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

10	In the Matter of the Accusation of THE)	OAH NO: UNASSIGNED
	CALIFORNIA CORPORATIONS)	
11	COMMISSIONER,)	File No.: 413-0175
)	
12	Complainant,)	
)	SECOND AMENDED ACCUSATION IN
13)	SUPPORT OF REVOCATION OF
	v.)	CALIFORNIA RESIDENTIAL MORTGAGE
14)	LENDER AND RESIDENTIAL MORTGAGE
)	LOAN SERVICER LICENSE
15	UNITED CALIFORNIA SYSTEMS)	
	INTERNATIONAL, INC. doing business as)	
16	UNITED INTERNATIONAL MORTGAGE &)	
	INVESTMENT CO.,)	
17)	
	Respondent.)	
18)	

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

22 **I.**
23 **Background**

24 United California Systems International, Inc. doing business as United International Mortgage
25 & Investment Co. ("United International" or "Respondent") is a residential mortgage lender and
26 residential mortgage loan servicer licensed by the California Department of Corporations
27 ("Department") pursuant to the California Residential Mortgage Lending Act ("CRMLA")
28

1 (California Financial Code sections 50000 *et seq.*¹). United International last reported its principal
2 place of business is located at 2049 Century Park East, Suite 2550, Los Angeles, CA 90067.²

3 On or about February 18, 1998, the Department first issued a CRMLA license to Respondent.
4 At the section marked “Exhibit M” of the CRMLA license application, Respondent averred under
5 penalty of perjury that it:

6
7 15. Hereby attests that the applicant has acted with due care and competence in
8 performing any act for which it is required to hold a license under the California
9 Residential Mortgage Lending Act.

10 16. Hereby attests that the applicant will comply with all applicable requirements
11 of California and federal law. . . when servicing residential mortgage loans.

12 On the Execution page, Respondent further agreed:

13 ...[In the event of any change of officers, directors, or any persons named in this application,
14 that a verified amendment to the application reflecting such change shall within fifteen
15 business days from the date of the change, be filed with the Commissioner of Corporations
16 setting forth the change, effective date of the change, the names of the persons involved in the
17 change, and a statement of the qualifications of each successor person.

18
19 **II.**
20 **Respondent’s History of Licensing Violations**

21 Despite the Respondent’s sworn acknowledgment of the CRMLA licensing requirements,
22 Respondent has committed continuous violations of the CRMLA during its tenure of licensure. Not
23 more than one year after Respondent was issued its license, the Department was compelled to bring
24 an enforcement action for reporting violations; however, the Department agreed to dismiss the
25 action in 1999 due to Respondent’s ultimate compliance.

26 In 2001, 2002 and 2008, Respondent was ordered to pay penalties after failing to timely pay

27 _____
28 ¹ All code references are to the California Financial Code unless otherwise indicated.

² The Nationwide Mortgage Licensing System and Registry record that exists for Respondent reflects a business address of 6100 Center Drive, Suite 1200, Los Angeles, California, 90045, which is not the current address the licensee reported to the Department pursuant to Financial Code section 50124(a)(10).

1 its annual assessment in violation of Financial Code section 50401. Additional and ongoing
2 violations to timely report under the provisions of the CRMLA further resulted in the imposition of
3 Financial Code section 50326 penalties in 2003 and 2004.

4
5 Respondent has failed to consistently maintain its surety bond, which resulted in cancellation
6 of its Great American Insurance Company bond in 2002. And, due to Respondent's failure to pay the
7 costs incurred as a result of its May 2006 regulatory examination, the Department was forced to file a
8 claim against Respondent's bond on January 18, 2007.

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

13 Respondent failed to timely submit its 2007 Activity Report to the Commissioner. On May
14 15, 2008, the Commissioner assessed a penalty pursuant to Financial Code section 50326 against
15 Respondent for failing to file the 2007 Activity Report. Respondent also failed to timely file its
16 annual audit reports for the fiscal years ended December 31, 2007 and December 31, 2008, as
17 required by Financial Code section 50200.

18 **III.**

19 **The 2008 Enforcement Action**

20 In 2008, Respondent failed to electronically file loan application and servicing reports with
21 the Department in violation of Financial Code sections 50302 and 50314(b). When the
22 Commissioner's examiner went to Respondent's licensed location of record, the examiner discovered
23 that Respondent had relocated its business operations without providing prior notification to the
24 Department in violation of Financial Code section 50306. When the Commissioner's examiner
25 subsequently attempted to visit the licensee's new location, United Financial denied the examiner
26 access and failed to provide the requested reports and examination documentation in violation of
27 sections 50302 and 50314(b).

