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California Corporations Commissioner
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BEFORE THE DEPARTMENT OF CORPORATIONS

10

OF THE STATE OF CALIFORNIA

11

THE CALIFORNIA CORPORATIONS)
12 COMMISSIONER,)

File No.: 413-0602

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Complainant,)

**ORDER REVOKING RESIDENTIAL
MORTGAGE LENDER AND MORTGAGE
LOAN SERVICER LICENSE**

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v.)

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NEWKEY HOME LENDING; PINNACLE)
HOME LOAN (MAC ONE INVESTMENTS,)
17 INC., DBA),)

18

Respondent.)

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The Complainant, California Corporations Commissioner ("Commissioner) finds:

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1. Respondent Newkey Home Lending; Pinnacle Home Loan (Mac One Investments, Inc. DBA) ("NEWKEY") is a residential mortgage lender and mortgage loan servicer licensed by the California Department of Corporations pursuant to the California Residential Mortgage Lending Act ("CRMLA") (California Financial Code sections 50000 et seq.).

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2. Pursuant to California Financial Code section 50200, NEWKEY was required to submit an annual audit report ("Audit Report") for its fiscal year ending on December 31, 2005 no later than April 15, 2006. NEWKEY failed to file its 2005 Audit Report.

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1 3. Pursuant to California Financial Code section 50326, NEWKEY was required to pay
2 \$100.00 penalty for each day up to the 10th day for failure to file a report required by law or by the
3 Commissioner. On August 10, 2006, NEWKEY was notified that it must remit a penalty in the
4 amount of \$1,000.00 for its failure to file its 2005 Audit Report. NEWKEY was also notified that its
5 failure to file its Audit Report or remit the \$1,000.00 penalty would result in a revocation of its
6 license. NEWKEY filed its 2005 Audit Report on August 28, 2006, but it never paid the
7 administrative penalty.

8 4. NEWKEY was required to submit its Audit Report for its fiscal year ending on
9 December 31, 2007 no later than April 15, 2008. NEWKEY failed to file its 2007 Audit Report.

10 5. On June 4, 2008, the Commissioner notified NEWKEY that it had failed to file its
11 2007 Audit Report. NEWKEY was further notified that its failure to file the 2007 Audit Report
12 would result in assessment of fines. Again, NEWKEY failed to file its 2007 Audit Report.

13 6. On August 1, 2008, NEWKEY was notified that it must remit a penalty in the amount
14 of \$1,000.00 for its failure to file its 2007 Audit Report. NEWKEY was also notified that its failure
15 to file the Audit Report or remit the \$1,000.00 penalty would result in a revocation of its license.

16 7. Pursuant to California Financial Code sections 50307, 50401 and California Code of
17 Regulations, title 10, section 1950.314.8, NEWKEY was required to file an annual Report of
18 Principal Amount of Loans and Aggregate Amount of Loans Serviced ("Activity Report") on or
19 before March 1st of each year for the preceding 12-month period ended December 31.

20 8. On February 1, 2008, an Activity Report form was sent to NEWKEY with a notice
21 that its Activity Report was due on or before March 1, 2008. NEWKEY did not file its Activity
22 Report.

23 9. On May 15, 2008, the Commissioner notified NEWKEY that it had failed to file its
24 Activity Report and NEWKEY must remit a penalty in the amount of \$1,000.00 for its failure to file
25 its Activity Report.

26 10. On October 1, 2008, NEWKEY filed its 2007 Audit Report and submitted information
27 regarding restructuring of its management. After reviewing the 2007 Audit Report, reviewing the
28 information regarding restructuring of NEWKEY's management and examining its file, the

1 Commissioner discovered that NEWKEY had failed to remit the three prior penalties that were
2 assessed on August 10, 2006, May 15, 2008 and August 1, 2008 totaling \$3,000.00, failed to pay its
3 fiscal year 2008-2009 annual assessment fees, failed to file its Activity Report, and failed to file the
4 2007 Residential Mortgage Loan Report. Furthermore, NEWKEY changed its name and officers
5 without notifying the Commissioner.

6 11. Pursuant to California Financial Code section 50124(a)(6), NEWKEY was required to
7 file with the Commissioner post-licensing amendments prior to any material change in the
8 information contained in the licensing application. Pursuant to California Financial Code section
9 50206, NEWKEY was required to submit a written application prior to a change of control of its
10 business. In violation of sections 50124(a)(6) and 50206, NEWKEY failed to file the post-licensing
11 amendments and failed to submit a written application to reflect these changes.

12 12. On October 2, 2008, the Commissioner notified NEWKEY that it was required to file
13 post-licensing documents to reflect the changes, remit the three delinquent penalties, pay its fiscal
14 year 2008-2009 annual assessment, file its Activity Report and file the 2007 Residential Mortgage
15 Loan Report. In response to the Commissioner's October 2, 2008 demand, NEWKEY submitted
16 incomplete and deficient reports and post-licensing documents.

17 13. On October 31, 2008, the Commissioner notified NEWKEY that the reports and post-
18 licensing documents were incomplete and deficient, and that it had failed to pay the penalties and the
19 annual assessment.

20 14. On November 7, 2008, NEWKEY paid the penalties and again submitted incomplete
21 and deficient reports and post-licensing documents. On December 15, 2008, the Commissioner again
22 notified NEWKEY that the reports and post-licensing documents were incomplete and deficient, and
23 that NEWKEY failed to pay the assessment. Subsequently, NEWKEY paid its fiscal year 2008-2009
24 annual assessment and filed the reports.

