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8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA
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12 In the Matter of: THE COMMISSIONER OF) CRMLA LICENSE NO.: 413-1195
BUSINESS OVERSIGHT,)
13)
14 Complainant,) ORDER REVOKING RESIDENTIAL
v.) MORTGAGE LENDER AND/OR SERVICER
15) LICENSE
16)
17 REVERSE MORTGAGE USA, INC.)
doing business as 1ST REVERSE MORTGAGE,) Respondent.
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19)
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22 The California Commissioner of Business Oversight (“Commissioner”) finds:
23 Reverse Mortgage USA, Inc., doing business as 1st Reverse Mortgage (“1st Reverse
24 Mortgage”), is a residential mortgage lender and/or servicer licensed by the Commissioner under the
25 California Residential Mortgage Lending Act (Fin. Code, § 50000 et seq.) (“CRMLA”). Its
26 principal place of business is located at 6500 River Place Blvd., Building 1, Ste. 425, Austin, Texas.
27 At all relevant times herein, 1st Reverse Mortgage operated several branch offices in the State of
28 California.

1 John Stuart Mitchell (“Mitchell”) was, at all relevant times herein, the president of 1st
2 Reverse Mortgage.

3 On or about November 12, 2013, the Commissioner, by and through her staff, commenced a
4 regulatory examination of 1st Reverse Mortgage. The examination revealed numerous violations of
5 the CRMLA, including the following:

6 1. 1st Reverse Mortgage did not directly deposit escrow funds into its proper trust
7 accounts as required by Financial Code section 50202. Consequently, it failed to maintain current its
8 books and records with reference to the trust accounts in violation of title 10, California Code of
9 Regulations (“CCR”), section 1950.314.1;

10 2. At least nine borrowers were overcharged appraisal fees and/or there was no evidence
11 provided to fully substantiate the actual amount of the fees in violation of Financial Code section
12 50204, subdivisions (c), (j), (k), and CCR section 1950.314.4, subdivision (j)(6);

13 3. At least ten borrowers were overcharged title insurance premiums and/or there was no
14 evidence provided to fully substantiate the actual amount of the fees charged in violation of
15 Financial Code section 50204 and CCR section 1950.314.4, subdivision (j)(6) ;

16 4. At least six reverse mortgage applications were accepted by the licensee without first
17 having received certification from the applicant or the applicant’s authorized representative that the
18 applicant received counseling from an agency as required by Civil Code sections 1923.2, subdivision
19 (k) and 1923.5, subdivision (b);

20 5. 1st Reverse Mortgage failed to file fingerprints and/or form MBLs (Mortgage
21 Bankers Law) 1950.122.2 for at least five of its employees as required by Financial Code sections
22 50121, 50307.2, and CCR 1950.122.2; and

23 6. The Fair Lending Notices were not provided in a timely manner in at least two loan
24 files.

25 On February 5, 2014, the report of regulatory examination was sent to 1st Reverse Mortgage
26 noting the violations found during the November 12, 2013 examination. The report stated that 1st
27 Reverse Mortgage must reply within thirty days from the date of the report. The report also stated
28 that failure to comply within ten days from the due date (March 4, 2014), or any extension of time

1 granted by the Commissioner, would result in penalties. 1st Reverse Mortgage failed to submit its
2 regulatory response or request an extension of time to submit its response by the deadline imposed in
3 the report.

4 On February 13, 2014, the Commissioner, through her staff, received an e-mail from
5 Mitchell advising the Commissioner that 1st Reverse Mortgage has ceased doing business and that
6 all employees had been terminated. No response was provided to the report of regulatory
7 examination.

8 On April 3, 2014, a letter, along with a copy of the report of examination dated February 5,
9 2014, was sent to 1st Reverse Mortgage reminding it of the requirement to submit its regulatory
10 response.

11 On May 13, 2014, the Commissioner received a letter dated May 8, 2014 from 1st Reverse
12 Mortgage advising the Commissioner that it was surrendering its license.

13 On May 22, 2014, the Commissioner sent a letter to 1st Reverse Mortgage stating that prior
14 to the surrender of its license, the company must file a plan for approval by the Commissioner as
15 required by Financial Code section 50123.

16 On May 23, 2014, the Commissioner received a letter from 1st Reverse Mortgage concerning
17 the surrender of its license dated May 16, 2014. Along with the letter, the company included its plan
18 of surrender, the escrow trust account audit and review, and an attestation concerning its inability to
19 locate the original license issued by the Commissioner as required by Financial Code section 50123.

20 On June 20, 2014, the Commissioner sent another letter to 1st Reverse Mortgage addressing
21 additional issues with the surrender of its residential mortgage lending and/or servicer license. The
22 letter notified the company that all regulatory and administrative matters before the California
23 Department of Business Oversight (“Department”) must be completed. In light of 1st Reverse
24 Mortgage’s failure to respond to the report of regulatory examination, the company’s regulatory
25 matters have remained unresolved.

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1 In addition to the noted violations discovered during the regulatory examination, 1st Reverse
2 Mortgage also violated the CRMLA, as followed:

3 1. 1st Reverse Mortgage failed to file its audited financial statements for its fiscal year
4 ended December 31, 2013, as required by Financial Code section 50200. 1st Reverse Mortgage's
5 only explanation for its failure to file is that it has ceased doing business at the end of 2013. The
6 company has yet to file its 2013 audit report with the Commissioner;

7 2. 1st Reverse Mortgage failed to maintain its surety bond as required by Financial Code
8 section 50205. The surety bond of 1st Reverse Mortgage expired on February 9, 2014, and no
9 replacement bond was obtained by 1st Reverse Mortgage. On March 4, 2014, the Commissioner
10 issued an Order to Discontinue Residential Mortgage Lending and/or Servicing Activities pursuant
11 to section 50319 for failure to maintain the required surety bond. This Order was served on 1st
12 Reverse Mortgage on or about March 6, 2014.

13 3. 1st Reverse Mortgage failed to file its annual report as required under Financial Code
14 section 50307, and pay the penalty that it was assessed under Financial Code section 50326;

15 4. 1st Reverse Mortgage failed to file its Mortgage Call Reports for the first quarter of
16 2014 and the second quarter of 2014 as required under Financial Code sections 50124 and 50307.

17 On January 26, 2015, the Commissioner issued against 1st Reverse Mortgage a Notice of
18 Intention to Issue Order to Revoke Residential Mortgage Lender and/or Servicer License;
19 Accusation in Support of Order to Revoke Residential Mortgage Lender and/or Servicer License;
20 and accompanying documents ("administrative pleadings") based upon the above, and 1st Reverse
21 Mortgage was served with those documents on January 26, 2015 via certified, return-receipt mail at
22 its licensed location on file with the Department. However, on February 10, 2015, the package
23 containing the administrative pleadings was returned to the Department with a forwarding address at
24 8616 Big View Dr., Austin, TX 78730-1521. Subsequently, 1st Reverse Mortgage was served via
25 certified, return-receipt mail at the noted forwarding address on February 11, 2015. The
26 Commissioner has received no request for a hearing from 1st Reverse Mortgage and the time to
27 request a hearing has now expired.

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NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential mortgage lender and/or servicer license issued by the Commissioner to 1st Reverse Mortgage is hereby revoked. This order is effective as of the date hereof.

Dated: April 24, 2015

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division