly against the party who caused the uncertainty to exist.

1 24. Voluntary Agreement. Mortgage Research enters into this Consent Order voluntarily and
2 without coercion and acknowledges that no promises, threats or assurances have been made by the
3 Commissioner or any officer, or agent thereof, about this Consent Order.

4 25. Effective Date. This Consent Order shall not become effective until signed by all parties
5 and delivered by the Commissioner's agent by email to Mortgage Research's counsel at
6 bcooper@veteransunited.com.

7 26. Public Record. This Consent Order is a public record.

8 27. Authority to Execute. Each signator hereto covenants that he/she possesses all necessary
9 capacity and authority to sign and enter into this Consent Order.

11 Dated: 1/27/17 JAN LYNN OWEN
12 Commissioner of Business Oversight

14 By _____
15 MARY ANN SMITH
16 Deputy Commissioner
17 Enforcement Division

18 Dated: 1/27/17 MORTGAGE RESEARCH CENTER, LLC doing business as
19 VALOANS.COM, VETERAN LOAN CENTER,
20 VETERANS UNITED HOME LOANS, VETERANS
21 UNITED HOME LOANS OF HAWAII, VETERANS
22 UNITED HOME LOANS OF SAN DIEGO, and
23 www.VAMORTGAGECENTER.com

24 By _____
25 Nathaneal K. Long
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