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8 Attorneys for Complainant

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

12 In the Matter of:) CRMLA LICENSE NO.: 413-0945
13)
14 THE COMMISSIONER OF BUSINESS)
OVERSIGHT,) CONSENT ORDER
15)
Complainant,)
16)
17 v.)
18 URBAN FULFILLMENT SERVICES, LLC,)
19 Respondent.)
20)
21)

21 This Consent Order is entered into between the Commissioner of Business Oversight
22 (Commissioner) and Urban Fulfillment Services, LLC (collectively, the Parties), and is made with
23 respect to the following facts:

24 I.

25 **Recitals**

26 A. The Commissioner has jurisdiction over the licensing and regulation of persons and
27 entities engaged in the business of mortgage lending and/or servicing pursuant to the California
28 Residential Mortgage Lending Act (CRMLA) (Financial Code section §50000 et seq.).

1 B. Urban Fulfillment Services, LLC (Urban Fulfillment) is a residential mortgage lender
2 and residential mortgage loan servicer licensed by the Commissioner, pursuant to the CRMLA.

3 C. Urban Fulfillment has its primary place of business at 8744 Lucent Boulevard,
4 Second Floor, Highlands Ranch, Colorado 80129.

5 D. Raghavan Veera Sessa Kidambi is the president of Urban Fulfillment, and as such, is
6 authorized to enter into this Consent Order on behalf of Urban Fulfillment.

7 E. On February 5, 2018, Urban Fulfillment entered into a Consent Order with the
8 Commissioner to resolve the violations that were discovered by the Department of Business
9 Oversight (Department) during a prior examination. The prior examination revealed that Urban
10 Fulfillment failed to maintain the required minimum tangible net worth for the year ending
11 December 31, 2016, and engaged in unlicensed residential mortgage lending activities from 2013
12 through 2015, in violation of Financial Code sections 50201 and 50002.

13 F. On February 5, 2018, pursuant to the 2018 Consent Order, the Commissioner issued
14 an Order to Discontinue Violations and ordered Urban Fulfillment to immediately discontinue
15 violating Financial Code section 50201 (maintain the required minimum tangible net worth at all
16 times) and Financial Code section 50002 (unlicensed lending activities).

17 G. In April of 2019, the Department commenced a regulatory examination of Urban
18 Fulfillment, which revealed multiple violations of the CRMLA.

19 H. Urban Fulfillment’s unaudited balance sheet as of March 31, 2019, showed that
20 Urban Fulfillment failed to maintain the required minimum tangible net worth at all times, in
21 violation of Financial Code section 50201.

22 I. During the 2019 examination, Urban Fulfillment claimed that it would convert its
23 liability to equity in order to meet the net worth requirement. The conversion was never completed
24 causing Urban Fulfillment’s March of 2019 balance sheet to show a negative equity. In or about
25 October of 2019, Urban Fulfillment submitted a revised unaudited balance sheet for the period of
26 March 31, 2019 and an unaudited balance sheet for the period of September 30, 2019, showing that a
27 liability in the amount of \$5,664,969.00 was removed. According to the unaudited balance sheets, it
28 appears that Urban Fulfillment may have met the minimum tangible net worth requirement of

1 Financial Code section 50201, in September of 2019.

2 J. Pursuant to Financial Code section 50314 and California Code of Regulations, title
3 10, section 1950.314.2, every residential mortgage lender or mortgage loan servicer is required to
4 maintain its books and records in a manner that would enable the Department to determine whether
5 the licensee is in compliance with the laws and regulations. Further, every residential mortgage
6 lender or mortgage loan servicer is required to provide records to the Department, upon request and
7 within the time specified in the request.

8 K. On four separate occasions, from March 22, 2019 through May 2, 2019, the
9 Department requested Urban Fulfillment to submit its trial balance sheet as of March 31, 2019.
10 Although, Urban Fulfillment provided its balance sheet, it failed to provide the trial balance sheet in
11 violation of Financial Code section 50314 and California Code of Regulations, title 10, section
12 1950.314.2.

