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

<p>12 In the Matter of:</p> <p>13 THE COMMISSIONER OF BUSINESS</p> <p>14 OVERSIGHT,</p> <p>15 Complainant,</p> <p>16 v.</p> <p>17 JOHN ALAN ROUTH,</p> <p>18 Respondent.</p>	<p>NMLS NO.: 1827057</p> <p>ORDER DENYING APPLICATION FOR</p> <p>MORTGAGE LOAN ORIGINATOR</p> <p>LICENSE</p>
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20 The Commissioner of Business Oversight (Commissioner) finds:

- 21 1. On February 5, 2019, John Alan Routh (Routh) applied to the Commissioner for a
- 22 mortgage loan originator (MLO) license under the California Residential Mortgage Lending Act (Fin.
- 23 Code § 50000 et seq.) (CRMLA).
- 24 2. Routh applied for an MLO license by filing a form MU4 (Application) through the
- 25 Nationwide Mortgage Licensing System (NMLS). His Application was sponsored by a lender
- 26 licensed under the CRMLA.
- 27 3. As described in more detail below, the Commissioner denies the issuance of an MLO
- 28 license to Routh under Financial Code section 50141 because Routh failed to meet the minimum

1 threshold requirement that he demonstrates such financial responsibility, character, and general
2 fitness as to command the confidence of the community and to warrant a determination that the
3 mortgage loan originator will operate honestly, fairly, and efficiently.

4 4. Question P(2) of the Application asks whether the applicant has ever been named as a
5 respondent/defendant in a financial services-related consumer-initiated arbitration or civil litigation
6 which resulted in an arbitration award or civil judgment against the applicant, regardless of amount,
7 or that required corrective action.

8 5. Routh answered “Yes” to question P(2).

9 6. On October 12, 2006, a civil lawsuit for constructive fraud, racketeering and slander
10 of title was filed against Routh and other defendants (*Grace Clark v. Routh et al.*) in the Superior
11 Court of California for the County of Orange. The plaintiff alleged that Routh and other defendants,
12 while acting as fiduciaries, engaged in constructive fraud, racketeering and slander of title, and
13 conspired to acquire an unauthorized second mortgage in the amount of \$195,000.00.

14 7. The lawsuit further alleged that an unauthorized second mortgage along with related
15 obligations and expenses were secured by the plaintiff’s property. The funds were received by the
16 defendants, including Routh, to the exclusion of the plaintiff.

17 8. In July of 2008, after hearing and considering the evidence and arguments, the court
18 found for the plaintiff and ordered Routh to pay \$75,000.00 in restitution and \$10,000.00 in damages.

19 9. On April 9, 2010, Chicago Title Insurance Company filed a civil lawsuit against Routh
20 and other defendants (*Chicago Title v. Routh et al.*) alleging that Routh and his co-defendants
21 conspired in a fraudulent scheme that resulted in the loan recording against the same property as in
22 the *Grace Clark v. Routh et al.* matter, and were also the recipients of the proceeds from said loan
23 transaction.

24 10. Chicago Title Insurance Company further alleged that Routh and his co-defendants
25 made false representations to execute the loan and deed.

26 11. In April of 2011, a default judgment was entered in the *Chicago Title v. Routh et al.*
27 matter against Routh in the amount of \$40,460.51.

28 12. On January 21, 2009, Chase Bank USA, N.A. filed a lawsuit against Routh for failing

1 to pay his credit account. A default judgment in the amount of \$8,073.77 was entered against Routh
2 on or about May 19, 2009.

3 13. On March 11, 2009, Citibank (South Dakota) N.A. filed a lawsuit against Routh for
4 failing to pay his credit account. A judgment in the amount of \$8,837.98 was entered against Routh
5 on October 7, 2009.

6 14. On May 11, 2009, Citibank (South Dakota) N.A. filed another lawsuit against Routh
7 for failing to pay a loan. A default judgment in the amount of \$3,404.25 was entered against Routh on
8 or about March 5, 2010.

9 15. On March 17, 2011, Routh filed a Chapter 7 bankruptcy petition to discharge his debts
10 including the above judgments. The discharge petition was granted on August 2, 2011. Routh had
11 previously filed for bankruptcy in 1998.

12 16. Question K(6) of the Application asks whether any state or federal regulatory agency
13 ever “denied or suspended your registration or license or application for licensure, disciplined you, or
14 otherwise by order, prevented you from associating with a financial services-related business or
15 restricted your activities.” Routh answered “Yes” to this question.

16 17. In March of 2009, the California Department of Real Estate (DRE) suspended Routh’s
17 salesperson license. Routh’s DRE license expired while he was on suspended status.

18 18. On July 12, 2004, the DRE filed an Accusation seeking to discipline Routh for failing
19 to disclose in his renewal DRE license applications misdemeanor convictions for driving under the
20 influence of alcohol/drugs (DUI) and hit and run.

21 19. Routh had been licensed as a salesperson with the DRE since February 1990. Since his
22 licensure in 1990, Routh had filed 3 renewal applications of his real estate salesperson license, in
23 1994, 1998 and 2002.

24 20. Routh failed to disclose in his renewal applications that he pled guilty to a
25 misdemeanor DUI in April 1998, and a misdemeanor DUI and hit and run in October 2001.

26 21. Routh challenged the DRE Accusation and the matter was set for a hearing.

27 22. After receiving oral and documentary evidence and hearing Routh’s and DRE’s
28 arguments, the Office of Administrative Hearings issued a decision restricting Routh’s DRE license.

