

1 WILLIAM P. WOOD
California Corporations Commissioner
2 VIRGINIA JO DUNLAP (CA BAR NO. 142221)
Deputy Commissioner
3 ALAN S. WEINGER (CA BAR NO. 86717)
Supervising Counsel
4 JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
5 Department of Corporations
320 West 4th Street, Ste. 750
6 Los Angeles, California 90013-2344
Telephone: (213) 576-7604 Fax: (213) 576-7181

7 Attorneys for Complainant
8

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

11
12 In the Matter of the Accusation of THE) Case No.: 413-0341
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ACCUSATION
14)
Complainant,)
15)
16 vs.)
17 SOUTHMOR MORTGAGE CORPORATION,)
18 Respondent.)
19)
20)

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

23 I

24 Respondent Southmor Mortgage Corporation ("Southmor") is a residential mortgage lender
25 licensed by the California Corporations Commissioner ("Commissioner") pursuant to the California
26 Residential Mortgage Lending Act (California Financial Code § 50000 et seq.) ("CRMLA").
27 Southmor has its principal place of business located at 1255 A Lynnfield Road, Suite 236, Memphis,
28 Tennessee 38119.

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

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 (“Report”) on or before March 1 of each year for the preceding 12 month period ended December 31.

On or about January 8, 2004, a Report form was sent to all CRMLA licensees with a notice that the Report was due on March 1, 2004. Southmor failed to submit the Report by the March 1, 2004 deadline.

On or about March 15, 2004, a follow up letter was sent to Southmor demanding the Report be filed no later than March 25, 2004, and assessing Southmor a penalty of \$1,000.00 pursuant to California Financial Code section 50326. Southmor was notified in the letter that failure to file the Report and/or pay the penalty by March 25, 2004 would result in an action to either suspend or revoke its license.

On or about April 19, 2004, a further letter was sent to Southmor demanding the Report and the \$1,000 penalty be filed no later than April 29, 2004. Southmor was again notified in the letter that failure to file the Report and/or pay the penalty by April 29, 2004 would result in an action to either suspend or revoke its license.

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

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. The surety bond of Southmor expired on April 21, 2004, and no replacement was obtained by Southmor.

On or about April 21, 2004, the Commissioner issued an Order to Discontinue Residential Mortgage Lending and/or Servicing Activities to Southmor pursuant to California Financial Code section 50319 for failure to maintain the required surety bond. This Order was served on Southmor on or about April 21, 2004.

1 Southmor has yet to obtain a replacement surety bond in violation of California Financial
2 Code section 50205.

3 IV

4 California Financial Code section 50326 provides in pertinent part as follows:

5 If any licensee fails to do any of the following, the licensee shall forfeit to
6 the people of the state a sum of up to one hundred dollars (\$100) for every
7 day up to the tenth day: (a) to make any report required by law or by the
8 commissioner within 10 days from the day designated for the making of the
9 report, or within any extension of time granted by the commissioner
10 Thereafter, any failure shall constitute grounds for the suspension or revocation
11 of the license held by the residential mortgage lender or residential
12 mortgage loan servicer.

13 California Financial Code section 50327 provides in pertinent part:

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

20 V

21 The Commissioner finds that, by reason of the foregoing, Southmor has violated California
22 Financial Code section 50205, 50307, 50326 and 50401 and based thereon, grounds exist to revoke
23 the residential mortgage lender license of Southmor.

24 WHEREFORE, IT IS PRAYED that the residential mortgage lender license of Southmor be
25 revoked and that pursuant to California Financial Code section 50311, Southmor be given a
26 transition period of sixty (60) days within which to complete any loans for which it had
27 commitments.

28 Dated: June 16, 2004
Los Angeles, California

WILLIAM P. WOOD
California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel