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BEFORE THE DEPARTMENT OF CORPORATIONS

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OF THE STATE OF CALIFORNIA

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

) File No.: 413-0468

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Complainant,

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

14

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v.

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SOUTHSTAR FUNDING, LLC,

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Respondent.

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The California Corporations Commissioner finds:

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22 1. Respondent Southstar Funding, LLC ("Southstar Funding") is a residential mortgage
23 lender and mortgage loan servicer licensed by the California Corporations Commissioner
24 ("Commissioner") pursuant to the California Residential Mortgage Lending Act (California Financial
25 Code, § 50000, *et seq.*) ("CRMLA"). Southstar Funding has its principal place of business located at
26 400 Northridge Road, Suite 1000, Atlanta, Georgia 30350.

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27 2. Pursuant to California Financial Code sections 50307 and 50401 and California Code
28 of Regulations, title 10, section 1950.314.8, Southstar Funding is required to file an annual (1) Report

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1 of Principal Amount of Loans and Aggregate Amount of Loans Serviced ("Activity Report"), (2)
2 Report on Non-traditional, Adjustable Rate and Mortgage Loan Products ("Non-traditional Report"),
3 and (3) Non-traditional, Adjustable Rate and Mortgage Loan Survey ("Survey") on or before March
4 1st of each year for the preceding 12-month period ended December 31st.

5 3. On February 1, 2008, an Activity Report form, Non-traditional Report form and
6 Survey were sent to Southstar Funding with a notice that the Reports were due on or before March 1,
7 2008.

8 4. Southstar Funding has not yet submitted the Activity Report, the Non-traditional
9 Report or the Survey to the Commissioner as required by California Financial Code sections 50307,
10 50401 and California Code of Regulations, title 10, section 1950.314.8.

11 5. Pursuant to California Financial Code section 50200, subdivision (a), Southstar
12 Funding was required to submit its audited financial statement, including a reconciliation of its trust
13 accounts, for fiscal year ended November 30, 2007 ("Audit Report") to the Commissioner by March
14 15, 2008. In addition, pursuant to the California Code of Regulations, title 10, section 1950.200,
15 Southstar Funding was required to submit an Independent Auditor's Report on Internal Controls
16 ("Report on Internal Controls") on or before March 15, 2008.

17 6. On November 5, 2007, the Department notified Southstar Funding in writing that its
18 Audit Report, trust account reconciliation, and Report on Internal Controls were due on or before
19 March 15, 2008. Southstar Funding failed to submit the Audit Report, trust account reconciliation,
20 and Report on Internal Controls or respond to the letter.

21 7. On March 14, 2008, a further letter was sent to Southstar Funding demanding that it
22 file the Audit Report, trust account reconciliation, and Report on Internal Controls "within ten (10)
23 days of the date of this letter."

24 8. Southstar Funding has yet to file the Audit Report, trust account reconciliation, or
25 Report on Internal Controls as required by California Financial Code sections 50200, 50326, and
26 California Code of Regulations, Title 10, section 1950.200.

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1 9. Pursuant to California Financial Code section 50205(a), a “licensee shall maintain a
2 surety bond in accordance with this subdivision.” Southstar Funding has failed to maintain its surety
3 bond as required by that section.

4 10. On April 16, 2007, the Department received a Notice of Cancellation of Southstar
5 Funding’s surety bond from Fidelity and Deposit Company of Maryland. The date of cancellation
6 stated on the Notice of Cancellation was April 23, 2007.

7 11. On May 23, 2007, an Order to Discontinue Residential Mortgage Lending and/or
8 Servicing Activities was issued pursuant to California Financial Code section 50319, which provides
9 in pertinent part:

10 (a) If the commissioner, as a result of any examination or from any report made to him or
11 her, shall find that any person subject to this division... has failed to comply with the
12 bonding requirements of Section 50205, the commissioner may, by an order addressed to
13 and served by registered or certified mail, or by personal service on that person..., direct
14 discontinuance of the disbursement, in whole or in part, of trust funds held by the
licensee and order the establishment of a separate trust account for all subsequent trust
funds received by the licensee.

15 12. Southstar Funding has not reinstated or replaced the surety bond, and the Order issued
16 May 23, 2007 remains in effect.

17 13. Failure to file an activity report, audit report, trust account reconciliation, report on
18 internal controls, and maintain a surety bond are all grounds under California Financial Code section
19 50327 for the revocation of a license issued under the CRMLA.

20 14. On September 16, 2008, the Commissioner issued a Notice of Intention to Issue Order
21 Revoking Residential Mortgage Lender License, Accusation and accompanying documents against
22 Southstar Funding based upon the above, and Southstar Funding was served with those documents on
23 October 6, 2008 via certified mail, return receipt requested, at its licensed location on file with the
24 California Department of Corporations. The Department has received no request for a hearing from
25 Southstar Funding and the time to request a hearing has expired.

26 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Southstar
27 Funding, LLC’s license as a residential mortgage lender and mortgage loan servicer is hereby
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1 revoked. This order is effective as of the date hereof. Pursuant to California Financial Code section
2 50311, Southstar Funding, LLC, has sixty (60) days within which to complete any loans for which it
3 had commitments.

4 DATED: December 22, 2008
5 Sacramento, CA

6 PRESTON DuFAUCHARD
7 California Corporations Commissioner

8 By _____
9 Alan S. Weinger
10 Lead Corporations Counsel

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