

1 MARY ANN SMITH  
Deputy Commissioner  
2 DANIEL P. O'DONNELL  
Assistant Chief Counsel  
3 CHARLES CARRIERE (State Bar No. 285837)  
Counsel  
4 Department of Business Oversight  
5 One Sansome Street, Suite 600  
San Francisco, California 94104  
6 Telephone: (415) 972-8546  
7 Facsimile: (415) 972-8550  
8 Attorneys for Complainant

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

12 In the Matter of ) CRMLA LICENSE NO.: 415-0025  
13 ) NMLS ID: 1820  
14 THE COMMISSIONER OF BUSINESS )  
OVERSIGHT, )  
15 )  
16 Complainant, ) CONSENT ORDER  
17 v. )  
18 CMG MORTGAGE, INC., doing business as )  
19 CMG FINANCIAL, STERLING MORTGAGE, )  
and DIVERSIFIED MORTGAGE GROUP. )  
20 )  
21 Respondent. )

22  
23 The Commissioner of Business Oversight (Commissioner) and CMG Mortgage, Inc.,  
24 doing business as CMG Financial, Sterling Mortgage, and Diversified Mortgage Group  
25 (CMG or the Company) (collectively, the Parties) enter this Consent Order with respect to  
26 the following facts:

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**I.**  
**Recitals**

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2  
3 A. The Commissioner has jurisdiction over the licensing and regulation of persons and  
4 entities engaged in the business of lending and servicing residential mortgage loans pursuant  
5 to the California Residential Mortgage Lending Act (CRMLA) (Fin. Code, § 50000 et seq.).

6 B. CMG is a residential mortgage lender licensed by the Commissioner since  
7 September 15, 2000 (CRMLA License No. 415-0025). CMG has its principal place of  
8 business located at 3160 Crow Canyon Road #400, San Ramon, California 94583.

9 C. Christopher George is the President and Chief Executive Officer and a control  
10 person of CMG and, as such, is authorized to enter into this Consent Order on CMG’s  
11 behalf.

12 D. During a routine regulatory examination of CMG that commenced on June 19, 2017,  
13 the Commissioner concluded that certain loan files submitted as a part of the examination  
14 contained signed Loan Brokerage Agreements that had blanks in spaces where CMG was  
15 required to disclose a good faith estimate of fees CMG intended to charge.

16 E. The Commissioner determined that these Loan Brokerage Agreements violated  
17 Financial Code section 50204, subdivision (e), which prohibits a licensee from using an  
18 instrument “in which blanks are left to be filled in after execution,” and Financial Code,  
19 section 50701, subdivision (e), which provides that “the loan brokerage agreement shall  
20 contain... a good faith estimate of any fees the licensee will receive for those services,  
21 whether paid by the borrower, the institutional lender, or both.”

22 F. CMG cooperated with the Commissioner’s review and took immediate steps to  
23 remediate the issues raised.

24 G. In August 2018, a representative of the Commissioner informed CMG that he would  
25 commence an administrative action to enforce CMG’s compliance with the CRMLA and  
26 seek remedies for the above-described violations. These remedies included seeking orders,  
27 imposing penalties, ordering CMG to correct its policies and procedures, and ordering the  
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1 discontinuance of violations pursuant to Financial Code section 50321 (collectively, the  
2 Enforcement Action).

3 H. Upon being informed of the Commissioner’s intent to commence the Enforcement  
4 Action, CMG responded by indicating that it would continue to cooperate fully with the  
5 Commissioner to correct and remedy such violations. Further, CMG agreed to the issuance  
6 of this Consent Order without the need to commence an administrative action.

7 I. It is the intention and desire of the Parties to resolve this matter without the necessity  
8 of a hearing and/or other litigation.

9 J. The Commissioner finds that this action is appropriate, in the public interest, and  
10 consistent with the purposes fairly intended by the policies and provisions of this law.

11 NOW, THEREFORE, in consideration of the foregoing, and the terms and  
12 conditions set forth herein, the Parties agree as follows:

13 **II.**  
14 **Terms and Conditions**

15 1. Purpose.