28 Also in 2008, the Department received information that on September 17, 2007, Sandra Kay

1 McBeth (“McBeth”) pleaded nolo contendere to a charge of unlawful taking of a vehicle in violation
2 of California Vehicle Code section 10851. At the time of entry of the plea, McBeth was the president
3 and primary stockholder of Respondent.

4 Financial Code section 50317 prohibits any person who within the past 10 years has been
5 convicted of, or pleaded nolo contendere to, or within the past seven years has been held liable in any
6 civil action by final judgment or any administrative judgment by any public agency for, any of the
7 violations set forth in subdivision (b) of that section from holding the position of an officer, director,
8 partner, shareholder controlling 10% or more of ownership interest, trustee, or employee of a
9 CRMLA licensee. Subdivision (b) violations include any criminal convictions, or pleas of nolo
10 contendere to, offenses involving robbery, burglary, theft, embezzlement, fraud, fraudulent
11 conversion or misappropriation of property, forgery, or receiving stolen property.

12 On June 9, 2008, the Department sent a letter to Respondent informing that McBeth, due to
13 her violation, was prohibited from serving as an officer, director, partner, shareholder controlling
14 10% or more of ownership interest, trustee, or employee of Respondent. The letter also informed
15 Respondent that it was in violation of section 50317 for any period during which McBeth held a
16 prohibited position with the licensee. The Department further requested confirmation that McBeth
17 had been removed from all positions and relinquished control of ownership interest of 10% or more.

18 On June 24, 2008, the licensee provided the Department copies of minutes from a June 18,
19 2008 special meeting of Respondent’s board of directors. The minutes reflected that McBeth
20 resigned as president and relinquished control of ownership interest of 10% or more in the company.
21 The minutes further stated that Dorilyn Sanford (“Sanford”) had been appointed vice president in
22 charge of United International’s daily affairs. The minutes were signed by Bill Shack (“Shack”) and
23 Timothy Woods (“Woods”), both of whom were identified as directors of Respondent. However,
24 Respondent failed to file with the Department an Application for Change of Control for new
25 ownership interests of 10% or more as required by section 50306 or a Post-License Amendment
26 reporting Sanford, Shack and Woods as new officers and directors pursuant to section 50317.

27 Further, in the course of its investigation, the Department has discovered that on December
28 12, 2002, McBeth was convicted in Los Angeles of theft of property in violation of California Penal

1 Code section 484(a). On January 29, 2004, McBeth was convicted of petty theft with a prior jail term
2 in violation of California Penal Code section 666. Thus, in addition to failing to inform the
3 Department of the fact that Sanford, Shack, Woods, and others were serving as officers of the
4 licensee, Respondent failed to disclose McBeth's 2002 and 2004 criminal convictions in its initial
5 application or as part of a Post-License Amendment as required by Financial Code section
6 50124(a)(6).

7 Due to these serious and ongoing violations of the CRMLA, the Commissioner commenced
8 enforcement action against Respondent on October 21, 2008, and the matter proceeded to
9 administrative hearing on December 2, 2009.

10 **IV.**
11 **Respondent's Breach of the 2009 Settlement Agreement**

12 After extensive discussions with Respondent's counsel at the Los Angeles administrative
13 hearing, the Commissioner entered into a settlement agreement on December 3, 2009, whereby
14 Respondent stipulated to pay accrued penalties to the Department, issue refunds to overcharged
15 consumers, and to comply with a list of other specific terms. As a condition of the December 2009
16 settlement agreement, and subject to automatic license revocation, Respondent expressly agreed to
17 provide the Commissioner with several items (which were itemized in "Exhibit 3" of the settlement).

18 Over one year after the date of settlement, Respondent had still not provided the
19 Commissioner with all of the agreed documents. On March 15, 2011, the Commissioner's counsel
20 sent a letter to Respondent demanding production of documents set forth in "Exhibit 3" of the
21 December settlement agreement, including: (1) Application for Change of Control for new
22 ownership interests of 10% or more as required by section 50306; (2) Post-License Amendment
23 reporting new officers and directors pursuant to section 50317; and, (3) a written report of all known
24 disciplinary actions taken against Respondent by other jurisdictions, whether final or pending, in
25 compliance with Financial Code section 50316.

26 In response to the March 15, 2011 demand letter, Respondent filed documents with the
27 Commissioner on March 25, 2011, reporting that self-identified "vice president" Sanford was the
28 licensee's sole owner and only officer/director.

1 Respondent's representation to the Commissioner is contrary to information obtained during
2 the Commissioner's investigation, which disclosed that McBeth continues to act, and publically
3 represent herself, as a de facto officer of Respondent.

4 On July 16, 2010, McBeth filed a General Denial and fee-waiver request "in pro per" on
5 behalf of Respondent in Los Angeles Superior Court, answering a Complaint for Money Due on
6 Unpaid Business Tax Assessments in the sum of \$62,883.01 filed by the Los Angeles City Attorney
7 on January 14, 2010. Additionally, Sanford signed McBeth's attached proof of service and attested
8 under penalty of perjury that she was not "a party" to the action.

9 McBeth's July 2010 representation to the Los Angeles Superior Court that she has standing to
10 defend Respondent as its officer or owner, as well as Sanford's attestation to the court that she is in
11 fact not a party related to Respondent, is contrary to information the Respondent provided the
12 Commissioner on June 24, 2008, which reflected that McBeth resigned as president and relinquished
13 control of ownership interest of 10% or more in the company.

14 Additionally, Respondent has failed to provide a written report fully disclosing disciplinary
15 actions taken against it by other jurisdictions, as specifically required by the December 2009
16 settlement agreement and statutorily required by section 50316 of the CRMLA.

17 In a letter to the Commissioner dated March 25, 2011, Respondent falsely stated that "no
18 other disciplinary actions have been taken against UCSI by other jurisdictions."

19 On April 21, 2011, the Commissioner sent a second demand to Respondent, reiterating that
20 "[a]ny suspension or revocation order, penalty order, or cease and desist order issued by any
21 jurisdiction would be a 'disciplinary action' under Financial Code section 50316."

22 On April 26, 2011, Respondent sent a reply letter to the Commissioner stating that it was
23 "only aware of one suspension, which was New York in 2009."

24 The fact of the matter, however, is that disciplinary actions have been taken against
25 Respondent by multiple jurisdictions for violations of state and federal mortgage lending laws,
26 including the following:

- 27 1) On May 27, 2005, Respondent stipulated to a Consent Order with the State of
28 Michigan and paid fines of \$1,500.00 pursuant to a settlement agreement.

- 1 2) On June 9, 2006, the Commonwealth of Virginia issued an Order Revoking
- 2 Respondent’s mortgage lender license.
- 3 3) On May 13, 2008, the State of Georgia issued an Order to Cease and Desist,
- 4 resulting in subsequent cancellation of the Respondent’s lender license.
- 5 4) On October 26, 2009, the State of New York Banking Department revoked
- 6 Respondent’s mortgage banker license.³
- 7 5) On October 27, 2009, the United States Department of Housing and Urban
- 8 Development issued a Notice of Violation against Respondent withdrawing
- 9 HUD/FHA approval for a period of one year.

10 None of the disciplinary actions enumerated above were disclosed in Respondent’s March 25,
 11 2011 report to the Commissioner. Any one of the above disciplinary actions taken by the financing
 12 and banking authorities of the other jurisdictions, or the failure to report the existence thereof,
 13 constitute grounds for the Commissioner to take disciplinary action against Respondent under the
 14 authority of Financial Code 50316. And, had evidence of the above disciplinary actions by foreign
 15 jurisdictions existed at the time Respondent applied for its CRMLA license, such would have
 16 reasonably constituted grounds for refusal to issue the license.

17 The Commissioner finds that Respondent’s failure to fully and accurately disclose all
 18 disciplinary actions in compliance with section 50316 is both a breach of the December 2, 2009
 19 settlement agreement and a violation of Financial Code section 50124, which constitutes grounds
 20 under Financial Code section 50327 for the Commissioner to revoke Respondent’s CRMLA license.

21 **V.**
 22 **Respondent’s Recent Violations of the CRMLA**

23 Although Respondent agreed at the December 2, 2009 administrative hearing to comply with
 24 the provisions of the CRMLA as a condition of settling the 2008 enforcement action, Respondent
 25 continued to commit violations of the CRMLA in 2010 and 2011, including the following:

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28 ³ Respondent falsely informed the Commissioner that the New York action was only a “suspension.”

