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13 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
14 OF THE STATE OF CALIFORNIA

15 In the Matter of:	)	CRMLA LICENSE NO.: 413-0238
	)	
16 THE COMMISSIONER OF BUSINESS	)	AMENDED STATEMENT OF FACTS IN
17 OVERSIGHT,	)	SUPPORT OF ORDER TO DISCONTINUE
	)	VIOLATIONS PURSUANT TO FINANCIAL
18 Complainant,	)	CODE SECTION 50321 AND NOTICE OF
	)	INTENT TO MAKE ORDER FINAL
19 vs.	)	
	)	
20 SUNTRUST MORTGAGE, INC.,	)	
21 Respondent.	)	
	)	
	)	
	)	

22 The Complainant is informed and believes and based upon such information and belief,  
23 alleges and charges as follows:

24 1. SunTrust Mortgage, Inc. ("SunTrust") is a residential mortgage lender and loan  
25 servicer licensed by the Commissioner of Business Oversight ("Commissioner" or "Complainant")  
26 pursuant to the California Residential Mortgage Lending Act ("CRMLA") (Fin. Code §50000 et  
27 seq.). SunTrust has its principal place of business located at 901 Semmes Avenue, Richmond,  
28 Virginia 23224. SunTrust currently has 15 branch office locations under its CRMLA license located  
in California and elsewhere. SunTrust employs mortgage loan originators in its CRMLA business.

**II****CRMLA Violations**

2. On or about April 15, 2013, the Commissioner, by and through staff, commenced a regulatory examination of the books and records of SunTrust under the CRMLA (“2013 regulatory examination”). The 2013 regulatory examination included a review for compliance with loss mitigation and/or foreclosure laws.<sup>1</sup> The loss mitigation/foreclosure review portion of the 2013 regulatory examination disclosed that SunTrust repeatedly failed to maintain proper books and records with regard to compliance with loss mitigation/foreclosure laws in violation of Financial Code section 50314, subdivision (a).

3. Pursuant to Civil Code section 2923.5, subdivision (a)(2), in effect prior to January 1, 2013, loan servicers were prohibited from filing a notice of default on loans made from January 1, 2003 to December 31, 2007 until thirty days after in person or telephonic contact was made with the borrower wherein the borrower, among other things, was advised of their right to request a subsequent meeting and provided with the toll-free telephone number made available by the United States Department of Housing and Urban Development (“HUD”) in order to find a HUD-certified housing counseling agency. The 2013 regulatory examination disclosed that in 9 of the fourteen applicable loans<sup>2</sup> reviewed for loss mitigation/foreclosure compliance, SunTrust failed to maintain evidence that it had advised the borrower(s), in person or telephonically, of their right to request a subsequent meeting or that it had provided the borrower(s) with a HUD toll-free telephone number as required by Civil Code section 2923.5, subdivision (a)(2).

4. Pursuant to Civil Code section 2923.5, subdivision (g), in effect prior to January 1, 2013, loan servicers were prohibited from filing a notice of default on loans made from January 1, 2003 to December 31, 2007 when the loan servicer had not made contact as required by Civil Code

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<sup>1</sup> The loss mitigation/foreclosure compliance examination included a review of 20 applicable loan files. One of the 20 selected loans involved a non-owner occupied property. Thus, the Civil Code sections discussed in paragraphs 3, 4, 5, 9, and 10 herein (Sections 2923.5, 2923.6, and 2923.7) do not apply to that loan nor did the Home Affordable Modification Program (12 U.S.C. §5200 et seq.)(“HAMP”) until January 1, 2012.

<sup>2</sup> Only 14 of the 20 selected loans were made between January 1, 2003 and December 31, 2007 and owner occupied, thereby coming within the applicability of Civil Code section 2923.5, subdivision (a)(2) in effect prior to January 1, 2013.

1 section 2923.5, subdivision (a)(2) unless the required contact failed despite the due diligence of the  
2 loan servicer. Due diligence is defined to include first attempting to contact the borrower by sending  
3 a first-class letter that includes the toll free number made available by HUD. Thereafter, the loan  
4 servicer must attempt to contact the borrower by telephone at the borrower’s primary telephone  
5 number on file at least three times at different hours and on different days. The 2013 regulatory  
6 examination disclosed that in one of the four loans reviewed for loss mitigation/foreclosure  
7 compliance where SunTrust claimed due diligence was performed, SunTrust failed to maintain  
8 evidence that it had complied with Civil Code section 2923.5, subdivision (g).

9       5. Pursuant to Civil Code section 2923.7, subdivision (a), which became effective on  
10 January 1, 2013, loan servicers are required to establish a single point of contact (“SPOC”) and  
11 provide the borrower(s) with one or more direct means of contacting that SPOC upon receiving a  
12 request for a foreclosure prevention alternative. The 2013 regulatory examination disclosed that in  
13 two of the 20 loans reviewed for loss mitigation/foreclosure compliance, SunTrust failed to maintain  
14 evidence that it had provided one or more direct means of contacting the SPOC to the borrower as  
15 required by Civil Code section 2923.7, subdivision (a).

16       6. Pursuant to Civil Code section 2924, subdivision (a)(4), in effect prior to January 1,  
17 2013, loan servicers were prohibited from giving notice of sale until three months had elapsed since  
18 the recordation of the notice of default or up to five days before the lapse of the three month period  
19 provided the date of sale is no earlier than three months and 20 days after recordation of the notice of  
20 default. The 2013 regulatory examination disclosed that in two of the 20 loans reviewed for loss  
21 mitigation/foreclosure compliance, SunTrust failed to maintain evidence that it had complied with  
22 Civil Code section 2924, subdivision (a)(4).

23       7. In at least one of the 20 loans reviewed for loss mitigation/foreclosure compliance,  
24 the borrower filed bankruptcy, but the property was sold at a foreclosure sale. SunTrust was unable  
25 to provide the Commissioner with the Notice(s) of Sale and all the file notes so that the  
26 Commissioner could determine whether SunTrust had complied with the automatic stay provisions  
27 of 11 U.S.C. section 362.  
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8. By reason of the foregoing, SunTrust has repeatedly violated Financial Code section 50314, subdivision (a).

9. Financial Code section 50321 provides in pertinent part:

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

10. Financial Code section 50323 provides:

(a) No order issued pursuant to Section 50321 or 50322 may become final except after notice to the affected licensee of the commissioner's intention to make the order final and of the reasons for the finding. The commissioner shall also notify the licensee that upon receiving a request the matter will be set for hearing to commence within 15 business days after receipt. The licensee may consent to have the hearing commenced at a later date. If no hearing is requested within 30 days after the mailing or service of the required notice, and none is ordered by the commissioner, the order may become final without hearing and the licensee shall immediately discontinue the practices named in the order. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and the commissioner shall have all the powers granted under that act. If, upon the hearing, it appears to the commissioner that the licensee is conducting business in an unsafe and injurious manner 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 SunTrust of her intention to make the order final.

Dated: November 30, 2016  
Los Angeles, CA

JAN LYNN OWEN  
Commissioner of Business Oversight

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