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

10
11 In the Matter of:)
) CFL LICENSE NO.: 603-C571
12 THE COMMISSIONER OF BUSINESS)
13 OVERSIGHT,)
) AMENDED SETTLEMENT AGREEMENT
14 Complainant,)
)
15 v.)
)
16 ST. FIN CORP.,)
17)
18 Respondent.)
)

19
20 This Amended Settlement Agreement is entered into between the Commissioner of Business
21 Oversight (Commissioner) and Respondent St. Fin Corp. (SFC); supersedes the Settlement
22 Agreement entered into between the parties on January 21, 2020, and is made with respect to the
23 following facts:

24 **I.**

25 **Recitals**

26 A. The Department of Business Oversight, through the Commissioner, has jurisdiction
27 over the licensing and regulation of persons and entities engaged in the business of lending and/or
28 brokering pursuant to the California Financing Law (Fin. Code, section 22000, et seq.) (CFL).

1 B. SFC is a corporation in good standing, duly formed and existing pursuant to the laws
2 of the State of California and authorized to conduct business in the State of California. SFC is a
3 finance lender and broker licensed by the Commissioner pursuant to the CFL. SFC has its principal
4 place of business located as 23330 Mill Creek, Suite 250, Laguna Hills, California 92653. SFC
5 currently has no branch office locations under its CFL license. SFC employs mortgage loan
6 originators in its CFL business. SFC has been approved to do business under its CFL license under
7 the name Star Financial.

8 C. Timothy Matthews (Matthews) is the President of SFC. Matthews is authorized to
9 enter into this Amended Settlement Agreement on behalf of SFC.

10 D. On June 26, 2019, SFC was personally served by the Commissioner with a Notice of
11 Intention to Issue Order Suspending Finance Lender and Broker License and to Levy Penalties,
12 Accusation and accompanying documents dated June 24, 2019 (Accusation). In the Accusation, the
13 Commissioner alleged that SFC committed the following violations of the CFL (Accusation
14 Allegations):

15 i. overcharging per diem interest in violation of Financial Code section 22161,
16 subdivision (a)(5) via violations of Civil Code section 2948.5;

17 ii. overcharging recording fees in violation of Financial Code section 22336,
18 subdivision (a);

19 iii. failing to provide its CFL license number on the California Financing Law
20 Statement of Loan in violation of Financial Code section 22172, subdivision (b); and

21 iv. failing to provide proper Fair Lending Notices in violation of Financial Code
22 section 22161, subdivision (a) (5) and Health and Safety Code section 35830 and California Code of
23 Regulations, title 21, section 7114.

24 E. On July 8, 2019, SFC timely submitted a Notice of Defense to the Commissioner
25 denying the Accusation allegations and requesting an administrative hearing on the allegations
26 therein.

27 F. It is the intention of SFC and the Commissioner (the Parties) to resolve the
28 Accusation Allegations without the necessity of a hearing.

1 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions
2 contained herein, the Parties agree as follows:

3 **II.**

4 **Terms and Conditions**

5 1. Purpose. This Amended Settlement Agreement resolves the Accusation Allegations
6 in a manner that avoids the expense of a hearing and other possible court proceedings, protects
7 consumers, is in the public interest, and is consistent with the purposes, policies, and provisions
8 of the CFL.

9 2. Desist and Refrain Orders. Pursuant to Financial Code section 22712, St. Fin Corp. is
10 hereby ordered to desist and refrain from:

11 (a) overcharging per diem interest in violation of Financial Code section 22161,
12 subdivision (a)(5) via violations of Civil Code section 2948.5;

13 (b) overcharging recording fees in violation of Financial Code section 22336,
14 subdivision (a);

15 (c) failing to provide its CFL license number on the California Financing Law
16 Statement of Loan in violation of Financial Code section 22172, subdivision (b); and

17 (d) failing to provide proper Fair Lending Notices in violation of Financial Code
18 section 22161, subdivision (a) (5) and Health and Safety Code section 35830 and California Code of
19 Regulations, title 21, section 7114.

