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6 Attorneys for Complainant

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

11 In the Matter of:	)	CRMLA LICENSE No.: 413-0495
	)	
12 THE COMMISSIONER OF BUSINESS	)	STATEMENT OF FACTS IN SUPPORT OF
13 OVERSIGHT,	)	ORDER TO DISCONTINUE VIOLATIONS
	)	PURSUANT TO FINANCIAL CODE
14 Complainant,	)	SECTION 50321 AND NOTICE OF INTENT
	)	TO MAKE ORDER FINAL
15 v.	)	
	)	
16 STEARNS LENDING, INC. now known as	)	
17 STEARNS LENDING, LLC,	)	
	)	
18 Respondent.	)	

19  
20 The Complainant is informed and believes and based upon such information and belief,  
21 alleges and charges as follows:

22 1. Stearns Lending, Inc. (“Stearns”) Stearns Lending, Inc. (“Stearns”) is a residential  
23 mortgage lender and loan servicer licensed by the Commissioner of Business Oversight  
24 ("Commissioner" or "Complainant") pursuant to the California Residential Mortgage Lending Act  
25 ("CRMLA") (Financial Code §50000 et seq.). Stearns has its principal place of business located at 4  
26 Hutton Centre Drive, 10<sup>th</sup> Floor, Santa Ana, California 92707. Stearns currently has 83 branch  
27 office locations under its CRMLA license located in California, and other states. Stearns employs  
28 mortgage loan originators in its CRMLA business. Stearns has been approved to do business under

1 its CRMLA licenses under the names CU Partners, First Security Home Loans, Stearns Financial  
2 Institutions Group and Stearns Home Loans.

3         2.       On or about December 9, 2013, the Commissioner commenced a regulatory  
4 examination of the books and records of Stearns under the CRMLA (“2013 regulatory  
5 examination”). The 2013 regulatory examination disclosed that Stearns had debit balances  
6 (shortages) in its two trust accounts totaling \$56,755.73 as of October 31, 2013 in violation of  
7 California Code of Regulations, title 10, section 1950.314.6. Section 1950.314.6 prohibits debit  
8 balances in any loan or servicing account maintained by CRMLA licensees. The City National Bank  
9 trust account ending in 4879 (impound account) as of October 31, 2013 had a shortage in the amount  
10 of \$37,078.76 and the City National Bank trust account ending in 4917 (repair fees account) as of  
11 October 31, 2013 had a shortage in the amount of \$19,676.97. Stearns corrected the shortages on or  
12 about December 20, 2013.

13         3.       During the course of 2013 regulatory examination, Stearns was instructed to provide  
14 the latest bank reconciliation, related bank statements, and detailed trust account liability for all its  
15 trust accounts. On or about July 6, 2015, Stearns submitted the requested documentation on its two  
16 trust accounts for the period ended May 31, 2015. Pursuant to such documentation, Stearns  
17 continued to have a shortage in the impound trust account in the amount of \$2,278.49 in violation of  
18 California Code of Regulations, title 10, section 1950.314.6.

19         4.       The 2013 regulatory examination additionally disclosed that Stearns had failed to  
20 provide the Fair Lending Notice to borrower(s) in 14 of the 57 funded loans reviewed for this issue  
21 in violation of Financial Code section 50204, subdivision (i), Health and Safety Code section 35830  
22 and California Code of Regulations, title 21, section 7114.

23         5.       The Commissioner had found that Stearns had failed to provide the Fair Lending  
24 Notice to borrower(s) in seven of the 47 funded loans reviewed for this issue during the last  
25 regulatory examination under the CRMLA that commenced in July 7, 2011. Based upon the  
26 findings of the 2011 regulatory examination, the Commissioner instructed Stearns to implement such  
27 procedures as necessary to ensure that all borrowers receive the Fair Lending Notice.  
28

1           6.       By reason of the foregoing, , Stearns has violated Financial Code sections 50204,  
2 subdivision (i) and 50701, and Health and Safety Code section 35830 and California Code of  
3 Regulations, title 10, section 1950.314.6 and title 21, section 7114.

4           7.       Financial Code section 50321 provides in pertinent part:

5                   If, after investigation, the commissioner has reasonable grounds  
6 to believe that any licensee has violated its articles of incorporation or  
7 any law or rule binding upon it, the commissioner shall, by written order  
8 addressed to the licensee, direct the discontinuance of the violation. The  
9 order shall be effective immediately, but shall not become final except  
10 in accordance with the provisions of Section 50323.

11           8.       Financial Code section 50323 provides:

12                   (a) No order issued pursuant to Section 50321 or 50322 may become  
13 final except after notice to the affected licensee of the commissioner's  
14 intention to make the order final and of the reasons for the finding. The  
15 commissioner shall also notify the licensee that upon receiving a  
16 request the matter will be set for hearing to commence within 15 business  
17 days after receipt. The licensee may consent to have the hearing  
18 commenced at a later date. If no hearing is requested within 30 days  
19 after the mailing or service of the required notice, and none is ordered  
20 by the commissioner, the order may become final without hearing and  
21 the licensee shall immediately discontinue the practices named in the  
22 order. If a hearing is requested or ordered, it shall be held in accordance  
23 with the provisions of the administrative Procedure Act (Chapter 5  
24 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of  
25 the Government Code), and the commissioner shall have all the powers  
26 granted under that act. If, upon the hearing, it appears to the commissioner  
27 that the licensee is conducting business in an unsafe and injurious manner  
28 or is violating its articles of incorporation or any law of this state, or any  
rule binding upon it, the commissioner shall make the order of discontinuance  
final and the licensee shall immediately discontinue the practices named  
in the order.

                 (b) The licensee has 10 days after an order is made final to commence an  
action to restrain enforcement of the order. If enforcement of the order is not  
enjoined within 10 days by the court in which the action is brought,  
the licensee shall comply with the order.

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WHEREFORE, good cause showing, the Commissioner is issuing an Order to Discontinue Violations Pursuant to Financial Code Section 50321 and notifying Stearns of her intention to make the order final.

Dated: January 4, 2016  
Los Angeles, CA

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
Judy L. Hartley  
Senior Counsel  
Enforcement Division