

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 JENNIFER A. GRANAT (CA BAR NO. 199868)
Corporations Counsel
4 Department of Corporations
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
6 Telephone: (213) 576-7518 Fax: (213) 576-7181

7 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Accusation of THE) File No.: 413-0268
11 CALIFORNIA CORPORATIONS)
12 COMMISSIONER,) ORDER REVOKING RESIDENTIAL
) MORTGAGE LENDER LICENSE
13 Complainant,)
)
14 v.)
)
15 SOUTHERN STAR MORTGAGE CORP.,)
16)
17 Respondent.)
)

18 The California Corporations Commissioner finds:

19 1. Southern Star Mortgage Corp. (“Respondent”) is a residential mortgage lender
20 licensed by the Commissioner of Corporations of the State of California (“Commissioner” or
21 “Complainant”) pursuant to the California Residential Mortgage Lending Act (“CRMLA”),
22 California Financial Code section 50000 *et seq.* Respondent’s main office is located at 90 Merrick
23 Avenue, Suite 204, East Meadow, New York 11554.

24 2. Pursuant to California Financial Code section 50200,¹ Respondent was required to
25 submit its audited financial statements for fiscal year ended December 31, 2007, including a
26

27
28 ¹ All references are to the California Financial Code unless otherwise noted.

1 reconciliation of trust accounts and an Independent Auditor’s Report on Internal Controls pursuant
2 to California Code of Regulations, Title 10, section 1950.200 (the “2007 Audit Report”), to the
3 Commissioner on or before April 15, 2008. To date, Respondent has failed to file its 2007 Audit
4 Report despite repeated, written demand.

5 3. On or about December 17, 2007, Complainant notified Respondent by letter that its
6 2007 Audit Report was due on or before April 15, 2008, and that the failure to file the report may
7 result in fines pursuant to section 50326 and/or revocation of its license. Respondent failed to
8 submit the 2007 Audit Report by such date.

9 4. On or about March 24, 2008, Respondent notified the Commissioner by letter that it
10 had filed for bankruptcy on December 12, 2007, and that Respondent’s year-end financials had not
11 been completed. A penalty was not assessed due to this bankruptcy.

12 5. On or about June 2, 2008, a second letter was sent to Respondent demanding that
13 Respondent file its 2007 Audit Report on or before June 12, 2008. Respondent failed to submit the
14 2007 Audit Report by such date.

15 6. To date, Respondent has failed to file its 2007 Audit Report for the fiscal year ended
16 December 31, 2007, as required by section 50200.

17 7. Pursuant to section 50200, Respondent was required to submit its audited financial
18 statements for fiscal year ended December 31, 2008, including a reconciliation of trust accounts and
19 an Independent Auditor’s Report on Internal Controls pursuant to California Code of Regulations,
20 Title 10, section 1950.200 (the “2008 Audit Report”), to the Commissioner on or before April 15,
21 2009. To date, Respondent has failed to file its 2008 Audit Report, despite repeated, written
22 demand.

23 8. On or about December 23, 2008, Complainant notified Respondent by letter that its
24 2008 Audit Report was due on or before April 15, 2009, and that the failure to file the report may
25 result in fines pursuant to section 50326 and/or revocation of its license. Respondent failed to
26 submit the 2008 Audit Report by such date.
27
28

1 9. On or about April 20, 2009, a second letter was sent to Respondent demanding that
2 Respondent file its 2008 Audit Report on or before April 30, 2009. Respondent failed to submit the
3 2008 Audit Report by such date.

4 10. To date, Respondent has failed to file its 2008 Audit Report as required by section
5 50200.

6 11. Pursuant to sections 50307 and 50401 and California Code of Regulations, Title 10,
7 section 1950.314.8, all licensees under the CRMLA are required to file an annual Report of
8 Principal Amount of Loans Originated and Aggregate Amount of Loans Serviced, Report on Non-
9 Traditional Adjustable Rate and Mortgage Loan Products, and Non-Traditional, Adjustable Rate
10 and Mortgage Loan Survey (collectively, the “Report”) on or before March 1 of each year for the
11 preceding 12-month period ended December 31. Respondent failed to submit the Report for the 12-
12 month period ended December 31, 2008, despite written demand.

13 12. On or about January 23, 2009, a Report form was sent to all CRMLA licensees with
14 a notice that the Report was due on or before March 1, 2009.

15 13. To date, Respondent has failed to file the Report as required by sections 50307 and
16 50401 and California Code of Regulations, Title 10, section 1950.314.8.

17 14. Section 50205 requires all CRMLA licensees to maintain a surety bond in the
18 minimum amount of \$50,000.00. Respondent’s surety bond expired effective September 19, 2007,
19 and no replacement bond has been obtained.

20 15. On or about September 19, 2007, the Commissioner issued an Order to Discontinue
21 Residential Mortgage Lending and/or Servicing Activities Pursuant to Section 50319, California
22 Financial Code, based on Respondent’s failure to maintain the required surety bond. To date,
23 Respondent has failed to obtain a surety bond in violation of section 50205 and the Order remains
24 in effect.

25 16. Section 50123 requires that prior to surrendering a license, a licensee must file a plan
26 for approval by the Commissioner. The plan must contain the licensee’s detailed proposal for
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

orderly closing out of the residential mortgage lending business. In addition, the Commissioner must make a determination that there has been no violation of the CRMLA.

17. On or about March 24, 2008, Respondent notified the Commissioner by letter that Respondent filed for bankruptcy on December 12, 2007, and intended to surrender its residential mortgage lender license. However, Respondent failed to meet the requirements for surrender under section 50123.

18. On June 23, 2009, the Commissioner issued a Notice of Intention to Issue Order Revoking Residential Mortgage Lender License, Accusation and accompanying documents against Respondent based on the foregoing. Respondent was served with those documents on June 25, 2009 via certified mail, return-receipt requested, at its address of record on file with the California Department of Corporations. The Department has received no request for a hearing from Respondent.

NOW THEREFORE, GOOD CAUSE APPEARING, it is hereby ordered that the residential mortgage lender license issued by the Commissioner to Southern Star Mortgage Corp. is hereby revoked. This Order is effective as of the date hereof. Pursuant to California Financial Code section 50311, Southern Star Mortgage Corp. has sixty (60) days within which to complete any loans for which it had commitments.

Dated: September 2, 2009
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Alan S. Weinger
Deputy Commissioner