20 3. Penalty. SFC shall pay to the Commissioner a penalty of \$107,550.00 plus
21 additional penalties in the amount of \$50.00 for each recording fee overcharge found in the pending
22 audit described in Paragraph 6 below (Penalty). The Penalty shall be paid in 6 installments with the
23 initial installments in the amount of \$17,925.00 (\$107,550.00 divided by 6). Upon completion of the
24 pending recording fee audit; the penalties for such recording fee overcharges will be added to the
25 installments by dividing the total additional penalties by the remaining installments and adding that
26 amount to the remaining installments. The first installment was paid on February 21, 2020. The
27 remaining installments are due every thirty days after February 21, 2020 until paid in full. The
28 payments shall be made payable in the form of a cashier's check or Automated Clearing House

1 deposit to the “Department of Business Oversight” and transmitted to the attention of: Accounting –
2 Enforcement Division, Department of Business of Oversight, 1515 K Street, Suite 200, Sacramento,
3 California 95814. Notice of such payment shall be forwarded to Judy L. Hartley, Senior Counsel,
4 Department of Business Oversight, Enforcement Division, 320 West 4th Street, Suite 750, Los
5 Angeles, California 90013.

6 4. Refunds – Per Diem Interest. SFC represents that it has conducted a third-party
7 compliance audit regarding per diem interest charges for the period commencing October 1, 2015
8 through November 1, 2019 and made refunds totaling \$88,354.17 on 667 loans.

9 5. Refund Reports – Per Diem Interest. SFC has previously submitted reports to the
10 Commissioner detailing the findings of the audit described in Paragraph 4. The Commissioner’s
11 receipt of the audit reports does not constitute an approval that the audit reports are correct and does
12 not otherwise limit the Commissioner’s audit or examination rights under this Amended Settlement
13 Agreement.

14 6. Refunds – Recording Fees. SFC is currently undertaking a third-party compliance
15 audit regarding recording fee charges on all California loans originated between October 1, 2015 and
16 December 31, 2019 (recording fee audit). SFC shall make appropriate refunds to include interest at
17 the rate of 10 percent per annum from the date of loan funding. Refunds shall be mailed to the last
18 known address of each borrower prior to submission of the applicable report to the Commissioner.

19 7. Refund Reports – Recording Fees. SFC, by and through its third-party compliance
20 company, shall submit to the Commissioner the results of the recording fee audit (recording fee audit
21 report) on or before March 21, 2020. The recording fee audit report shall include at a minimum, the
22 total number of loans made during this period, the number of loans with recording fee overcharges,
23 and for each loan, the report shall list the borrower loan number, name, address, loan amount, loan
24 date, interest rate, recording fee charged, actual recording fee, overcharge amount (if applicable),
25 date of refund (if applicable), and proof of refund (if applicable).

26 8. Quarterly Audits for Per Diem Interest. SFC also agrees to conduct quarterly audits,
27 by and through a third-party compliance company, of per diem interest charges for all California
28 loans originated by SFC between November 2, 2019 through December 31, 2020. Each quarterly

1 audit must cover all California loans originated during that quarter. SFC, by and through its third-
2 party compliance company, will submit to the Department the results of each quarterly audit (per
3 diem quarterly audit report) within 45 days of the completion of each quarter. The per diem
4 quarterly audit reports shall include at a minimum, the total number of loans made during this
5 period, the number of loans with per diem interest overcharges, and for each loan, the report shall list
6 the borrower loan number, name, address, loan amount, loan date, interest rate, per diem interest
7 charged, correct per diem interest, overcharge amount (if applicable), date of refund (if applicable),
8 and proof of refund (if applicable). The first per diem quarterly audit report shall be due on May 15,
9 2020 for the period of November 2, 2019 through March 31, 2020. The second per diem quarterly
10 audit report shall be due on August 15, 2020 for the period of April 1, 2020 through June 30, 2020.
11 The third per diem quarterly audit report shall be due on November 15, 2020 for the period of July 1,
12 2020 through September 30, 2020. The fourth and final per diem quarterly audit report shall be due
13 on February 15, 2021 for the period of October 1, 2020 through December 31, 2020. SFC further
14 agrees that it shall pay an administrative penalty to the Commissioner, upon submission of the per
15 diem quarterly audit report(s), equal to \$200.00 for each per diem interest overcharge discovered
16 during the per diem quarterly audit(s) unless such overcharge was refunded to the borrower within
17 30 days of loan funding.

