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8

9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA
11

12 In the Matter of the Accusation of THE) File No.: 415-0015
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ORDER REVOKING RESIDENTIAL
14) MORTGAGE LENDER LICENSE
Complainant,)
15)
16 vs.)
17 WAUSAU MORTGAGE CORPORATION,)
18 Respondent.)
19)
20)

21 The California Corporations Commissioner finds:

22 1. Respondent Wausau Mortgage Corporation ("Wausau") is a residential mortgage
23 lender licensed by the California Corporations Commissioner ("Commissioner") pursuant to the
24 California Residential Mortgage Lending Act (California Financial Code § 50000 et seq.)
25 ("CRMLA"). Wausau has its principal place of business located at 6700 Koll Center Parkway, Suite
26 100, Pleasanton, California 92566. Wausau maintains four additional branch office locations from
27 which it conducts residential mortgage lending business both in California as well as outside the
28 State.

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

5 3. On January 19, 2007, an activity report form was sent to all CRMLA licensees with a
6 notice that the activity report was due on March 1, 2007. Wausau failed to submit the activity report
7 by March 1, 2007.

8 4. On April 11, 2007, Wausau sent a letter to the Commissioner notifying the
9 Commissioner that Wausau was surrendering its license immediately. On or about April 17, 2007, a
10 letter was sent to Wausau outlining the license surrender procedures to include filing of reports.
11 Nothing further was received from Wausau regarding the surrender of its license.

12 5. On May 7, 2007, a second letter was sent to Wausau demanding the activity report be
13 filed no later than May 17, 2007, and assessing Wausau a penalty of \$1,000.00 pursuant to
14 California Financial Code section 50326. Wausau was notified in the letter that failure to file to the
15 activity report and/or pay the penalty by May 17, 2007 would result in an action to either suspend or
16 revoke its license.

17 6. On June 27, 2007, a further letter was sent to Wausau demanding the activity report
18 and the \$1,000 penalty be submitted no later than July 5, 2007. Wausau was notified again that
19 failure to file the activity report and/or pay the penalty by July 5, 2007 would result in an action to
20 either suspend or revoke its license.

21 7. Wausau has yet to submit the activity report or pay the penalty as required by
22 California Financial Code sections 50307, 50326 and 50401.

23 8. Pursuant to California Financial Code section 50200, Wausau was required to submit
24 its audited financial statement for its fiscal year ended December 31, 2006 (“audit report”) to the
25 Commissioner by April 15, 2007. Wausau has yet to file its audit report with the Commissioner
26 despite numerous reminders.

27 9. On December 11, 2006, the Commissioner notified Wausau in writing that its audit
28 report was due April 15, 2007. Wausau failed to submit the audit report by April 15, 2007.

1 10. On April 12, 2007, Wausau submitted an un-audited financial statement for its parent
2 Sunset Mortgage Company, L.P. On June 13, 2007, a further letter was sent to Wausau notifying
3 Wausau that the financial statement submitted on April 12, 2007 was unacceptable. The June 13,
4 2007 letter demanded that the audit report be filed no later than June 23, 2007. Wausau was notified
5 in the letter that failure to file the audit report by June 23, 2007 would result in an action to either
6 suspend or revoke its license. The June 13, 2007 letter further instructed Wausau regarding the
7 requirements of filing its Report on Internal Controls and its Uniform Single Attestation Program for
8 Mortgage Bankers (“USAP”) and reconciliations of its trust accounts for the year ending December
9 31, 2006 with the annual audit report.

10 11. On August 2, 2007, a further letter was sent to Wausau demanding the audit report be
11 filed no later than August 12, 2007, and assessing Wausau a penalty of \$1,000.00 pursuant to
12 California Financial Code section 50326. Wausau was notified in the letter that failure to file the
13 activity report and/or pay the penalty by August 12, 2007 would result in an action to either suspend
14 or revoke its license.

15 12. Wausau has yet to file the audit report, USAP, and trust account reconciliations or
16 pay the penalty as required by California Financial Code sections 50200 and 50326.

17 13. On March 27, 2006, the Commissioner commenced a regulatory examination of the
18 books and records of Wausau. The March 27, 2006 regulatory examination (“regulatory
19 examination”), disclosed that as of January 31, 2006, Wausau had a debit balance (shortage) in the
20 amount of \$178,850.68 in its trust account in violation of California Code of Regulations, title 10,
21 section 1950.314.6. Section 1950.314.6 prohibits debit balances in any loan or servicing account
22 maintained by CRMLA licensees. Wausau caused the debit balance to exist by depositing trust
23 monies (interim tax and insurance payments received in loan transactions) into its operating accounts
24 and then using such funds to pay for operating expenses in violation of Financial Code section
25 50202(a) and 50202(b), which prohibit commingling of trust funds with the funds of the licensee and
26 misuse of trust funds.

27 14. On April 12, 2007, the Commissioner made demand upon Wausau to correct the trust
28 account shortage. Wausau appears to have cured the trust account shortage on or about April 26,

1 2007. However, Wausau has failed to produce complete documentation to the Commissioner
2 regarding the cure.

3 15. The regulatory examination further revealed that Wausau had failed to reconcile its
4 escrow liability ledgers to its control account at least once a week, and to the bank statement balance
5 at least once each month, in violation of California Code of Regulations, Title 10, section
6 1950.314.1. Wausau also consistently failed to timely provide documents necessary for purposes of
7 conducting the regulatory examination and never did provide evidence of disbursements dates for
8 loan files requested for review in violation of Financial Code section 50314.

9 16. Failure to file an activity report and/or an audit report, causing trust account debit
10 balances, commingling trust funds, failing to maintain proper books and records and/or provide
11 documentation necessary for conducting regulatory examinations, and/or pay assessed penalties are
12 grounds under California Financial Code section 50327 for the revocation of a license issued under
13 the CRMLA.

14 17. On August 29, 2007, the Commissioner issued a Notice of Intention to Issue Order
15 Revoking Residential Mortgage Lender License, Accusation and accompanying documents against
16 Wausau based upon the above, and Wausau was served with those documents on August 29, 2007
17 via certified, return-receipt mail at its licensed location on file with the California Department of
18 Corporations. The Department has received no request for a hearing from Wausau and the time to
19 request a hearing has expired.

20 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential
21 mortgage lender license issued by the Commissioner to Wausau is hereby revoked. This order is
22 effective as of the date hereof. Pursuant to California Financial Code section 50311, Wausau has
23 sixty days within which to complete any loans for which it had commitments.

24 Dated: September 20, 2007
25 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

26 By _____
27 Alan S. Weinger
28 Lead Corporations Counsel