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8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA

12 In the Matter of:)	NMLS ID NO.: 1272302
13 THE COMMISSIONER OF BUSINESS)	
14 OVERSIGHT,)	STATEMENT OF ISSUES
15 Complainant,)	
16 v.)	
17 KAREN J. VARLEY aka KAREN JANNETTE)	
18 ROADY, as an individual,)	
19 Respondent.)	

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21 Jan Lynn Owen, the Commissioner of Business Oversight (Commissioner), of the Department
22 of Business Oversight (Department) is informed and believes, and based on such information and
23 belief, alleges and charges Respondent Karen J. Varley aka Karen Jannette Roady (Varley or
24 Respondent) as follows:

25 **I.**

26 **Introduction**

27 1. The Commissioner as chief officer of the Department is authorized to administer and
28 enforce the provisions of the California Residential Mortgage Lending Act (Fin. Code § 50000 *et*

1 *seq.*) (CRMLA) and the rules and regulations promulgated thereunder.

2 2. Under the provisions of Financial Code section 50141, the Commissioner brings this
3 action to deny the mortgage loan originator license application submitted by Varley. The proposed
4 order seeks to deny the issuance of a mortgage loan originator license in that Varley has not
5 demonstrated such financial responsibility, character, and general fitness as to command the
6 confidence of the community and to warrant a determination that the mortgage loan originator will
7 operate honestly, fairly, and efficiently within the purposes of this division.

8 II.

9 Application

10 3. On or about November 15, 2017, Varley filed an application for a mortgage loan
11 originator license with the Commissioner by submitting a Form MU4 (MU4) through the Nationwide
12 Multistate Licensing System (NMLS).

13 4. A review of Varley's MU4 dated November 11, 2017 showed that she was licensed by
14 the California Bureau of Real Estate (BRE) as a real estate sales agent but had surrendered her license
15 on July 7, 2009. Varley stated that she surrendered her license due her health, but she did not provide
16 any supporting documentations.

17 5. A review of Varley's MU4 also showed that she answered "No" to Question (K) (9)
18 that asked: Has any State or federal regulatory agency or foreign financial regulatory authority or
19 self-regulatory organization (SRO) ever entered an order concerning you in connection with any
20 license or registration.

21 6. Contrary to Varley's response to Question (K) (9), background research of her history
22 on the BRE Public License Information website revealed that the BRE filed a disciplinary action
23 against Varley on September 22, 2008¹, and a day before the court proceedings, Varley surrendered
24 her BRE license. The BRE issued an Accusation against Varley, among others, for entering and
25 participating in a fraudulent plan or scheme to use deceit and misrepresentation to induce mortgage
26 lenders to make mortgage loans to finance purchases of residential real property with the intent to
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28 ¹ In the Matter of the Accusation of III Create, Inc., a California Corporation, David George Gravelle and Karen Jannette Varley, H-10528 SF.

1 substantially benefit themselves and without disclosing their true intentions to the mortgage lenders.
2 Varley purportedly would earn commissions and/or fees by originating three different mortgage loans
3 to Varley's parents (the Amorosos) to finance the purchase of three different residences and
4 concealed the other two purchases and loans from each lender. It appears Varley falsely represented
5 to the other two lenders that the buyer, the Amorosos, intended to occupy the property securing the
6 loans as their primary residence.

7 7. On July 7, 2009, Varley surrendered her BRE license. The BRE surrender was granted
8 on July 31, 2009, effective August 27, 2009.

9 8. On July 8, 2009, an administrative hearing² was held in connection with the
10 Accusation issued by the BRE. At the commencement of the hearing, counsel for the BRE stated that
11 "Varley has surrendered her license and that she is no longer a respondent in this case." Nevertheless,
12 the administrative court found that Varley and the Amorosos, in the three transactions described in
13 the BRE's Accusation, falsely represented to the lenders that the Amorosos intended to occupy each
14 of the properties as their principal residence to induce the lenders to make mortgage loans secured by
15 the properties, to the financial benefit of Varley and/or her family. The Amorosos never occupied any
16 of the three properties they purchased, and they never intended to occupy all three properties,
17 purchased within months of one another, as their principal residence. Furthermore, the court also
18 found that the Amorosos and Varley realized significant financial benefits on each transaction. Each
19 of the transactions involved a purchase price greater than the listing price, 100 percent or close to 100
20 percent financing, and a large credit back to the buyers.

21 9. The Department's examiner sent Varley a notification, through NMLS, requesting she
22 amend her MU4 as to her response to the regulatory action disclosure question pertaining to her BRE
23 license and to include an explanation of the circumstances, and to provide copies of any relevant
24 documents.

25 10. On or about December 4, 2017, Varley submitted through NMLS an amended MU4.
26 The amended application included a changed response to disclosure item (K)(9), which went from
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28 ² OAH Case No. 2009050235

1 “No” to “Yes” in response to the prompt that asked if the applicant had “any State or federal
 2 regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever
 3 entered an order” concerning the applicant. In her amended MU4, Varley also included an electronic
 4 version of the BRE’s Accusation. With respect to the BRE’s administrative action against her, Varley
 5 explained that no charges were brought forth concerning the BRE Accusation and she surrendered
 6 her BRE license due to her health issues. In addition, Varley also changed her response to disclosure
 7 item (Q)(2) from “No” to Yes to the prompt that asked if the applicant had “ever voluntarily resigned,
 8 been discharged, or permitted to resign after allegations were made that accused” the applicant of
 9 “fraud, dishonesty, theft, or the wrongful taking of property.” In her amended MU4, Varley
 10 referenced her health issues relating to disclosure item (Q)(2).

11 **III.**

12 **Applicable Statutes**

13 11. Financial Code section 50141 provides in pertinent part:

14 (a) The commissioner shall deny an application for a mortgage loan
 15 originator license unless the commissioner makes at a minimum the
 16 following findings:

17 (3) The applicant has demonstrated such financial responsibility,
 18 character, and general fitness as to command the confidence of the
 19 community and to warrant a determination that the mortgage loan
 20 originator will operate honestly, fairly, and efficiently within the
 21 purposes of this division.

22 (b) Before denying a license under this section, the commissioner shall
 23 proceed as prescribed by Chapter 5 (commencing with *Section 11500*)
 24 of Part 1 of Division 3 of Title 2 of the Government Code and shall
 25 have all the powers granted under that chapter.

26 **IV.**

27 **Conclusion**

28 The Commissioner finds that Varley does not meet at least one of the minimum requirements
 for the issuance of a mortgage loan originator license as provided by Financial Code section 50141.
 Varley’s role in a fraudulent plan or scheme to use deceit and misrepresentation to induce mortgage

1 lenders to make mortgage loans to finance purchases of residential real property with the intent to
2 substantially benefit themselves and without disclosing their true intentions to the mortgage lenders
3 belie the requirement under Financial Code section 50141, subdivision (a)(3), that the applicant “has
4 demonstrated such financial responsibility, character, and general fitness as to command the
5 confidence of the community and to warrant a determination that the mortgage loan originator will
6 operate honestly, fairly, and efficiently within the purposes of this division.”

7 By reason of the foregoing, pursuant to Financial Code section 50141, the Commissioner shall
8 deny Respondent’s application for a mortgage loan originator license.

9 WHEREFORE IT IS PRAYED that the mortgage loan originator application filed by Karen J.
10 Varley aka Karen Jannette Roady be denied.

11 Dated: April 6, 2018
12 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

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14
15 By: _____
16 MARLOU de LUNA
17 Senior Counsel
18 Enforcement Division
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