18 9. Quarterly Audits for Recording Fees. SFC additionally agrees to conduct quarterly
19 audits, by and through a third-party compliance company, of recording fee charges for all California
20 loans originated by SFC between January 1, 2020 through December 31, 2020. Each quarterly audit
21 must cover all California loans originated during that quarter. SFC, by and through its third-party
22 compliance company, will submit to the Department the results of each quarterly audit (recording
23 fee quarterly audit report) within 45 days of the completion of each quarter. The recording fee
24 quarterly audit reports shall contain the same or similar fields as in the audit report discussed in
25 paragraph 7 above. The first recording fee quarterly audit report shall be due on May 15, 2020 for
26 the period of January 1, 2020 through March 31, 2020. The second recording fee quarterly audit
27 report shall be due on August 15, 2020 for the period of April 1, 2020 through June 30, 2020. The
28 third recording fee quarterly audit report shall be due on November 15, 2020 for the period of July 1,

1 2020 through September 30, 2020. The fourth and final recording fee quarterly audit report shall be
2 due on February 15, 2021 for the period of October 1, 2020 through December 31, 2020. SFC
3 further agrees that it shall pay an administrative penalty to the Commissioner, upon submission of
4 the recording fee quarterly audit report(s), equal to \$200.00 for each recording fee overcharge
5 discovered during the recording fee quarterly audit(s) unless such overcharge was refunded to the
6 borrower within 30 days of loan funding.

7 10. Unclaimed Refunds. SFC shall escheat any unclaimed refunds to the California State
8 Controller's Office within the period provided by Code of Civil Procedure section 1520 of the
9 Unclaimed Property Law (Code of Civ. Proc., section 1500, et seq.).

10 11. Proof of Compliance. SFC acknowledges that the Commissioner will examine and
11 review its compliance with Paragraphs 2 through 10 of this Amended Settlement Agreement. SFC
12 agrees to provide, upon the Commissioner's request, documentation satisfactory to the
13 Commissioner to determine compliance with Paragraphs 2 through 10.

14 12. Waiver of Hearing Rights. SFC acknowledges that the Commissioner is ready,
15 willing, and able to proceed with the administrative enforcement action described above in
16 Paragraph D. SFC hereby waives the right to a hearing, and to any reconsideration, appeal, or other
17 right to review which may be afforded pursuant to the CFL, the California Administrative Procedure
18 Act, the California Code of Civil Procedure, or any other provision of law. By waiving such rights,
19 SFC effectively consents to this Amended Settlement Agreement becoming final.

20 13. Full and Final Settlement. The Parties hereby acknowledge and agree that this
21 Amended Settlement Agreement is intended to constitute a full, final, and complete resolution of the
22 Accusation Allegations, and that no further proceedings or actions will be brought by the
23 Commissioner in connection with the Accusation Allegations under the CFL or any other provision
24 of law, excepting therefrom any proceeding to enforce compliance with the terms of this Amended
25 Settlement Agreement.

26 14. Failure to Comply with this Amended Settlement Agreement. SFC agrees that if it
27 fails to comply with the terms of this Amended Settlement Agreement, the Commissioner may, in
28 addition to all other available remedies it may invoke under the CFL, summarily suspend the CFL

1 licenses of SFC until SFC is in compliance. SFC waives any notice and hearing rights to contest
2 such summary suspensions which may be afforded under the CFL, the California Administrative
3 Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection
4 therewith.

