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

11 In the Matter of:) MLO LICENSE NO.: 876322
)
12 THE COMMISSIONER OF BUSINESS) ACCUSATION TO REVOKE MORTGAGE
13 OVERSIGHT,) LOAN ORIGINATOR LICENSE OF RACHEL
) SYKES AND BAR RACHEL SYKES FROM
14 Complainant,) ANY POSITION OF EMPLOYMENT,
15 v.) MANAGEMENT, OR CONTROL OF ANY
) RESIDENTIAL MORTGAGE LENDER,
16 RACHEL SYKES,) SERVICER, OR MORTGAGE LOAN
) ORIGINATOR
17 Respondent.)

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19 The Commissioner of Business Oversight (Commissioner) files this Accusation to revoke
20 Rachel Sykes' (Sykes) mortgage loan originator license, and bar Sykes from any position of
21 employment, management or control of any residential mortgage lender, servicer, or mortgage loan
22 originator. The Commissioner alleges, and charges as follows:

23 **I.**

24 **Introduction**

25 1. The Commissioner licenses and regulates mortgage loan originators, finance lenders, and
26 brokers under the California Financing Law (Fin. Code, § 22000 et seq.) (CFL), and licenses and
27 regulates mortgage loan originators, residential mortgage lenders, and residential mortgage servicers
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1 under the California Residential Mortgage Lending Act (Fin. Code, §50000 et seq.) (CRMLA).

2 2. To become licensed by the Commissioner as a mortgage loan originator (MLO), an
3 individual must submit a uniform application form (known as the MU2 or MU4 form) through the
4 Nationwide Mortgage Licensing System & Registry (NMLS). The NMLS contains a detailed set of
5 instructions for filing license applications, including a checklist of items to be completed by the
6 applicant, who is fully responsible for all the requirements of the license.

7 3. On November 29, 2018, Sykes submitted an application for a MLO license with the
8 Commissioner (Application) by submitting a Form MU4 through the NLMS.

9 4. On August 16, 2018 the Commissioner issued a MLO license, number 876322 to
10 Sykes.

11 5. The Commissioner seeks to revoke Sykes' license on the basis that Sykes withheld
12 information or made a material misstatement in her Application, and cannot demonstrate
13 that she has "such financial responsibility, character, and general fitness as to command the
14 confidence of the community" or that she "will operate honestly, fairly, and efficiently
15 within the purpose of this division."

16 6. The Commissioner also seeks to bar Sykes from any position of employment with,
17 or management or control of, any finance lender, broker, or mortgage loan originator on the
18 basis that the bar is in the public interest and Sykes unlawfully withheld information or
19 made a material misstatement in her Application.

20 **II.**

21 **Statement of Facts**

22 **A. Sykes Licensure with the DBO**

23 7. On July 31, 2018, when Sykes filed her Application with the Commissioner, she was
24 required to sign an oath and attestation agreeing "to keep the information contained in this [MU4]
25 form current and to file accurate supplementary information on a timely basis...."

26 8. The MU4 form contains a section entitled "Termination Disclosure," which contains
27 Question "Q" that states:

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Have you voluntarily resigned, been discharged, or permitted to resign after allegations were made that accused you of:

(1) Violating statutes(s), regulation(s), rule(s) or industry standards of conduct?

(2) Fraud, dishonesty, theft, or the wrongful taking of property?

9. Although Sykes did not respond to Termination Disclosure questions (Q) (1)-(2), based on the information she provided and her attestation to the accuracy of her Application, Sykes was issued a MLO license on August 16, 2018.

B. Failure to Disclose Job Termination.

10. The Department investigates each mortgage loan originator license application it receives. The Department’s investigation of Sykes’ Application disclosed that her prior employer, Wells Fargo Bank (WFB) had terminated Sykes’ employment.

11. WFB terminated Sykes’ employment as a mortgage consultant on or about October 24, 2012, following allegations that she willfully manipulated WFB’s source code system, resulting in compensation that was unearned in violation of WFB’s “Code of Ethics and Business Conduct: Act with Honesty Integrity, & Trustworthiness.” WFB denied Sykes’ appeal against her termination, noting that Sykes’ “is not eligible for re-hire with Wells Fargo.”

12. On August 10, 2018, the Commissioner’s staff requested through the NMLS that Sykes respond to the Termination Disclosure questions (Q) (1)-(2).

13. On August 13, 2018, Sykes responded by email stating that she did not have to answer “yes” to the Termination Disclosure questions because she allegedly resigned from WFB and STM.

C. State of Nebraska Denies Sykes’ application for a MLO license

14. On or about November 29, 2018, the State of Nebraska, Department of Banking and Finance issued an Order denying Sykes’ application for a MLO license with the state of Nebraska (Nebraska Order).

15. The Nebraska Order determined that Sykes was discharged from WFB on or about October 24, 2012, following allegations that she willfully manipulated source code system in violation of WFB’s “Code of Ethics and Business Conduct: Act with Honesty Integrity, & Trustworthiness.”

1 16. The Nebraska Order stated that Sykes made misrepresentations on her application for a MLO
2 license and submitted false filings with the State of Nebraska. The Nebraska Order determined that
3 Sykes' false filing and "the intentional incorrect coding of loan files/mortgage resulting in unearned
4 compensation reflects adversely upon Sykes' character and fitness and demonstrates Sykes' lack of
5 ability to operate "honestly, fairly, and efficiently within the purposes of the Act."

