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

12 In the Matter of: ) CRMLA License No: 41DBO-41787  
)  
13 THE COMMISSIONER OF BUSINESS ) ACCUSATION TO REVOKE RESIDENTIAL  
OVERSIGHT, ) MORTGAGE LENDING LICENSE  
14 ) PURSUANT TO FINANCIAL CODE  
15 Complainant, ) SECTION 50327, SUBDIVISION (a)(1)  
)  
16 v. )  
)  
17 COASTALSTATES MORTGAGE, INC., )  
)  
18 Respondent. )  
19 )  
20 )

21 Manuel P. Alvarez, the Commissioner of Business Oversight (Commissioner), alleges and  
22 charges as follows:

23 I.

24 INTRODUCTION

25 1. CoastalStates Mortgage, Inc. (CSM) is a residential mortgage lender licensed by the  
26 Commissioner (CRMLA License No. 41DBO-41787), pursuant to the California Residential  
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1 Mortgage Lending Act (CRMLA) as set forth in Financial Code section 50000 et seq.<sup>1</sup>

2 2. CSM has its principal place of business at 5 Bow Circle, Hilton Head, South Carolina 29928.

3 3. The Commissioner is authorized to administer and enforce the provisions of the CRMLA.

4 4. The Commissioner now brings this action to order CSM to revoke its license pursuant to  
5 section 50327, subdivision (a)(1).

6 **II.**

7 **VIOLATIONS OF CRMLA**

8 5. The Commissioner found that CSM violated the CRMLA as specified below.

9 **A. Failing to File Quarterly Mortgage Call Reports**

10 6. Financial Code section 50307.2 and California Code of Regulations section 1950.307,  
11 subdivision (a) provide that the Commissioner may require licensees that employ mortgage loan  
12 originators to file a report of condition, including quarterly Mortgage Call Reports (MCR), through the  
13 Nationwide Mortgage Licensing System (NMLS).

14 7. CSM had failed to submit its 2017 third quarter and its 2018 fourth quarter MCR to NMLS for  
15 transmission to the Commissioner in violation of Financial Code section 50307.2 and California Code  
16 of Regulations, Title 10, section 1950.307, subdivision (a).

17 **B. Failing to File Annual Report**

18 8. Financial Code section 50401, subdivision (a) provides that each CRMLA licensee must pay an  
19 annual assessment, and that “[i]n order for the commissioner to calculate the assessment...each  
20 licensee shall file an annual report for the calendar year just ended containing the information required  
21 by the commissioner on or before March 1 of the year in which the assessment is to be calculated.”

22 9. Financial Code section 50307, subdivision (a) further provides that “[e]ach residential  
23 mortgage lender or servicer licensee shall file a report with the commissioner annually, on or before  
24 the first day of March, giving the relevant information that the commissioner reasonably requires to  
25 make the calculation required by subdivision (a) of Section 50401.”

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27  
28 <sup>1</sup> All further section references are to the Financial Code.

1 10. To date, CSM has failed to submit its annual reports for 2017 and 2018 in violation of section  
2 50401.

3 **C. Failing to Submit Audited Financial Statements**

4 11. Financial Code section 50200, subdivision (a), states in relevant part, that at the end of the  
5 licensee’s fiscal year “... each licensed residential mortgage lender or servicer shall cause its books  
6 and accounts to be audited by an independent certified public accountant...” Section 50200,  
7 subdivision (d), further states, “the audit report shall be filed with the commissioner within 105 days of  
8 the end of the licensee’s fiscal year.”

9 12. The fiscal year of CSM ends on December 31. CSM has failed to file the required audit reports  
10 for fiscal years 2017 and 2018 in violation of section 50200.

11 **D. Failing to maintain an active surety bond in violation of Financial Code section 50205,**  
12 **subdivision (a)**

13 13. Section 50205, subdivision (a) requires that a residential mortgage lender or servicer licensee  
14 shall maintain a surety bond.

15 14. On June 11, 2018, a license item was posted on CSM’s NMLS account that the Commissioner  
16 received a surety bond cancellation from bond company Hartford Fire Insurance Company, with a  
17 cancellation effective date June 18, 2018. The license item directed CSM to file a replacement bond  
18 immediately. To date, a replacement surety bond has not been submitted to the Commissioner in  
19 violation of section 50205, subdivision (a) .

20 **III.**

21 **ORDER TO REVOKE LICENSE**

22 Financial Code section 50327, subdivision (a)(1) provides that the Commissioner may, after  
23 notice and a reasonable opportunity to be heard, revoke any license if the Commissioner finds that the  
24 licensee has violated any provision of the CRMLA or any order of the Commissioner under the  
25 CRMLA.

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28 WHEREFORE, good cause showing, and pursuant to section 50327, subdivision (a)(1), the

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Commissioner prays for an order revoking the residential mortgage lending license of CoastalStates Mortgage, Inc.

Dated: May 20, 2019  
Sacramento, CA

MANUEL P. ALVAREZ  
Commissioner of Business Oversight

By \_\_\_\_\_  
JOANNE ROSS  
Senior Counsel  
Enforcement Division