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

11 In the Matter of:)
) CFL LICENSE NO.: 603-C571
12 THE COMMISSIONER OF BUSINESS)
13 OVERSIGHT,) ACCUSATION
)
14 Complainant,)
)
15 v.)
)
16 ST. FIN CORP.,)
17)
18 Respondent.)
)

19
20 The Complainant is informed and believes, and based upon such information and belief,
21 alleges and charges Respondent as follows:

22 **I.**

23 **Introduction**

24 1. St. Fin Corp. (SFC) is licensed by the Commissioner of Business Oversight
25 (Commissioner) as a finance lender and broker pursuant to the California Financing Law (CFL) (Fin.
26 Code § 22000 et seq.). SFC has its principal place of business located at 23330 Mill Creek, Suite
27 250, Laguna Hills, California 92653. SFC currently has no branch office locations under its CFL
28 license. SFC employs mortgage loan originators in its CFL business.

ACCUSATION

II.**Per Diem Interest Overcharges**

2. On or about March 25, 2019, the Commissioner commenced a regulatory examination of the books and records of SFC under the CFL (2019 regulatory examination). The 2019 regulatory examination disclosed that SFC engaged in unfair business acts or practices in violation of Financial Code section 22161, subdivision (a)(5), Business and Professions Code section 17200 and California Code of Regulations, title 10, section 1457 (d) in that SFC charged the borrower per diem interest in excess of one day prior to the disbursement of loan proceeds in violation of Civil Code section 2948.5 in 14 of 30 (47%) funded CFL loans reviewed. A California Additional Per Diem Interest Charge Disclosure was found in 13 of the 14 the loans with per diem interest overcharges. The disclosures were not prepared in accordance with California Civil Code section 2948.5, subdivision (b) or were not applicable, and therefore were not considered in calculating per diem interest charges. The per diem interest overcharges averaged \$175.88 per loan. The range of per diem interest overcharges was between \$58.67 and \$392.02. The range of days that interest was overcharged was between 1 and 12 days.

3. On or about May 6, 2019, the Commissioner, based upon the findings of the 2019 regulatory examination and pursuant to Financial Code section 22159, subdivision (b), directed SFC to conduct a self-audit regarding per diem interest charges for all residential mortgage loans originated from August 3, 2009 to the present, make appropriate refunds, and submit a report as to the findings of the self-audit (per diem interest report). The per diem interest report was to include at a minimum the loan number; borrower's name; loan amount; interest rate; date funds were disbursed by the settlement agent; the date per diem interest commenced; per diem interest overcharged; and the date refunded. SFC has yet to conduct the per diem interest self-audit.

III.**Recording Fee Overcharges**

4. The 2019 regulatory examination further disclosed that in 6 of 30 (20%) funded loans reviewed, SFC had charged the borrower in excess of the amount paid to the county recorder for recording documents in violation of Financial Code section 22336, subdivision (a). The recording

1 fee overcharges averaged \$70.66 per loan. The range of recording fee overcharges was between
2 \$9.00 and 225.00.

3 5. On or about May 6, 2019, the Commissioner, based upon the findings of the 2019
4 regulatory examination and pursuant to Financial Code section 22159, subdivision (b), directed SFC
5 to conduct a self-audit regarding recording fee charges for all residential mortgage loans originated
6 from August 3, 2009 to the present, make appropriate refunds, and submit a report as to the findings
7 of the self-audit (recording fee report). The recording fee report was to include at a minimum the
8 loan number, borrower’s name, recording fee charged to the borrower (HUD-1 or Settlement
9 Statement), invoice amount, overcharged amount, and refund check number, if applicable. SFC has
10 yet to conduct the recording fee self-audit.

11 **IV.**

12 **Improper Disclosures**

13 6. The 2019 regulatory examination also disclosed that in all 30 funded loans reviewed,
14 SFC had failed to provide its CFL license number to borrowers as required in the California
15 Financing Law Statement of Loan in violation of Financial Code section 22337, subdivision (a).

16 **V.**

17 **Improper Fair Lending Notices**

18 7. The 2019 regulatory examination additionally disclosed that SFC had provided Fair
19 Lending Notices with the incorrect agency to contact in 10 of the 30 funded loans reviewed for this
20 issue in violation of Financial Code section 22161, subdivision (a)(5), Health and Safety Code
21 section 35830 and California Code of Regulations, title 21, section 7114.

22 **VI.**

23 **CFL Suspension/Penalty Statutes**

24 8. Financial Code section 22714 provides in pertinent part:

25 (a) The commissioner shall suspend or revoke any license, upon notice
26 and reasonable opportunity to be heard, if the commissioner finds any of
the following:

27 . . .

1 (2) The licensee has violated any provision of this division or any rule or
2 regulation made by the commissioner under and within the authority of this
3 division.

4 9. Financial Code section 22172 provides in pertinent part:

5 (a) The commissioner may do one or more of the following:

6 (4) Impose fines on a mortgage loan originator or any finance lender or broker
7 licensee employing a mortgage loan originator pursuant to subdivisions (b), (c),
8 and (d).

9 (b) The commissioner may impose a civil penalty on a mortgage loan originator
10 or any finance lender or broker licensee employing a mortgage
11 loan originator, if the commissioner finds, on the record after notice and
12 opportunity for hearing, that the mortgage loan originator or any finance lender or
13 broker licensee employing a mortgage loan originator has violated or failed to
14 comply with any requirement of this division or any regulation prescribed by the
15 commissioner under this division or order issued under authority of this division.

16 (c) The maximum amount of penalty for each act or omission described in
17 subdivision (b) shall be twenty-five thousand dollars (\$25,000).

18 (d) Each violation or failure to comply with any directive or
19 order of the commissioner is a separate and distinct violation or
20 failure.

21 **VII.**

22 **Conclusion**

23 10. The Commissioner finds that, by reason of the foregoing, St. Fin Corp. has violated
24 Financial Code sections 22159, subdivision (b), 22161, subdivision (a)(5), 22336, subdivision (a),
25 and 22337, subdivision (a); Health and Safety Code section 35830; and California Code of
26 Regulations, title 21, section 7114, and based thereon, grounds exist to (i) suspend the finance lender
27 and broker license of St. Fin Corp., and (ii) assess penalties against St. Fin Corp.

28 **VIII.**

Prayer

WHEREFORE, IT IS PRAYED that:

1. Pursuant to Financial Code section 22714, the finance lender and broker license of St.
Fin Corp. be suspended for a period of up to 12 months;

1 2. Pursuant to the Financial Code section 22172, subdivision (b), penalties be levied
2 against St. Fin Corp. for at least 14 violations of Financial Code section 22161, subdivision (a)(5)
3 via violations of Civil Code section 2948.5, overcharging per diem interest, according to proof, but
4 in an amount of at least \$1,000.00 per violation.

5 3. Pursuant to the Financial Code section 22172, subdivision (b), penalties be levied
6 against St. Fin Corp. for at least 6 violations of Financial Code section 22336, subdivision (a),
7 overcharging recording fees, according to proof, but in an amount of at least \$250.00 per violation.

8 4. Pursuant to the Financial Code section 22172, subdivision (b), penalties be levied
9 against St. Fin Corp. for at least 30 violations of Financial Code section 22337, subdivision (a),
10 failing to provide its CFL license number on the California Financing Law Statement of Loan,
11 according to proof, but in an amount of at least \$100.00 per violation.

12 5. Pursuant to the Financial Code section 22172, subdivision (b), penalties be levied
13 against St. Fin Corp. for at least 10 violations of Financial Code section 22161, subdivision (a) (5)
14 and Health and Safety Code section 35830 and California Code of Regulations, title 21, section
15 7114, failing to provide proper Fair Lending Notices, according to proof, but in an amount of at least
16 \$250.00 per violation; and

17 6. Pursuant to the Financial Code section 22172, subdivision (b), a penalty be levied
18 against St. Fin Corp for failing to file the self-audit reports on per diem interest and recording fees in
19 violation Financial Code section 22159, subdivision (b), according to proof, but in an amount of at
20 least \$25,000.00.

21 Dated: June 24, 2019
22 Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Business Oversight

23
24 By _____
25 Judy L. Hartley
26 Senior Counsel
27 Enforcement Division
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