6 17. On Nov. 30, 2018, the Department placed a license item in NMLS directing Sykes to amend
7 her response to the Regulatory Action Disclosure questions (K) (1-9) on her MU4 and provide
8 supporting documentation regarding the Nebraska Order.

9 18. To date, the Commissioner has not received any explanation from Sykes or an amended
10 MU4 amending her response to the Regulatory Action Disclosure questions (K) (1-9).

11 **III.**

12 **Grounds to Revoke Sykes' MLO License**

13 19. Financial Code section 50513, subdivision (a), provides, in pertinent part:

14 The Commissioner may do one or more of the following:

- 15 (1) Deny, suspend, revoke, condition, or decline to renew a
16 mortgage loan originator license for a violation of this division,
17 or any rules or regulations adopted thereunder.
- 18 (2) Deny, suspend, revoke, condition, or decline to renew a
19 mortgage loan originator license if an applicant or licensee fails
20 at any time to meet the requirements of Section 50141 or
50144, or withholds information or makes a material
misstatement in an application for a license or license renewal.

21 20. Financial Code section 50141, subdivision (a) provides, in pertinent part:

22 The commissioner shall deny an application for a mortgage loan
23 originator license unless the commissioner makes at a minimum
24 the following findings:

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- 25 (3) The applicant has demonstrated such financial responsibility,
26 character, and general fitness as to command the confidence of the
27 community and to warrant a determination that the mortgage loan
28 originator will operate honestly, fairly, and efficiently within the
purposes of this division.

1 20. Based on the foregoing findings of fact, the Commissioner has determined that there are
2 grounds to revoke Sykes’s MLO license under Financial Code sections 50141 on the basis that
3 Sykes’s employment with WFB was terminated because she willfully manipulated the source code
4 system, resulting in compensation that was unearned in violation of WFB’s “Code of Ethics and
5 Business Conduct: Act with Honesty Integrity, & Trustworthiness.” As such, Sykes has failed to
6 demonstrate such financial responsibility, character, and general fitness as to command the
7 confidence of the community and to warrant a determination that she will operate honestly, fairly,
8 and efficiently as a MLO.

9 21. Further, there are grounds to revoke Sykes’ MLO license under Financial Code section
10 50513 on the basis that she fails to meet the requirements of Financial Code section 50141 because
11 she withheld information or made a material misstatement in her Application by failing to disclose
12 the termination of her employment by her previous employer, WFB.

13 **IV.**

14 **Grounds to Bar**

15 22. Section 50318 provides, in pertinent part:

16 (a) The commissioner may, after appropriate notice and
17 opportunity for hearing, by order censure or suspend for a
18 period not exceeding 12 months, or bar from any position of
19 employment, management, or control any residential mortgage
20 lender, residential mortgage loan servicer, or mortgage loan
originator, or any other person, if the commissioner finds either
of the following

21 (1) That the censure, suspension, or bar is in the public interest and
22 that the person has committed or caused a violation of this
23 division or rule or order of the commissioner, and (A) the
violation was either known or should have been known by the
person committing or causing it....

24 23. Section 50502 provides, in pertinent part

25 It is a violation of this division for any person to make any untrue
26 statement of a material fact in any document filed with the
27 commissioner under this division or rules adopted thereunder, or to
28 omit any material fact which is required to be stated in any
document.

1 24. Based on the foregoing findings of fact, the Commissioner has determined that there are
2 grounds to bar Sykes from position of employment with, or management or control of, any finance
3 lender, broker, or mortgage loan originator in that the bar is in the public interest and Sykes has
4 violated Financial Code sections 50513 subdivision (a)(3) and 50502 by withholding information or
5 making a material misstatement in an application for a license. The Nebraska Order and the facts
6 upon which the Order was issued, and Sykes' misleading statements or omission to state material
7 fact in her Application filed with the Commissioner constitute grounds to bar Sykes from any
8 position of employment with, or management or control of, any finance lender, broker, or mortgage
9 loan originator pursuant to Financial Code section 50318 (a)(1).

10 **V.**

11 **Conclusion**

12 Based on the foregoing, the Commissioner pursuant to Financial Code section 50141,
13 subdivisions (a)(3), seeks to revoke the mortgage loan originator license number 876322 issued to
14 Rachel Sykes on August 18, 2018.

15 WHEREFORE, IT IS PRAYED that the mortgage loan originator license number 876322
16 issued to Rachel Sykes on August 18, 2018, be revoked pursuant to California Financial Code
17 sections 50513, subdivision (a) (2) and 50141, subdivision (a)(3).

18 Further, based on the foregoing, the Commissioner pursuant to Financial Code section
19 50318, subdivision (a)(1) finds it is in the public interest to bar Rachel Sykes from any position of
20 employment, management or control of any California finance lender.

21 WHEREFORE, IT IS PRAYED that Rachel Sykes be barred in the State of California from
22 any position of employment, management or control of any California finance lender pursuant to
23 California Financial Code section 50318 subdivision (a)(1).

24 Dated: August 8, 2019

MANUEL P. ALVAREZ
Commissioner of Business Oversight

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26 By _____
27 UCHE L. ENENWALI
28 Senior Counsel
Enforcement Division