1 The decision became effective on February 23, 2005.

2 23. Routh’s DRE license was suspended in connection with a recovery claim made against
3 him. Routh’s DRE license was already restricted at the time of the suspension. Routh’s DRE license
4 has been expired since March 20, 2009 while on suspended status.

5 24. When submitting the form MU4, applicants use an electronic signature to attest, under
6 penalty of perjury, that the information contained in an application is current and complete. Routh’s
7 MLO license Application reads, in part:

8 I John Alan Routh (1827057) . . . swear (or affirm) that I executed this
9 application on my own behalf, and agree to and represent the
10 following:

11 . . .
12 That the information and statements contained herein, including
13 exhibits attached hereto, and other information filed herewith, all of
14 which are made a part of this application, are current . . . and complete
15 and are made under the penalty of perjury, or un-sworn falsification to
16 authorities, or similar provisions as provided by law;

17 . . .
18 To keep the information contained in this form current and to file
19 accurate supplementary information on a timely basis;

20 25. Routh failed to upload the documents relating to the lawsuits, DRE suspension action
21 and bankruptcy with his initial Application. Routh uploaded documents relating to the *Grace Clark*
22 and *Chicago Title* lawsuits, DRE suspension action, and bankruptcy discharge only after the
23 Department prompted Routh to submit these documents.

24 26. On March 14, 2019, over a month after filing his initial Application, Routh amended
25 his application and uploaded the *Grace Clark v. Routh et al.* civil judgment, DRE suspension action
26 and bankruptcy discharge order, after the Department placed the license items on his NMLS record.

27 27. In August of 2019, about six months after filing his initial Application, Routh
28 uploaded documents relating to the *Chicago Title v. Routh et al.* matter, again only after the
Department requested Routh to submit all documents relating to the above lawsuits.

29 28. Routh stated that he was unable to locate the documents relating to the Chase Bank
and Citibank lawsuits. The Department obtained certified copies of these lawsuits directly from the
Superior Court of California for the County of Orange.

1 **Financial Responsibility, Character and General Fitness**

2 29. The Commissioner “shall deny” an application for an MLO license unless he makes,
3 at a minimum, specified findings, including that the applicant has demonstrated such financial
4 responsibility, character, and general fitness as to command the confidence of the community and to
5 warrant a determination that the applicant will operate honestly, fairly, and efficiently as a mortgage
6 loan originator. (Fin. Code, § 50141, subd. (a)(3).)

7 30. As described in paragraphs 6 to 11 and 15, two lawsuits for fraud were filed against
8 Routh. In the first lawsuit for constructive fraud, racketeering and slander of title, the court found that
9 Routh fraudulently acquired an unauthorized second mortgage in the amount of \$195,000.00. The
10 second lawsuit alleged that Routh conspired in a fraudulent scheme that resulted in a loan recording
11 against a property and received the proceeds from said loan transaction. Both lawsuits resulted in
12 judgments against Routh in the total amount of \$125,460.51. Routh did not pay the judgments.
13 Instead, Routh filed for bankruptcy and the judgements were discharged in August of 2011.

14 31. As described in paragraphs 12 to 15, Chase Bank USA, N.A. and Citibank (South
15 Dakota) N.A. filed lawsuits and secured judgements against Routh for failing to pay his credit card
16 debts and a loan. These lawsuits resulted in judgments against Routh in the total amount of
17 \$20,316.00. Routh again did not pay these judgments. Instead, Routh filed for bankruptcy and the
18 judgements were discharged in August 2011.

19 32. As described in paragraphs 16 to 23, Routh’s DRE license was restricted for failing to
20 disclose his criminal misdemeanor convictions in the DRE renewal applications. In 2009, the DRE
21 suspended Routh’s license in connection with a recovery claim made against him while he had a
22 restricted DRE license. Routh’s DRE license has since been expired.

23 33. California Code of Regulations, title 10, section 1950.122.9 requires MLO applicants
24 that disclose information changes to file an amendment, including any explanation and exhibits, with
25 the Department through NMLS within 20 days.

26 34. Finally, as described in paragraphs 24 to 28, Routh failed to timely upload the
27 documents relating to the lawsuits, DRE suspension action and bankruptcy, and uploaded the
28 documents only after the Department prompted him to do so.

1 35. Routh also admits that a state or federal agency or regulatory agency found him to
2 have made a false statement or omission or have been dishonest, unfair or unethical.

3 36. Accordingly, Routh has not demonstrated such financial responsibility, character and
4 general fitness to command the confidence of the community that he would operate honestly and
5 fairly as a mortgage loan originator, as described in Financial Code section 50141, subdivision (a)(3).
6 Routh’s MLO Application must be denied.

7 37. For the foregoing reasons, the Commissioner denies the issuance of an MLO license to
8 Routh under Financial Code section 50141 because Routh failed to meet the minimum threshold
9 requirement that he demonstrates such financial responsibility, character and general fitness as to
10 command the confidence of the community and to warrant a determination that the mortgage loan
11 originator will operate honestly, fairly, and efficiently.

12 38. On September 11, 2019, the Commissioner issued a Notice of Intention in Support of
13 Order Denying Mortgage Loan License Application, Statement of Issues and accompanying
14 documents (Denial Action). The Denial Action was served on Routh on September 12, 2019.

15 39. The Commissioner has received no request for a hearing and the time to request a
16 hearing has expired.

17 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the Application
18 for a mortgage loan originator license of John Alan Routh is denied. This Order is effective
19 immediately.

20 Dated: October 10, 2019
21 Sacramento, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

By _____
Mary Ann Smith
Deputy Commissioner
Enforcement Division

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