25 15. On February 27, 2009 and March 12, 2009, the Commissioner again informed
26 NEWKEY of the required post-licensing documents that should have been filed to reflect the
27 changes. NEWKEY was notified that failure to completely submit all the required post-licensing
28 amendments would result in an action to suspend or revoke its license. The Commissioner further

1 notified NEWKEY that an on-site regulatory examination would be conducted in May 2009.

2 16. Notwithstanding the Commissioner numerous attempts to assist NEWKEY, it failed to
3 completely and adequately file the amendments reflecting the material changes.

4 17. Pursuant to California Financial Code section 50302, on May 20, 2009, the
5 Commissioner, by and through his examiner, conducted a regulatory examination of NEWKEY's
6 business. The Commissioner noted several violations in addition to the previous violations.

7 18. Pursuant to California Financial Code section 50120(b), NEWKEY may not engage in
8 the business as a residential mortgage lender under a name other than the name that appears on its
9 license. According to the documents obtained by the Commissioner and in violation of section
10 50120(b), NEWKEY is using different names other than the name that appears on its license,
11 including, but not limited to, Newkey Home Lending, Newkey Financial Corp., and Newkey Home
12 Lending Corporation.

13 19. Section 1950.204.3 of the California Code of Regulations requires a license to use the
14 following statement: "Licensed by the Department of Corporations under the California Residential
15 Mortgage Lending Act" in any written, printed, spoken or recorded communication. In violation of
16 section 1950.204.3, NEWKEY's website did not indicate the authority under which it was authorized
17 to do business.

18 20. Pursuant to California Financial Code section 50124(a)(2), NEWKEY must keep and
19 maintain business records and other information required by law or rules of the Commissioner
20 regarding any mortgage loan made or serviced in the course of the conduct of its business. On May
21 20, 2009, the Commissioner requested a copy of NEWKEY's Board Minutes from August 2007 to
22 September 2008. NEWKEY informed the Commissioner that its "Ex-Corporate Secretary Mr. Donte
23 Andry" deleted its Board Minutes for that period for confidentiality purposes.

24 21. Pursuant to California Financial Code section 50306, a written notification must be
25 made to the Commissioner prior to opening a new branch office or making any changes to existing
26 business location. NEWKEY notified the Commissioner after it moved out of its Corona office.
27 According to NEWKEY's executive assistant, its loan agents were conducting CRMLA activities
28 from their residence.

1 22. Pursuant to California Financial Code section 50207(b), a license is not transferable or
2 assignable. The U.S. Department of Housing and Urban Development issued Handbook 4060.1 Rev-
3 2 FHA: Title II Mortgagee Approval (“Mortgagee Approval”) in August 2006 that both prohibits and
4 provides guidance and clarification for certain branch arrangements, staffing requirements and
5 payments of operating expenses. The Commissioner considers these guidelines when reviewing
6 operations by licensees under CRMLA. In violation of section 50207(b), NEWKEY entered into a
7 “Recruiting Agreement” and an “Outside Loan Agent Employment Agreement”.

8 23. Pursuant to California Financial Code section 50200(d), NEWKEY was required to
9 file an Audit Report certified by a certified public accountant. In violation of section 50200(d),
10 NEWKEY’s 2008 Audit Report was not certified by a certified public accountant.

11 24. On June 25, 2009, the Commissioner notified NEWKEY about the violations and
12 asked NEWKEY to submit the corrections within thirty calendar days. NEWKEY failed to
13 completely and adequately file the corrections and remedy the violations.

14 25. On April 9, 2009, the Commissioner filed and served an Accusation in Support of
15 Revocation of NEWKEY’s License, the Notice of Intention to Issue Order Revoking NEWKEY’s
16 License, and the accompanying documents (collectively, “Accusation”).

17 26. On May 29, 2009, NEWKEY timely requested a hearing. A hearing was set for
18 October 13, 2009 in San Diego, California. The Commissioner notified NEWKEY of the hearing.

19 27. On September 16, 2009, the Commissioner filed and served an amended Accusation.

20 28. The hearing was held on October 13, 2009 at the Office of Administrative Hearings in
21 San Diego, California before Judge James Ahler.

22 29. On November 6, 2009, Judge James Ahler issued his proposed decision wherein he
23 found that good cause was established to revoke NEWKEY’s license and ordered that the residential
24 mortgage lender and mortgage loan servicer license issued to NEWKEY be revoked and NEWKEY
25 be given a transition period of sixty days to complete any loans for which it had prior commitments.

26 30. On December 9, 2009, the Commissioner adopted Judge James Ahler’s proposed
27 decision with technical and minor changes.

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1 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential
2 mortgage lender and mortgage loan servicer license issued by the Commissioner to Newkey Home
3 Lending; Pinnacle Home Loan (Mac One Investments, Inc. DBA) is hereby revoked. This order is
4 effective as of December 9, 2009. Pursuant to California Financial Code section 50311, Newkey
5 Home Lending; Pinnacle Home Loan (Mac One Investments, Inc. DBA) has sixty days within which
6 to complete any loans for which it had commitments.

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8 DATED: December 14, 2009
9 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

10 By _____
11 ALAN S. WEINGER
12 Deputy Commissioner
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