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California Corporations Commissioner
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BEFORE THE DEPARTMENT OF CORPORATIONS

10

OF THE STATE OF CALIFORNIA

11

In the Matter of the Accusation of THE
12 CALIFORNIA CORPORATIONS
COMMISSIONER,

) File No.: 413-0168

13

Complainant,

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

14

15

v.

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MORTGAGE LENDERS NETWORK USA,
17 INC.,

18

Respondent.

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The California Corporations Commissioner finds:

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21 1. Respondent Mortgage Lenders Network USA, Inc. ("Mortgage Lenders Network") is
22 a residential mortgage lender licensed by the California Corporations Commissioner
23 ("Commissioner") pursuant to the California Residential Mortgage Lending Act (California Financial
24 Code, § 50000 et seq.) ("CRMLA"). Mortgage Lenders Network has its principal place of business
25 located at 213 Court Street, Suite 1100, Middletown, Connecticut 06457.

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27 2. Pursuant to California Financial Code sections 50307 and 50401, Mortgage Lenders
28 Network is required to file an annual Report of Principal Amount of Loans and Aggregate Amount of
Loans Serviced ("Activity Report") on or before March 1st of each year for the preceding 12-month

1 period ended December 31st.

2 3. On January 19, 2007, an Activity Report form was sent to Mortgage Lenders Network
3 with a notice that the Report was due on or before March 1, 2007. Mortgage Lenders Network failed
4 to submit the Activity Report by March 1, 2007.

5 4. On June 27, 2007, a follow-up letter was sent to Mortgage Lenders Network
6 demanding the Activity Report be filed no later than July 7, 2007. Mortgage Lenders Network was
7 notified in the letter that failure to file the Activity Report by July 7, 2007 would result in an action to
8 either suspend or revoke its license.

9 5. Mortgage Lenders Network has yet to submit the Activity Report as required by
10 California Financial Code sections 50307 and 50401.

11 6. Pursuant to California Financial Code section 50200, subdivision (a), Mortgage
12 Lenders Network was required to submit its audited financial statement for fiscal year ended
13 December 31, 2006 ("Audit Report") to the Commissioner by April 15, 2007, including a
14 reconciliation of its trust accounts. In addition, pursuant to the California Code of Regulations, title
15 10, section 1950.200, Mortgage Lenders Network was required to submit an Independent Auditor's
16 Report on Internal Controls ("Report on Internal Controls") on or before April 15, 2007.

17 7. On December 11, 2006, the Complainant notified Mortgage Lenders Network in
18 writing that its Audit Report, trust account reconciliation, and Report on Internal Controls were due
19 on or before April 15, 2007. Mortgage Lenders Network failed to submit the Audit Report, trust
20 account reconciliation, and Report on Internal Controls by April 15, 2007.

21 8. On June 13, 2007, a further letter was sent to Mortgage Lenders Network demanding
22 that it file the Audit Report, trust account reconciliation, and Report on Internal Controls no later than
23 June 23, 2007. Mortgage Lenders Network failed to submit the Audit Report, trust account
24 reconciliation, and Report on Internal Controls or respond to the letter.

25 9. Mortgage Lenders Network has yet to file the Audit Report, trust account
26 reconciliation, and Report on Internal Controls as is required by California Financial Code section
27 50200, subdivision (a) and California Code of Regulations, title 10, section 1950.200.

28 10. California Financial Code section 50123 requires that prior to surrendering a license, a

1 licensee must file a plan for approval by the Commissioner. The plan must contain the licensee's
2 detailed proposal for orderly closing out of the residential mortgage lending/mortgage loan servicing
3 business. In addition, the Commissioner must make a determination that there has been no violation
4 of the CRMLA.

5 11. On May 31, 2007, Mortgage Lenders Network notified the Commissioner by letter
6 that it intended to surrender its residential mortgage lender and mortgage loan servicer license. On
7 June 5, 2007, the Commissioner sent Mortgage Lenders Network instructions concerning the manner
8 in which it is required to surrender its license under the CRMLA. Mortgage Lenders Network
9 notified the Commissioner that on February 6, 2007 it filed for Chapter 11 bankruptcy protection in
10 the United States Bankruptcy Court, District of Delaware, Case Number 07-10146.

11 12. Mortgage Lenders Network has yet to file its plan for approval by the Commissioner
12 pursuant to California Financial Code section 50123 and it is not considered to have surrendered its
13 residential mortgage lender and mortgage loan servicer license for purposes of the CRMLA.

14 13. Failure to file an activity report, audit report, trust account reconciliation, and report
15 on internal controls are grounds under California Financial Code section 50327 for the revocation of
16 a license issued under the CRMLA.

17 14. On September 7, 2007, the Commissioner issued a Notice of Intention to Issue Order
18 Revoking Residential Mortgage Lender and Mortgage Loan Servicer License, Accusation and
19 accompanying documents against Mortgage Lenders Network based upon the above, and Mortgage
20 Lenders Network was served with those documents on September 10, 2007 via certified mail, return
21 receipt requested, at its licensed location on file with the California Department of Corporations.

22 15. On or about September 21, 2007, the Department timely received Mortgage Lenders
23 Network's request for hearing. Accordingly, the matter was set to be heard before the Office of
24 Administrative Hearings on December 17, 2007. On or about November 20, 2007, Respondent,
25 Mortgage Lenders Network, through its counsel of record, withdrew its hearing request in writing and
26 thereby consented to the revocation of its license.

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2 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential
3 mortgage lender and mortgage loan servicer license issued by the Commissioner to Mortgage
4 Lenders Network USA, Inc. is hereby revoked. This order is effective as of the date hereof. Pursuant
5 to California Financial Code sections 50310 and 50311, Mortgage Lenders Network USA, Inc. has
6 sixty (60) days within which to complete any loans for which it had commitments and to transfer
7 servicing to an authorized mortgage loan servicer.

8 DATED: November 20, 2007
9 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

11 By _____
12 Alan S. Weinger
13 Lead Corporations Counsel
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