16 The purpose of this Consent Order is to resolve the Commissioner’s investigation  
17 into the violations of Financial Code § 50204, subdivision (e) and Financial Code, § 50701,  
18 subdivision (e) discovered during her examination of CMG in a manner that avoids the  
19 expense of court proceedings and a hearing, is in the public interest, protects consumers, and  
20 is consistent with the purposes, policies, and provisions of the CRMLA.

21 2. Finality of Consent Order.

22 CMG hereby agrees to comply with this Consent Order and, further, stipulates that  
23 this Consent Order is hereby deemed a final and enforceable order issued pursuant to the  
24 Commissioner’s authority under Financial Code sections 50321 and 50513.

25 3. Order to Discontinue.

26 CMG stipulates that in accordance with Financial Code section 50321, CMG will  
27 immediately discontinue and desist and refrain from the violations set forth herein.

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1 4. Waiver of Hearing Rights.

2 CMG acknowledges that the Commissioner is ready, willing, and able to proceed  
3 with the filing of an Enforcement Action on the charges contained in this Consent Order,  
4 and CMG hereby waives the right to a hearing, and to any reconsideration, appeal, or other  
5 right to review which may be afforded pursuant to the CRMLA. CMG further expressly  
6 waives any requirement for the filing of an Accusation that may be afforded by Government  
7 Code section 11415.60, subdivision (b), the Administrative Procedure Act, the Code of Civil  
8 Procedure, or any other provision of law; and by waiving such rights, CMG effectively  
9 consents to this Consent Order becoming final.

10 5. Payment of Penalties.

11 CMG shall pay a penalty of \$30,000.00 for the violations discussed herein within 30  
12 calendar days of the Effective Date of this Consent Order, as such date is defined in  
13 Paragraph 19. CMG shall pay the penalty in the form of a cashier's check or Automated  
14 Clearing House deposit to the "Department of Business Oversight," and mailed to the  
15 attention of: Accounting – Litigation, at the Department of Business Oversight located at  
16 1515 K Street, Suite 200, Sacramento, California 95814. Notice of all payments shall be  
17 sent to Charles Carriere, Counsel, Enforcement Division, at the Department of Business  
18 Oversight located at One Sansome Street, Suite 600, San Francisco, California 94104.

19 6. Declaration of Policies and Procedures.

20 CMG has submitted to the Commissioner a copy of CMG's policies and procedures  
21 that it has implemented to address the terms of Section II(3) herein. The Commissioner has  
22 reviewed the policies and procedures and deemed the subject disclosure being implemented  
23 to be satisfactory. CMG agrees to continue implementing those policies and procedures in  
24 the future.

25 7. Effect of Consent Order on License.

26 In consideration of CMG's agreement to the entry of this Consent Order, and to pay  
27 penalties required by Paragraph 5 hereof, the Commissioner hereby agrees that except as set  
28 forth in this Consent Order, she shall not suspend the residential mortgage lender or servicer

1 license of CMG or take any further action based on violations of the code provisions cited in  
2 this order or any other findings noted in the above-described routine examination of CMG.

3 Accordingly, this Consent Order does not affect the licensing status of CMG.

4 8. Full and Final Settlement.

5 The Parties hereby acknowledge and agree that this Consent Order is intended to  
6 constitute a full, final, and complete resolution of the violations described herein and any  
7 other findings noted in the above-described routine examination of CMG that occurred  
8 through February 28, 2017 (the end of the examination period) and that no further  
9 proceedings or actions will be brought by the Commissioner in connection with these  
10 matters either under the CRMLA, or any other provision of law, excepting therefrom any  
11 proceeding to enforce compliance with the terms of this Consent Order, or a proceeding or  
12 action based upon discovery of new and further violations of the CRMLA which do not  
13 form the basis for this Consent Order or which CMG knowingly concealed from the  
14 Commissioner.

15 9. Binding.

16 This Consent Order is binding on all the Parties' heirs, assigns, and/or successors in  
17 interest.

18 10. Commissioner's Duties.

19 The Parties further acknowledge and agree that nothing contained in this Consent  
20 Order shall operate to limit the Commissioner's ability to assist any other agency (city,  
21 county, state or federal) with any prosecution, administrative, civil or criminal, brought by  
22 any such agency against CMG or any other person based upon any of the activities alleged  
23 in these matters or otherwise.

24 11. Future Actions by Commissioner.

25 This Consent Order may be revoked, and the Commissioner may pursue any and all  
26 remedies available under law against CMG if the Commissioner later discovers that CMG  
27 knowingly or willfully withheld information used for and relied upon in this Consent Order.  
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1 Further, CMG agrees that this Consent Order does not resolve any penalties that may be  
2 assessed by the Commissioner upon discovery of new and further violations of the CRMLA.

3 12. Independent Legal Advice.

4 Each of the Parties represents, warrants, and agrees that it has received independent  
5 advice from its attorney(s) and/or representatives with respect to the advisability of  
6 executing this Consent Order.

7 13. Counterparts.

8 The Parties agree that this Consent Order may be executed in one or more separate  
9 counterparts, each of which when so executed, shall be deemed an original. Such  
10 counterparts shall together constitute and be one and the same instrument.

11 14. Waiver, Modification, and Qualified Integration.

12 The waiver of any provision of this Consent Order shall not operate to waive any  
13 other provision set forth herein. No waiver, amendment, or modification of this Consent  
14 Order shall be valid or binding to any extent unless it is in writing and signed by all of the  
15 Parties affected by it.

16 15. Headings and Governing Law.

17 The headings to the paragraphs of this Consent Order are inserted for convenience  
18 only and will not be deemed a part hereof or affect the construction or interpretation of the  
19 provisions hereof. This Consent Order shall be construed and enforced in accordance with  
20 and governed by California law.

21 16. Full Integration.

22 Each of the Parties represents, warrants, and agrees that in executing this Consent  
23 Order it has relied solely on the statements set forth herein and the advice of its own  
24 counsel. Each of the Parties further represents, warrants, and agrees that in executing this  
25 Consent Order it has placed no reliance on any statement, representation, or promise of any  
26 other party, or any other person or entity not expressly set forth herein, or upon the failure of  
27 any party or any other person or entity to make any statement, representation or disclosure  
28 of anything whatsoever. The Parties have included this clause: (1) to preclude any claim

1 that any party was in any way fraudulently induced to execute this Consent Order; and (2) to  
2 preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the  
3 terms of this Consent Order.

4 17. Presumption from Drafting.

5 In that the Parties have had the opportunity to draft, review and edit the language of  
6 this Consent Order, no presumption for or against any party arising out of drafting all or any  
7 part of this Consent Order will be applied in any action relating to, connected to, or  
8 involving this Consent Order. Accordingly, the Parties waive the benefit of Civil Code  
9 section 1654 and any successor or amended statute, providing that in cases of uncertainty,  
10 language of a contract should be interpreted most strongly against the party who caused the  
11 uncertainty to exist.

12 18. Voluntary Agreement.

13 CMG enters this Consent Order voluntarily and without coercion and acknowledges  
14 that no promises, threats or assurances have been made by the Commissioner or any officer,  
15 or agent thereof, about this Consent Order.

16 19. Effective Date.

17 This Consent Order shall not become effective until signed by all Parties and  
18 delivered by the Commissioner's counsel by email to CMG's counsel: Ms. Kelley Barnaby  
19 (kelley.barnaby@alston.com) and Ms. Lisa Lanham (lisa.lanham@alston.com) (Effective  
20 Date).

21 20. Public Record.

22 Respondent acknowledges that this Consent Order is a public record.

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21. Authority to Execute.

Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter this Consent Order.

Dated: 10/23/18

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_

MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division

Dated: 10/22/18

CMG MORTGAGE CORPORATION

By \_\_\_\_\_

CHRISTOPHER GEORGE  
President and Chief Executive Officer

APPROVED AS TO FORM AND CONTENT:

\_\_\_\_\_  
KELLEY BARNABY

\_\_\_\_\_  
LISA LANHAM

Counsel for CMG Mortgage, Inc.