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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. 413-1123
13)
14 THE COMMISSIONER OF BUSINESS)
OVERSIGHT,) ORDER TO DISCONTINUE VIOLATIONS
15) PURSUANT TO CALIFORNIA FINANCIAL
Complainant,) CODE SECTION 50321
16)
17 v.)
18 NETWORK FUNDING, LP,)
19 Respondent.)
20)

21 TO: Network Funding, LP
22 9700 Richmond Avenue, Suite 320
23 Houston, Texas 77042

24 The California Commissioner of Business Oversight finds that Network Funding, LP
25 (“Network”) has engaged in the following:

26 1. Network engaged in the business of servicing residential mortgage loans, in
27 California, without obtaining a license from the Commissioner to service mortgage loans, in violation
28 of California Financial code section 50002, subdivision (a). In or about September 2013, Network

1 submitted an application to the Department for a servicing license to engage in the business of
2 servicing residential mortgage loans. The Commissioner had not granted a servicing authority to
3 Network at the time it was servicing residential mortgage loans.

4 2. Network's Frost Bank account ending in 2065 utilized to maintain trust funds was not
5 designated as a "trust account," in violation of California Financial Code section 50202.

6 3. Also, Network's Frost Bank account ending in 2065 contained a trust fund shortage in
7 the amount of \$550,097.01, as of April 30, 2013, in violation of California Code of Regulations, title
8 10, section 1950.314.6. Network's Frost Bank account ending in 2065 contained a cash balance of
9 \$1,347,697.27 while the subsidiary ledgers of the corresponding trust liability account totaled a trust
10 liability payable in the amount of \$1,897,776.28, as of April 30, 2013.

11 4. Network's Wells Fargo Trust Asset account ending in 9647 was inconsistent with the
12 trust liabilities on the balance sheet as of February 28, 2013, in violation of California Code of
13 Regulations, title 10, section 1950.314.1. Network's bank reconciliation report for Wells Fargo Trust
14 Asset account had an adjusted balance of \$1,150,098.05; however, the liabilities in the amount of
15 \$605,679.91 were not reflected on the balance sheet.

16 5. The Government National Mortgage Association Escrow and Principal and Interest
17 accounts listed on Network's balance sheet did not have a corresponding liability account; therefore,
18 it could not be determined whether the accounts were reconciled properly, in violation of California
19 Code of Regulations, title 10, section 1950.314.1.

20 6. Approximately 15% of the loan files reviewed during the self-audit review showed
21 that Network was charging its borrowers per diem interest in excess of one day prior to the date that
22 the loan proceeds were disbursed from escrow, in violation of California Financial Code section
23 50204, subdivisions (k) and (o), and California Civil Code section 2948.5.

24 7. The range of per diem interest overcharges was between \$18.95 and \$196.64. The
25 range of days of per diem interest overcharges was between 2 and 4 days.

26 8. Network failed to maintain its books and records in a manner that would enable the
27 Commissioner to determine whether the licensee was in compliance with the CRMLA and the rules
28 and regulations promulgated therein, in violation of California Financial Code section 50314, and

1 California Code of Regulations, title 10, section 1950.314.2. For instance, Network’s balance sheet
2 showed a balance of \$10,843.45 for its UBS account, as of February 2013. However, the adjusted
3 bank balance per the January 2013 bank statement was zero, and the account was closed.

4 9. Network failed to provide the Fair Lending Notice to four borrowers upon submission
5 of a written application; failed to timely provide the Fair Lending Notice to one borrower; and the
6 Fair Lending Notice in two borrowers’ files failed to direct the borrowers to the Department where
7 complaints may be filed and where questions may be asked, in violation of California Health &
8 Safety Code section 35830, and California Code of Regulations, title 21, section 7114.

9 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING, it is hereby
10 ORDERED under the provisions of California Financial Code section 50321, that Network Funding,
11 LP immediately discontinue the violations set forth above.

12 Dated: May 11, 2016
13 Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

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