1 i. Failure to File 2009 and 2010 Annual Reports

2 Pursuant to Financial Code sections 50307 and 50401 and California Code of Regulations,
3 title 10, section 1950.314.8, on or before March 1st of each year all licensees under the CRMLA are
4 required to file: (1) an annual Report of Principal Amount of Loans Originated and Aggregate
5 Amount of Loans Serviced ("Activity Report") for the preceding 12-month period ended December
6 31; (2) the Report on Non-Traditional, Adjustable Rate and Mortgage Loan Products ("Non-
7 Traditional Report"); and, (3) Non-Traditional, Adjustable Rate and Mortgage Loan Survey
8 ("Survey").

9 On or about January 29, 2010, forms for the Activity Report, Non-Traditional Report, and
10 Survey preprinted with the licensee's name, address and Department file number were sent to each
11 CRMLA licensee along with filing instructions and notice that the enclosed reports were due on or
12 before March 1, 2010.

13 On or about August 12, 2010, the Commissioner assessed a \$1,000.00 penalty against
14 Respondent pursuant to Financial Code section 50326 for failure to timely submit its 2009 Activity
15 Report, Non-Traditional Report, or Survey to the Department in compliance with the provisions of
16 the CRMLA. To date, Respondent's 2009 Activity Report, Non-Traditional Report and Survey have
17 not been filed nor has the \$1,000.00 penalty been paid.

18 Respondent has also failed to file its Activity Report, Non-Traditional Report and Survey for
19 the year ended December 31, 2010 due on March 1, 2011, which constitutes an additional violation of
20 section 50307.

21 ii. Failure to Pay 2009 Annual Assessment

22 On September 30, 2010, Respondent was issued its annual assessment invoice (#MB0267) in
23 the amount of \$1,000.00 pursuant to section 50401.⁴ Respondent failed to pay its annual assessment
24 which was due on October 20, 2010, and that amount remains outstanding.

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26 ⁴ Calculation of the annual assessment pursuant to section 50401 is based on data reported by the licensee for the prior
27 fiscal year. Since Respondent has not filed its 2009 Activity Report, Non-Traditional Report and Survey with the
28 Department, a minimum \$1,000.00 assessment was invoiced; however, this amount may be recalculated if the 2009
reports indicate a higher amount is owed.

1 iii. Failure to Correct Violations Discovered at 2010 Regulatory Examination

2 On or about March 3, 2010, the Commissioner commenced a regulatory examination of the
3 books and records of Respondent pursuant to Financial Code section 50302. The examination
4 disclosed that Respondent did not have a tangible net worth of at least \$250,000.00, as required by
5 Financial Code section 50201. The unaudited financial statements indicated that Respondent had a
6 tangible net worth deficiency of \$308,008.44.

7 During the on-site examination and via email sent to Respondent on March 11, 2010, the
8 Commissioner’s examiner requested information relating to “other assets” that was excluded for
9 purposes of the tangible net worth calculation; however, Respondent never provided the examiner
10 with the requested information.

11 On or about July 14, 2010, the Commissioner mailed a report of the regulatory examination to
12 Respondent. Respondent was required to submit a report of corrective actions to the Commissioner
13 within 30 days of the date of the report.

14 On or about August 23, 2010, Respondent responded via email to the regulatory examination
15 findings. This response was incomplete and neither addressed the tangible net worth deficiency nor
16 other items noted in the regulatory examination report. Respondent failed to provide the Department
17 with the following items

18 (1) A surety bond and rider evidencing coverage for Respondent’s current business location as
19 required by Financial Code section 50205;

20 (2) A letter from legal counsel describing any pending or probable litigation, which either
21 individually or in the aggregate amounts to 5 percent or more of the net worth;

22 (3) Bank statements and corresponding bank reconciliations for a Wells Fargo general
23 account listed on Respondent’s balance sheet as of January 31, 2010;

24 (4) Post-Licensing Amendment, as required by Financial Code section 50317, and
25 Application for Change of Control for new ownership interests of 10% or more, as required by
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1 Financial Code section 50206, reporting new officers/directors, including Sanford,⁵ Woods, Shack
 2 and Rod Wellington, as stipulated pursuant to the settlement agreement entered between Respondent
 3 and the Commissioner on December 2, 2009;

4 (5) Documentation to verify the date loan funds were disbursed for loan numbers 40782682,
 5 40762494, 40647042, 40703928, 40655649, 274549, 40799728 and 40750093;

6 (6) Copies of invoices or alternative documentation from third party vendors, as required by
 7 section 1950.314.4(j)(6) of title 10 of the California Code of Regulations, to fully substantiate that the
 8 title insurance policy charge and/or evidence that any unsubstantiated amount was refunded to
 9 borrowers for loan numbers 40782682, 40647042, 40799728, 274549, 40750093 and 40756579;

