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California Corporations Commissioner  
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9 BEFORE THE DEPARTMENT OF CORPORATIONS  
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE ) File No.: 413-0810  
12 CALIFORNIA CORPORATIONS )  
13 COMMISSIONER, ) **ACCUSATION**  
14 Complainant, )  
15 v. )  
16 SOUTH LAKE MORTGAGE CAPITAL, INC., )  
17 Respondent. )  
18 )  
19 )

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

22 **I.**

23 Respondent South Lake Mortgage Capital, Inc. ("South Lake") is a residential mortgage  
24 lender licensed by the California Corporations Commissioner ("Commissioner") pursuant to the  
25 California Residential Mortgage Lending Act (California Financial Code, § 50000 et seq.)  
26 ("CRMLA"). South Lake has its principal place of business located at 24422 Avenida de la Carlota,  
27 Suite 120, Laguna Hills, California 92653.

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28**II.**

Pursuant to California Financial Code sections 50307 and 50401, all licensees under the CRMLA are required to file an annual Report of Principal Amount of Loans and Aggregate Amount of Loans Serviced ("Activity Report") on or before March 1st of each year for the preceding 12-month period ended December 31.

On or about January 19, 2007, an Activity Report form was sent to all CRMLA licensees with a notice that the Activity Report was due on or before March 1, 2007. South Lake has yet to submit the Activity Report to the Commissioner despite the fact that the Commissioner has sent it numerous reminders.

On or about May 7, 2007, a letter was sent to South Lake demanding that the Activity Report be filed no later than May 17, 2007, and assessing South Lake a penalty of \$1,000.00, pursuant to California Financial Code section 50326. South Lake was notified in the letter that failure to file the Activity Report and/or pay the penalty by May 17, 2007 would result in an action to either suspend or revoke its license.

On or about June 27, 2007, a further letter was sent to South Lake demanding that it submit its Activity Report and pay the penalty assessed on May 7, 2007 no later than July 7, 2007 and again notifying South Lake that failure to file the Activity Report and/or pay the penalty by July 7, 2007 would result in an action to either suspend or revoke its license pursuant to California Financial Code section 50327.

South Lake has yet to submit the Activity Report or pay the penalty as required by California Financial Code sections 50307, 50326, and 50401.

**III.**

Pursuant to California Financial Code section 50205, all CRMLA licensees are required to maintain a surety bond in the minimum amount of \$50,000.00. South Lake's surety bond was cancelled on April 12, 2007 and no replacement was obtained.

On or about April 12, 2007, the Commissioner issued an Order to Discontinue Residential Mortgage Lending and/or Servicing Activities to South Lake pursuant to California Financial Code section 50319 for its failure to maintain the required surety bond. This Order was served on South

1 Lake on or about April 12, 2007.

2 South Lake has yet to obtain a replacement surety bond in violation of California Financial  
3 Code section 50205.

4 **IV.**

5 California Financial Code section 50123 requires that prior to surrendering a license, a  
6 licensee must file a plan for approval by the Commissioner. The plan must contain the licensee's  
7 detailed proposal for orderly closing out of the residential mortgage lending business. In addition, the  
8 Commissioner must make a determination that there has been no violation of the CRMLA.

9 On or about May 24, 2007, South Lake notified the Commissioner by e-mail that it intended  
10 to surrender its residential mortgage lender license. On or about June 5, 2007, the Commissioner sent  
11 South Lake instructions concerning the manner in which it is required to surrender its license under  
12 the CRMLA.

13 South Lake has yet to file its plan for approval by the Commissioner pursuant to California  
14 Financial Code section 50123 and it is not considered to have surrendered its residential mortgage  
15 lender license for purposes of the CRMLA.

16 **V.**

17 California Financial Code section 50327 provides in pertinent part:

- 18 (a) The commissioner may, after notice and a reasonable opportunity to be  
19 heard, suspend or revoke any license if the commissioner finds that: (1) the  
20 licensee has violated any provision of this division or any rule or order of the  
21 commissioner thereunder; or (2) any fact or condition exists that, if it had  
22 existed at the time of the original application for license, reasonably would  
23 have warranted the commissioner in refusing to issue the license originally.

24 **VI.**

25 The Commissioner finds that, by reason of the foregoing, South Lake Mortgage Capital, Inc.  
26 has violated California Financial Code sections 50205, 50307, 50326, 50401 and based thereon,  
27 grounds exist to revoke South Lake Mortgage Capital, Inc.'s residential mortgage lender license.

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1           WHEREFORE, IT IS PRAYED that the residential mortgage lender license of South Lake  
2 Mortgage Capital, Inc. be revoked and pursuant to California Financial Code section 50311, South  
3 Lake Mortgage Capital, Inc. be given a transition period of sixty (60) days within which to complete  
4 any loans for which it had commitments.

5 DATED: September 7, 2007  
6 Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

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8 By \_\_\_\_\_  
9 Blaine A. Noblett  
10 Corporations Counsel  
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