

1 MARY ANN SMITH  
Deputy Commissioner  
2 DANIEL P. O'DONNELL  
Assistant Chief Counsel  
3 MARISA I. URTEAGA-WATKINS (State Bar No. 236398)  
Counsel  
4 Department of Business Oversight  
1515 K Street, Suite 200  
5 Sacramento, California 95814  
Telephone: (916) 445-9626  
6 Facsimile: (916) 445-6985  
Attorneys for Complainant

7  
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 )  
OVERSIGHT, ) ORDER REVOKING RESIDENTIAL  
12 Complainant, ) MORTGAGE LENDER LICENSE  
Pursuant to Financial Code  
13 v. ) SECTION 50327  
14 SECURITY AMERICA MORTGAGE, INC., )  
15 Respondent. )  
16 )  
17 )

18 The Commissioner of Business Oversight (Commissioner) finds:

19 1. Respondent Security America Mortgage, Inc. (SAMI) is a residential mortgage lender  
20 and mortgage loan servicer licensed by the Commissioner pursuant to the California Residential  
21 Mortgage Lending Act (Financial Code, §50000 et seq.) (CRMLA). SAMI is located at 7514 Shady  
22 Villa Lane, Suite A, Houston, Texas 77055. The Department of Business Oversight (Department)  
23 conducted a regulatory examination of SAMI pursuant to Financial Code section 50302 on February  
24 14, 2019 (February Regulatory Examination).

25 2. The February Regulatory Examination led to the discovery of the following CRMLA  
26 violations: (1) SAMI did not meet the tangible net worth requirements in violation of Financial Code  
27 section 50201; (2) a control person named in Nationwide Multistate Licensing System & Registry  
28 (NMLS) had not filed fingerprints with the Department in violation of Financial Code section 50121

1 and Code of Regulations section 1950.122.2; (3) SAMI provided borrowers with incorrect  
 2 disclosures noting that loans were made pursuant to the California Financing Law (CFL) in violation  
 3 of Financial Code sections 50314 and 50503, subdivision (a)(2), and Code of Regulations section  
 4 1950.314; and (4) SAMI’s website failed to state “Licensed by the Department of Business  
 5 Oversight under the California Residential Mortgage Lending Act” in violation of Code of  
 6 Regulation section 1950.204.3. The Department also later discovered the following violations in  
 7 addition to those identified during the February Regulatory Examination: (5) SAMI was to employ  
 8 an independent auditor to test the anti-fraud program but did not, in violation of Code of Federal  
 9 Regulations section 1029.210; and (6) SAMI was not a federally approved lender in violation of  
 10 Financial Code section 50003.

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

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

20 5. The Department reviewed and analyzed SAMI’s monthly financial statements from  
 21 October 2018 to at least May 2019 and determined that SAMI did not meet the tangible net worth  
 22 requirements as set forth in Financial Code section 50201. SAMI was deficient in meeting the  
 23 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

6. 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.

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

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

1           9. Pursuant to Financial Code section 50121 and Code of Regulations, title 10,  
2 section 1950.122.2, every control person named in NMLS must file their fingerprints with the  
3 Department. (Fin. Code, § 50121; Cal. Code Regs., § 1950.122.2.) Jason Elijah Noble (Noble) is a  
4 control person named in NMLS for SAMI. Noble did not file fingerprints and/or form MBL 1950.  
5 122.2 as of the February Regulatory Examination. SAMI indicated that Noble submitted a signed  
6 exemption form through NMLS. However, the required documents in the Form “MU2” in NMLS  
7 must be submitted to the Department separately. Noble eventually submitted the Form “MU2” in  
8 NMLS to the Department.

9           10. Pursuant to Financial Code sections 50314, 50503, subdivision (a)(2) and Code of  
10 Regulations, title 10, section 1950.314, SAMI must provide borrowers with disclosures which  
11 do not incorrectly state information. (Fin. Code, §§ 50314, 50503, subd. (a)(2); Cal. Code Regs.,  
12 §1950.314.) Documentation must properly identify what authority any loans are made under.

13           11. During the February Regulatory Examination, it was discovered that SAMI had  
14 disclosed to consumers in at least six transactions, that loans were made pursuant to SAMI’s CFL  
15 lender license. However, SAMI does not possess a CFL lender license. Rather, SAMI has a  
16 CRMLA license with the Department. Since that time, SAMI represented to the Department that  
17 SAMI’s disclosure package was updated to disclose that loans are made pursuant to SAMI’s  
18 CRMLA license, not a CFL lender license.

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

24           13. SAMI’s internet website, [www.securityamericamortgage.com](http://www.securityamericamortgage.com), indicated at the  
25 February Regulatory Examination that SAMI was “Licensed by the Department of Corporations  
26 under the California Residential Mortgage Act.” SAMI incorrectly used the term “Department of  
27 Corporations” instead of the required “Department of Business Oversight.” As of July 1, 2013, the  
28 Department of Corporations became the Department, pursuant to the Governor’s Reorganization

1 Plan No. 2 (2012). (Gov. Code, § 8523.) Since the February Regulatory Examination, SAMI’s  
2 website was updated to properly disclose “Licensed by the Department of Corporations under the  
3 California Residential Mortgage Act.”

4 14. Failure to maintain a minimum tangible net worth at all times of \$250,000, failure to  
5 have a control person named in NMLS file fingerprints with the Department, failure to provide  
6 borrowers with the correct disclosures noting that loans were made pursuant to the CRMLA, failure  
7 to state “Licensed by the Department of Business Oversight under the California Residential  
8 Mortgage Lending Act” on SAMI’s website, failure to employ an independent auditor to test the  
9 anti-fraud program, and failure to secure federally approved lender status are all grounds under  
10 Financial Code section 50327 for the revocation of a license issued under the CRMLA.

11 15. On August 26, 2019, the Commissioner issued a Notice of Intention to Issue Order  
12 Revoking Residential Mortgage Lender/Servicer License, Accusation and accompanying documents  
13 against SAMI based upon the above. SAMI was served with those documents on August 29, 2019  
14 via certified mail, return receipt requested, at its licensed location on file with the Department. The  
15 Department received a written request for hearing from SAMI on September 12, 2019. On December  
16 12, 2019, the Department received a written withdraw of the September 12, 2019 hearing request  
17 from SAMI.

18 The Commissioner finds that, by reason of the foregoing, Security America Mortgage, Inc.  
19 has violated Financial Code sections 50003, subdivision (m), 50121, 50201, 50314,  
20 5053, subdivision (a)(2), Code of Regulations, title 10, sections 1950.122.2, 1950.204.3, 1950.314,  
21 and Code of Federal Regulations section 1029.210, and based thereon, grounds exist by each  
22 violation to revoke Security America Mortgage, Inc.’s license as a residential mortgage lender and  
23 mortgage loan servicer.

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NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential mortgage lender and mortgage servicer license issued by the Commissioner to Security America Mortgage, Inc. is hereby revoked. This order is effective as of the date hereof. Pursuant to Financial Code section 50311, Security America Mortgage, Inc. has sixty (60) days within which to complete any loans for which it had commitments.

Dated: December 13, 2019  
Sacramento, CA

MANUEL P. ALVAREZ  
Commissioner of Business Oversight

By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division