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8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
9 OF THE STATE OF CALIFORNIA

11 In the Matter of:	)	NMLS No: 1603842
	)	
12 THE COMMISSIONER OF BUSINESS	)	STATEMENT OF ISSUES IN SUPPORT OF
13 OVERSIGHT,	)	ORDER DENYING APPLICATION FOR
	)	CALIFORNIA FINANCE LENDER LICENSE
14 Complainant,	)	
	)	
15 v.	)	
	)	
16 PMC DIRECT, INC.,	)	
	)	
17 Respondent.	)	

18  
19 **I.**

20 **INTRODUCTION**

21 The Commissioner of Business Oversight (Commissioner) seeks to deny the issuance of a  
22 California Finance Lender (CFL) license to Respondent PMC DIRECT, INC. (PMC) pursuant to  
23 Financial Code section 22109 of the California Finance Lenders Law (CFL), on the basis that  
24 PMC failed to disclose in its application to the Commissioner necessary facts regarding regulatory  
25 actions taken by the California Bureau of Real Estate (BRE).

26 **II.**

27 **STATEMENT OF FACTS**

28 1. On or about May 3, 2017, PMC filed an application for a CFL license with the

1 Commissioner by submitting a Form MU1 through the Nationwide Mortgage System and Registry  
2 (NMLS) pursuant to section 1422.6 of title 10 of the California Code of Regulations (Application).

3 2. In the Direct Owners and Executive Officers section of the MU1 on the NMLS,  
4 Michael Mendoza (Mendoza) was identified as President-Owner with 100 percent of the company.

5 3. In response to Item C(3) in the Disclosure Question section of the MU1, in which the  
6 applicant is asked if any regulatory agency has ever found the entity or control affiliate to have been  
7 a cause of a financial services-related business having its authorization to do business denied,  
8 suspended, revoked or restricted, PMC answered “Yes.”

9 4. PMC explained in the Disclosure Explanations of the MU1 that there was a  
10 restriction on the license of Mendoza from 2014 to 2016, but claimed that the restriction on the  
11 license had expired.

12 5. After review of the BRE’s records, the Commissioner determined that Mendoza’s  
13 broker license was still restricted as of the time that the Application was submitted.

14 6. On October 29, 2014, the BRE issued order H-11702 SF, which restricted the  
15 licenses of Mendoza and Broker’s Network, Inc., a company where Mendoza was the designated  
16 officer. The licenses were restricted for (1) unlawful collection of advance fees, (2) audit  
17 violations, and (3) failure to supervise.

18 7. Mendoza did not disclose any regulatory action taken against him with regard to the  
19 responses to questions 2, 3, 4, 6 and 9 in Part K of the Regulatory Action portion of the State  
20 Disclosure Questions section of his MU2.

21 8. Question (K)(2) asked if Mendoza had been involved in a violation of a financial-  
22 services related business regulation or ordinance. Question (K)(3) asked if Mendoza had been  
23 found to have been a cause of a financial services related business having its authorization to do  
24 business denied, suspended, revoked or restricted. Question (K)(4) asked if any State or Federal  
25 Regulatory Agency entered an order against Mendoza in connection with a financial-services  
26 related activity. Question (K)(6) asked if any state of federal agency had ever denied or suspended  
27 Mendoza’s license, disciplined Mendoza or “otherwise, by order, prevented him from associating  
28 with a financial services-related business,” or restricted his activities. Question (K)(9) asked if any

1 state or federal regulatory agency had ever entered an order concerning the applicant in connection  
2 with any license or registration.

3 9. The Commissioner finds that Mendoza’s responses to Questions (K)(2), (K)(3),  
4 K(4), (K)(6) and (K)(9) that no regulatory action was taken against him was false and constitutes a  
5 false statement of material fact.

6 10. PMC Direct answered “Yes” to questions on the Application regarding Mendoza’s  
7 history, including: (1) a prior personal bankruptcy (Question (A)(1)); (2) a criminal conviction  
8 and/or nolo contendere plea to a misdemeanor (Question (H)(A); and, (3) having been named as a  
9 defendant in a financial services-related consumer-initiated arbitration or civil litigation which was  
10 settled (Question (P(3))). The Application required Mendoza to explain in detail all “Yes” answers.

11 **III.**

12 **BRE ACCUSATION, STIPULATION AND SETTLEMENT/ORDER**

13 11. On March 21, 2014, the BRE filed an Accusation against Broker’s Network, Inc. and  
14 Mendoza (BRE Respondents) that contained three causes of action: (1) unlawful collection of  
15 advance fees, (2) audit violations, and (3) failure to supervise (as to Mendoza, only).

16 12. On October 8, 2014, the BRE entered into a Stipulation and Order with BRE  
17 Respondents in which BRE Respondents admitted the factual allegations as set forth in the  
18 Accusation, and that the acts and/or omissions of BRE Respondents were grounds for the suspension  
19 or revocation of licenses and license rights of the BRE Respondents.

20 13. The Stipulation and Order provided that the corporate real estate broker license rights  
21 of Broker’s Network, Inc. was revoked and the license issued to Respondent Mendoza was restricted  
22 for a period of two years, at which time Mendoza would be able to apply for the issuance of an  
23 unrestricted real estate license or for the removal of any conditions, limitations or restrictions.

24 14. As of the date of the filing of the Application in this matter, Mendoza’s broker’s  
25 license was still suspended.

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**IV.**

**APPLICABLE LAW**

15. Financial Code section 22109 provides in relevant part:

(a) Upon reasonable notice and opportunity to be heard, the commissioner may deny the application for a finance lender or broker license for any of the following reasons:

(1) A false statement of a material fact has been made in the application.

...

(3) The applicant or an officer, director, general partner, person responsible for the applicant's lending activities in this state, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

...

16. The Commissioner finds that PMC did not meet at least one of the minimum requirements for issuance of a CFL license as set forth in Financial Code section 22109. The Commissioner determines that PMC, by and through Mendoza, as President and Owner of PMC, previously violated Business and Professions Code sections 2944.6, 10085.5, 10085.6, 10145, 10146, 10159.5, 10166.08, 10176 and 10177 and sections 2831 and 2832 of title 10 of the California Code of Regulations, as more fully set forth in the Accusation filed by the BRE on May 21, 2014.

17. The Commissioner further finds that PMC was not truthful in the Application and made false statements of material fact in the Application, including representations that Mendoza's broker's license was not restricted, and that PMC did not disclose regulatory actions filed against Mendoza in Mendoza's responses to questions on Part K of the Regulatory Action portion of the State Disclosure Question section of the MU2.

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WHEREFORE, The Commissioner gives notice of her intention to issue an order denying the CFL license application filed by PMC Direct, Inc.

Dated: July 6, 2017  
San Francisco, CA

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner