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

10 In the Matter of:	)	
	)	CRMLA NO.: 413-1191
11 THE COMMISSIONER OF BUSINESS	)	
12 OVERSIGHT,	)	
	)	ACCUSATION TO REVOKE LICENSE
13 Complainant,	)	PURSUANT TO FINANCIAL CODE
	)	SECTION 50327
14	)	
15 v.	)	
	)	
16 SECURITY AMERICA MORTGAGE, INC.,	)	
	)	
17 Respondent.	)	
	)	

18  
19 The Complainant, Commissioner of Business Oversight (Commissioner), alleges and charges  
20 Respondent Security American Mortgage, Inc. (SAMI) as follows:

21 **I.**  
22 **Introduction**

23 1. The Commissioner seeks to revoke the residential mortgage lender license issued to  
24 SAMI by the Commissioner pursuant to Financial Code section 50327 because SAMI violated  
25 numerous provisions of the California Residential Mortgage Lending Act (Fin. Code, §50000 et seq.)  
26 (CRMLA).

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**II.**  
**Statement of Facts**

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3           2.       Respondent Security America Mortgage, Inc. is a residential mortgage lender and  
4 mortgage loan servicer licensed by the Commissioner pursuant to the CRMLA. SAMI is located at  
5 7514 Shady Villa Lane, Suite A, Houston, Texas 77055. The Department of Business Oversight  
6 (Department) conducted a regulatory examination of SAMI pursuant to Financial Code section 50302  
7 on February 14, 2019 (February Regulatory Examination).

8           3.       The February Regulatory Examination led to the discovery of the following CRMLA  
9 violations: (1) SAMI did not meet the tangible net worth requirements in violation of Financial Code  
10 section 50201; (2) a control person named in Nationwide Multistate Licensing System & Registry  
11 (NMLS) had not filed fingerprints with the Department in violation of Financial Code section 50121  
12 and Code of Regulations section 1950.122.2; (3) SAMI provided borrowers with incorrect disclosures  
13 noting that loans were made pursuant to the California Financing Law (CFL) in violation of Financial  
14 Code sections 50314 and 50503, subdivision (a)(2), and Code of Regulations section 1950.314; and (4)  
15 SAMI’s website failed to state “Licensed by the Department of Business Oversight under the  
16 California Residential Mortgage Lending Act” in violation of Code of Regulation section 1950.204.3.

17           4.       The Department later discovered the following violations in addition to those identified  
18 during the February Regulatory Examination: (5) SAMI was to employ an independent auditor to test  
19 the anti-fraud program but did not, in violation of Code of Federal Regulations section 1029.210; and  
20 (6) SAMI was not a federally approved lender in violation of Financial Code section 50003.

21           5.       On May 20, 2019, the Department’s Program Division issued a letter to SAMI  
22 demanding that SAMI cure all violations by May 30, 2019. Although SAMI cured three out of the six  
23 violations, SAMI did not cure the most egregious of the CRMLA violations. SAMI is still in violation  
24 of Financial Code sections 50201 (deficient net worth requirements), 50003 (not a federally approved  
25 lender), and Code of Federal Regulations section 1029.210 (no independent auditor).

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**III.**  
**CRMLA Violations**

**A. Tangible Net Worth Requirements**

6. Pursuant to Financial Code section 50201, a licensee shall continuously maintain a minimum tangible net worth at all times of \$250,000. (Fin. Code, § 50201.) The tangible net worth requirement is important because it protects consumers by ensuring the licensee's ability to underwrite loans and to be financially fit to do so.

7. The Department reviewed and analyzed SAMI's monthly financial statements from October 2018 to at least May 2019 and determined that SAMI did not meet the tangible net worth requirements as set forth in Financial Code section 50201. SAMI was deficient in meeting the tangible net worth requirements as follows:

Month	Tangible Net Worth	Net worth Deficiency
October 31, 2018	\$190,212.30	-\$59,787.70
November 30, 2018	\$78,248.23	-\$171,751.77
December 31, 2018	\$65,627.00	-\$184,373.00
January 31, 2019	-\$5,680.02	-\$255,680.02
February 28, 2019	-\$2,391.26	-\$252,391.26
March 31, 2019	-\$67,750.58	-\$317,750.58
April 30, 2019	-\$28,631.74	-\$278,631.74
May 21, 2019	-\$66,087.99	-\$316,087.99

8. Not only has SAMI not met the tangible net worth requirements since October of 2018, its tangible net worth has been steadily declining, and SAMI has represented to the Department that it *cannot* meet these requirements in the foreseeable future. Of all the violations referenced herein, this is the most egregious and would be grounds for revocation in and of itself.

**B. Federally Approved Lender Status**

9. Pursuant to Financial Code section 50003, subdivision (m), a CRMLA licensee applicant who intends to engage in business as a lender or servicer of federally related mortgage loans

1 in California must provide evidence of federal agency approval during the CRMLA application  
2 process as a prerequisite to obtain a license. A lender or servicer who provides evidence of federal  
3 agency approval during the CRMLA application process must maintain its federal agency approval  
4 while the CRMLA license is active. (Fin. Code, § 50003, subd. (m).) SAMI has not provided the  
5 Department with evidence of federal agency approval during the time of their licensure. In May of  
6 2019, SAMI informed the Department that SAMI will never secure federal agency approval because  
7 SAMI does not meet the financial requirements to qualify for this approval. To date, SAMI has not  
8 provided the Department with evidence of federal agency approval.

9 **C. Anti-Money Laundering Program**

10 10. Pursuant to Code of Federal Regulations section 1029.210, SAMI must employ an  
11 independent auditor to test SAMI's anti-money laundering program, provide evidence to the  
12 Department to establish that SAMI has employed an independent auditor, provide the Department with  
13 procedures implemented by SAMI to comply with this law, and provide the Department with a  
14 timeline regarding when the independent audit will be done. (31 C.F.R. § 1029.210.) SAMI has not  
15 provided the required information to the Department regarding their anti-money laundering program or  
16 any evidence that it secured an independent auditor, in violation of Code of Federal Regulations  
17 section 1029.210.

18 **D. Fingerprints**

19 11. Pursuant to Financial Code section 50121 and Code of Regulations, title 10, section  
20 1950.122.2, every control person named in NMLS must file their fingerprints with the Department.  
21 (Fin. Code, § 50121; Cal. Code Regs., § 1950.122.2.) Jason Elijah Noble (Noble) is a control person  
22 named in NMLS for SAMI. Noble did not file fingerprints and/or form MBL 1950.122.2 as of the  
23 February Regulatory Examination. SAMI indicated that Noble submitted a signed exemption form  
24 through NMLS. However, the required documents in the Form "MU2" in NMLS must be submitted to  
25 the Department separately. Noble eventually submitted the Form "MU2" in NMLS to the Department.

26 **E. Disclosures**

27 12. Pursuant to Financial Code sections 50314, 50503, subdivision (a)(2) and Code of  
28 Regulations, title 10, section 1950.314, SAMI must provide borrowers with disclosures which do not

1 incorrectly state information. (Fin. Code, §§ 50314, 50503, subd. (a)(2); Cal. Code Regs., §1950.314).  
2 Documentation must properly identify what authority any loans are made under.

3 13. During the February Regulatory Examination, it was discovered that SAMI had  
4 disclosed to consumers in at least six transactions, that loans were made pursuant to SAMI's CFL  
5 lender license. However, SAMI does not possess a CFL lender license. Rather, SAMI has a CRMLA  
6 license with the Department. Since that time, SAMI represented to the Department that SAMI's  
7 disclosure package was updated to disclose that loans are made pursuant to SAMI's CRMLA license,  
8 not a CFL lender license.

9 **F. Reference to Licensure**

10 14. Pursuant to Code of Regulations, title 10, section 1950.204.3, SAMI must refer to its  
11 licensure in any written or printed communication or any communication by means of recorded  
12 telephone messages, telephonic or electronic media, or spoken on radio, television or similar  
13 communications media, only by the following statement: "Licensed by the Department of Business  
14 Oversight under the California Residential Mortgage Lending Act." (Cal. Code Regs., § 1950.204.3.)

15 15. SAMI's internet website, [www.securityamericamortgage.com](http://www.securityamericamortgage.com), indicated at the February  
16 Regulatory Examination that SAMI was "Licensed by the Department of Corporations under the  
17 California Residential Mortgage Act." SAMI incorrectly used the term "Department of Corporations"  
18 instead of the required "Department of Business Oversight." As of July 1, 2013, the Department of  
19 Corporations became the Department, pursuant to the Governor's Reorganization Plan No. 2 (2012).  
20 (Gov. Code, § 8523.) Since the February Regulatory Examination, SAMI's website was updated to  
21 properly disclose "Licensed by the Department of Corporations under the California Residential  
22 Mortgage Act."

23 **IV.**

24 **Applicable Statute**

25 Financial Code section 50327 provides in pertinent part:

26 (a) The commissioner may, after notice and a reasonable opportunity to be heard,  
27 suspend or revoke any license if the commissioner finds that: (1) the licensee has  
28 violated any provision of this division or any rule or order of the commissioner  
thereunder; or (2) any fact or condition exists that, if it had existed at the time of  
the original application for the license, reasonably would have warranted the  
commissioner in refusing to issue the license originally.

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**V.**  
**Prayer**

The Commissioner finds that, by reason of the foregoing, Security America Mortgage, Inc. has violated Financial Code sections 50003, subdivision (m), 50121, 50201, 50314, 5053, subdivision (a)(2), Code of Regulations, title 10, sections 1950.122.2, 1950.204.3, 1950.314, and Code of Federal Regulations section 1029.210, and based thereon, grounds exist (by each violation) to revoke Security America Mortgage, Inc.’s license as a residential mortgage lender and mortgage loan servicer.

WHEREFORE, IT IS PRAYED that the residential mortgage lender and mortgage loan servicer license of Security America Mortgage, Inc. be revoked and, pursuant to Financial Code section 50311, Security America Mortgage, Inc. be given a transition period of 60 days within which to complete any loans for which it had prior commitments.

Dated: August 26, 2019  
Sacramento, CA

MANUEL P. ALVAREZ  
Commissioner of Business Oversight

By \_\_\_\_\_  
MARISA URTEAGA-WATKINS  
Counsel  
Enforcement Division