10 (7) Fingerprints and/or forms FS 512 SIQ and MBL 1950.122.2 as required by section
 11 1950.122.2 of title 10 of the California Code of Regulations;

12 (8) Indication of corrective action taken to prevent recurrence of loan documents signed in
 13 blank by borrowers to be filled after execution in violation of Financial Code section 50204(e); and,

14 (9) Confirmation of corrective action taken to prevent future violations of California Health
 15 and Safety Code section 35830, including assurance that correct Fair Lending Notices would be
 16 timely provided to consumers in the manner prescribed by law.

17
 18 iv. Failure to Maintain Surety Bond

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

23 On or about October 15, 2011, the surety bond issued to Respondent by Zurich North
 24 America Surety, formerly the Fidelity and Deposit Company of Maryland, was effectively cancelled.
 25 Respondent did not obtain a replacement bond as required by section 50205.

26 Accordingly, on February 17, 2012, the Commissioner issued an order under the authority of

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28 ⁵ In March 2011, Respondent submitted an Application for Change of Control for new ownership interests of 10% or more for Sanford but failed to pay the required \$100.00 investigation fee.

1 Financial Code section 50319 requiring Respondent to discontinue conducting residential mortgage
2 lending and/or servicing activities in an unsafe and injurious manner as to render further operations
3 hazardous to the public or to customers.

4 VI.

5 **Multiple Grounds Support Revocation of Respondent's CRMLA License**

6 Pursuant to Financial Code section 50124, a CRMLA applicant is required, as a condition of
7 receiving a license, to agree in writing to, among other things, comply with the provisions of the
8 CRMLA and any rule or order of the Commissioner, file with the Commissioner all reports required
9 under law or by rule or order of the Commissioner, and submit to periodic examination by the
10 Commissioner. Failure to comply with the provisions of Financial Code section 50124 constitutes
11 grounds under Financial Code section 50125 for the Commissioner to refuse to issue a license.

12 Pursuant to Financial Code section 50327, the Commissioner can revoke a CRMLA license if
13 a fact or condition now exists, that if it existed at the time of original licensure, would reasonably
14 have warranted the Commissioner in refusing to issue the license originally. Financial Code section
15 50327 provides in pertinent part:

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

22 Had the facts and conditions alleged herein existed at the time Respondent applied for its
23 residential mortgage lender license and residential mortgage loan servicer license, the Commissioner
24 would have been warranted in refusing to issue such licenses. Further, the facts and conditions set
25 forth herein present sufficient grounds for the revocation of the residential mortgage lender license and
26 residential mortgage loan servicer license of Respondent pursuant to Financial Code section 50327.

27 The Commissioner finds that, by reason of the foregoing, United International Mortgage &
28 Investment Co. is in violation of Financial Code sections 50124, 50201, 50204(e), 50205, 50206,
50302, 50306, 50307, 50314(b), 50316, 50317, 50326 and 50401, sections 1950.122.2, 1950.314.4

1 and 1950.314.8 of title 10 of the California Code of Regulations, and section 35830 of the California
2 Health and Safety Code, and based thereon grounds exist under Financial Code section 50327 to
3 revoke Respondent’s residential mortgage lender and residential mortgage loan servicer license.

4 Further, in addition to the most recent Financial Code violations that form the basis of the
5 instant enforcement action, the facts alleged herein highlight that Respondent has a 12-year
6 regulatory record that is replete with ongoing and serious violations of the CRMLA. Respondent’s
7 history of regulatory noncompliance evidences a systematic failure to competently comply with the
8 CRMLA, which ultimately poses grave risk to the consumers who rely upon the Commissioner to
9 protect them from financial harm.

10 **WHEREFORE, IT IS PRAYED** that the residential mortgage lender license and the
11 residential mortgage loan servicer license of United California Systems International, Inc. doing
12 business as United International Mortgage & Investment Co. be revoked and, pursuant to Financial
13 Code section 50311, United California Systems International, Inc. doing business as United
14 International Mortgage & Investment Co. be given a transition period of sixty (60) days within which
15 to complete any loans for which it had prior commitments.

16
17 DATED: February 23, 2012
18 Sacramento, CA

PRESTON DUFAUCHARD
California Corporations Commissioner

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20 By _____
21 Miranda LeKander
22 Senior Corporations Counsel
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