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California Corporations Commissioner  
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7  
8 BEFORE THE DEPARTMENT OF CORPORATIONS  
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Accusation of THE ) File No.: 413-0398  
CALIFORNIA CORPORATIONS )  
11 COMMISSIONER, )  
12 Complainant, ) **ACCUSATION IN SUPPORT OF**  
13 ) **REVOCAION OF CALIFORNIA**  
14 v. ) **RESIDENTIAL MORTGAGE LENDING**  
15 UNITED FINANCIAL MORTGAGE CORP., ) **LICENSE**  
16 Respondent. )  
17 \_\_\_\_\_ )

18 The Complainant, California Corporations Commissioner ("Commissioner"), is informed and  
19 believes, and based upon such information and belief, alleges and charges Respondent as follows:

20 **I.**

21 Respondent United Financial Mortgage Corp. ("United Financial") is a residential mortgage  
22 lender licensed by the California Department of Corporations ("Department") pursuant to the  
23 California Residential Mortgage Lending Act ("CRMLA") (California Financial Code sections 50000  
24 *et seq.*). United Financial has its principal place of business located at 815 Commerce Drive, Suite  
25 100, Oak Brook, Illinois 60523.

26 **II.**

27 On or about April 5, 2006, the Commissioner notified United Financial in writing that,  
28 pursuant to Financial Code section 50200, it was required to submit an annual audit report for its

1 fiscal year ended April 30, 2006 ("Audit Report") no later than August 15, 2006. The letter advised  
2 United Financial that the Audit Report was required to include a reconciliation of all trust accounts as  
3 of the audit date ("Reconciliation Report"). United Financial was notified in the letter that its failure  
4 to file the required reports may result in license revocation and/or an assessment of fines pursuant to  
5 Financial Code section 50326.

6 On August 2, 2006, United Financial filed its audited financial statements for the year ended  
7 April 30, 2006 but failed to submit the Reconciliation Report.

8 On or about March 22, 2007, the Commissioner sent a letter to United Financial demanding,  
9 among other things, that a Reconciliation Report be filed no later than 10 days from the date of the  
10 letter. The letter reminded United Financial that failure to file the information may result in  
11 assessment of fines pursuant to section 50326.

12 By letter dated April 24, 2007, United Financial requested that the Commissioner accept as  
13 adequate the information it previously reported. On June 27, 2007, the Commissioner's examiner  
14 replied to United Financial via an email addressed to Executive Vice President Michael R. Kraft, in  
15 which United Financial was again asked to file its Reconciliation Report.

16 On July 31, 2007, United Financial filed for bankruptcy protection under Chapter 7 with the  
17 United States Bankruptcy Court District of Delaware (Case No. 07-10943-CSS). The U.S. Trustee is  
18 Montague S. Claybrook, 913 N. Market Street, Suite 900, Wilmington, Delaware 19801.

19 On or about September 28, 2007, United Financial was issued its annual assessment invoice  
20 (No. MB0425) pursuant to Financial Code section 50401 in the amount of \$5,000.00. United  
21 Financial failed to pay the assessment, which was due on October 18, 2007. No action was taken  
22 against United Financial for the non-payment of the assessment due to the bankruptcy filing.

23 On or about October 22, 2007, a final letter was sent to United Financial demanding that the  
24 Reconciliation Report be filed within 10 days. United Financial has yet to file its Reconciliation  
25 Report required by Financial Code section 50200.

26 Additionally, United Financial has failed to file any part of its annual audit report for the  
27 fiscal year ended April 30, 2007, despite being sent a filing reminder from the Commissioner on  
28 April 4, 2007. The Commissioner mailed a follow-up notice to United Financial on October 25,

1 2007, advising that failure to the report may result in administrative action. United Financial has yet  
2 to file its annual audit report for the year ended April 30, 2007 as required by Financial Code section  
3 50200.

### 4 III.

5 Pursuant to Financial Code section 50307 and California Code of Regulations, title 10, section  
6 1950.314.8, all licensees under the CRMLA are required to file an annual Report of Principal  
7 Amount of Loans and Aggregate Amount of Loans Serviced ("Activity Report") on or before March  
8 1st of each year for the preceding 12-month period ended December 31.

9 On or about February 1, 2008, an Activity Report form was sent to all CRMLA licensees with  
10 a notice that the Activity Report was due on or before March 1, 2008. United Financial has yet to  
11 submit the Activity Report to the Commissioner. Due to the fact that United Financial filed  
12 bankruptcy, the Commissioner did not assess a penalty for non-filing of the Activity Report pursuant  
13 to Financial Code section 50326.

### 14 IV.

15 Financial Code section 50205 requires each CRMLA licensee to maintain a surety bond to be  
16 used for the recovery of expenses, fines, or fees levied by the Commissioner for losses or damages  
17 incurred by borrowers or consumers as a result of a licensee's noncompliance with the requirements  
18 of the CRMLA.

19 On January 16, 2008, the Commissioner informed United Financial that on October 11, 2007  
20 the Department was notified by Great American Insurance Company that it was canceling United  
21 Financial's surety bond effective February 1, 2008. The letter advised that if a new replacement bond  
22 was not obtained prior to the cancellation date, it would be necessary for the Commissioner to issue  
23 an order for United Financial to discontinue mortgage lending and brokering activities.

24 On February 1, 2008, the surety bond issued to United Financial expired, and no replacement  
25 bond was obtained.

26 On February 1, 2008, the Commissioner issued an order under the authority of Financial Code  
27 section 50319 requiring United Financial to discontinue conducting residential mortgage lending  
28 and/or servicing activities in an unsafe and injurious manner as to render further operations hazardous

1 to the public or to customers. As no hearing was requested by United Financial pursuant to the  
2 provisions of section 50319, this order remains in effect.

3 **V.**

4 Financial Code section 50327 provides in pertinent part:

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

11 **VI.**

12 Financial Code section 50311 provides in pertinent part:

13 Nothing in this law shall preclude a person whose license has been suspended or  
14 revoked, summarily or otherwise, from making a residential mortgage loan pursuant to  
15 a commitment issued by that person prior to the suspension or revocation. A  
16 prospective borrower who received a commitment issued by a person whose license  
17 has been suspended or revoked may, prior to the closing of the loan, terminate the  
18 commitment or receive a refund of all money paid to that person.

19 **VII.**

20 The Commissioner finds that, by reason of the foregoing, United Financial Mortgage Corp.  
21 has violated California Financial Code sections 50200, 50205, 50307, 50401 and California Code of  
22 Regulations, title 10, section 1950.314.8, and based thereon grounds exist to revoke the residential  
23 mortgage lender license of United Financial Mortgage Corp.

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

28 DATED: August 27, 2008  
Sacramento, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
Miranda L. Maison  
Senior Corporations Counsel