5 15. Information Willfully Withheld or Misrepresented. This Amended Settlement
6 Agreement may be revoked, and the Commissioner may pursue any and all remedies available under
7 the law against SFC, if the Commissioner discovers that SFC knowingly or willfully withheld
8 information used for and relied upon in this Amended Settlement Agreement.

9 16. Future Actions by Commissioner. If SFC fails to comply with any terms of this
10 Amended Settlement Agreement, the Commissioner may institute proceedings for any and all
11 violations otherwise resolved under this Amended Settlement Agreement. The Commissioner
12 reserves the right to bring any future actions against SFC, or any of its partners, owners, officers,
13 shareholders, directors, employees or successors for any and all unknown violations of the CFL.

14 17. Assisting Other Agencies. Nothing in this Amended Settlement Agreement limits the
15 Commissioner’s ability to assist any other government agency (city, county, state, or federal) with
16 any administrative, civil or criminal prosecutions brought by that agency against SFC or any other
17 person based upon any of the activities alleged in this matter or otherwise.

18 18. Headings. The headings to the paragraphs of this Amended Settlement Agreement
19 are for convenience only and will not be deemed a part hereof or affect the construction or
20 interpretation of the provisions hereof.

21 19. Binding. This Amended Settlement Agreement is binding on all heirs, assigns, and/or
22 successors in interest.

23 20. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
24 Amended Settlement Agreement it has relied solely on the statements set forth herein and the advice
25 of its own counsel. Each of the parties further represents, warrants, and agrees that in executing this
26 Amended Settlement Agreement it has placed no reliance on any statement, representation, or
27 promise of any other party, or any other person or entity not expressly set forth herein, or upon the
28 failure of any party or any other person or entity to make any statement, representation or disclosure

1 of anything whatsoever. The Parties have included this clause: (1) to preclude any claim that any
2 party was in any way fraudulently induced to execute this Amended Settlement Agreement; and (2)
3 to preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the terms
4 of this Amended Settlement Agreement.

5 21. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
6 this Amended Settlement Agreement will be valid or binding unless it is in writing and signed by
7 each of the Parties. The waiver of any provision of this Amended Settlement Agreement will not be
8 deemed a waiver of any other provision. No waiver by either party of any breach of, or of
9 compliance with, any condition or provision of this Amended Settlement Agreement by the other
10 party will be considered a waiver of any other condition or provision or of the same condition or
11 provision at another time.

12 22. Full Integration. This Amended Settlement Agreement is the final written expression
13 and the complete and exclusive statement of all the agreements, conditions, promises,
14 representations, and covenants between the parties with respect to the subject matter hereof, and
15 supersedes all prior or contemporaneous agreements, negotiations, representations, understandings,
16 and discussions between and among the parties, their respective representatives, and any other
17 person or entity, with respect to the subject matter covered hereby.

18 23. Governing Law. This Amended Settlement Agreement will be governed by and
19 construed in accordance with California law. Each of the parties hereto consents to the jurisdiction
20 of such court, and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an
21 inconvenient forum to the maintenance of such action or proceeding in such court.

22 24. Counterparts. This Amended Settlement Agreement may be executed in one or more
23 separate counterparts, each of which when so executed, shall be deemed an original. Such
24 counterparts shall together constitute a single document.

25 25. Mandatory Disclosure in Future Applications. SFC agrees to disclose this Amended
26 Settlement Agreement in any application for a license, permit or qualification under the
27 Commissioner’s current or future jurisdiction.
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33. Authority to Sign. Each signatory hereto covenants that he or she possesses all necessary capacity and authority to sign and enter into this Amended Settlement Agreement and undertake the obligations set forth herein.

Dated: March 9, 2020

MANUEL P. ALVAREZ
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner

Dated: March 6, 2020

ST. FIN CORP.

By _____
TIMOTHY MATTHEWS, President

APPROVED AS TO FORM:

By _____
JE YON JUNG, ESQ. attorney for
ST. FIN CORP.

Commissioner of Business Oversight

By _____
JUDY L. HARTLEY, ESQ.
Senior Counsel