13 L. Pursuant to Financial Code section 50200 and California Code of Regulations, title
14 10, section 1950.200(B), every residential mortgage lender or mortgage loan servicer must cause its
15 books, records and accounts to be audited by an independent certified public accountant
16 (Independent CPA). The audit report must be certified by an Independent CPA conducting the audit,
17 and filed with the Commissioner within 105 days of the end of the licensee’s fiscal year. The
18 Independent CPA must provide a description of the system of internal control used by the residential
19 mortgage lender or residential mortgage loan servicer, including material weaknesses in internal
20 accounting controls, recommendations for improvements, and comments concerning corrective
21 actions taken or in process (the Report of Internal Controls).

22 M. On April 16, 2019, the Department notified Urban Fulfillment, by placing a license
23 item in the Nationwide Multistate Licensing System & Registry, that its 2018 Audit Report was
24 insufficient because it failed to include the Report of Internal Controls, as required by California
25 Code of Regulations, title 10, section 1950.200(B). The Department also demanded that Urban
26 Fulfillment resolve this insufficiency.

27 N. Urban Fulfillment is unable to renew its license because of the insufficiency of its
28 2018 Audit Report.

1 O. Based upon the foregoing, the Commissioner finds that Urban Fulfillment violated
2 Financial Code sections 50314, 50200, 50201 and California Code of Regulations, title 10, sections
3 1950.314.2 and 1950.200.

4 P. The Commissioner finds that this Consent Order is appropriate, in the public interest,
5 and consistent with the purposes fairly intended by the policies and provisions of the CRMLA.

6 **II.**

7 **Terms and Conditions**

8 1. Purpose. This Consent Order resolves the issues before the Commissioner, finding
9 that Urban Fulfillment violated the CRMLA, as set forth above in paragraphs A through P, in a
10 manner that avoids the expense of a hearing and other possible court proceedings, protects
11 consumers, is in the public interest, and is consistent with the purposes, policies, and provisions of
12 the applicable law under the CRMLA.

13 2. Order to Discontinue Violations. In accordance with Financial Code sections 50321,
14 50322 and 50323, Urban Fulfillment Services, LLC is hereby ordered to immediately discontinue
15 violations of Financial Code sections 50314 and 50200 and California Code of Regulations, title 10,
16 sections 1950.314.2 and 1950.200, set forth herein. This Order to Discontinue Violations is final and
17 effective from the Effective Date of this Consent Order, as defined in paragraph 27 (Effective Date).

18 3. Payment of Penalties. Urban Fulfillment Services, LLC is hereby ordered to pay a
19 penalty in the amount of \$40,500.00 within 30 days from the Effective Date of this Consent Order.
20 The penalty payment shall be made in the form of a cashier’s check or Automated Clearing House
21 deposit to the “Department of Business Oversight,” and transmitted to the attention of: Accounting -
22 Litigation, at the Department of Business Oversight, located at 1515 K Street, Suite 200,
23 Sacramento, California 95814. Notice of payment shall be sent concurrently to Afsaneh Eghbaldari,
24 Counsel, Enforcement Division, by email at: affi.eghbaldari@dbo.ca.gov.

25 4. Payment of Enforcement Costs. Urban Fulfillment Services, LLC is hereby ordered
26 to pay the investigative costs incurred by the Department’s Enforcement Division in the amount of
27 \$8,500.00 within 30 days from the Effective Date of this Consent Order. The payment shall be made
28 in the form of a cashier’s check or Automated Clearing House deposit to the “Department of

1 Business Oversight,” and transmitted to the attention of: Accounting - Litigation, at the Department
2 of Business Oversight, located at 1515 K Street, Suite 200, Sacramento, California 95814. Notice of
3 payment shall be sent concurrently to Afsaneh Eghbaldari, Counsel, Enforcement Division, by email
4 at: affi.eghbaldari@dbo.ca.gov.

5 5. 2019 Audit Report and Net Worth Requirement. Urban Fulfillment acknowledges
6 that it must submit to the Commissioner a comprehensive audited report for the end of its fiscal
7 year 2019, that must comply with the requirements of the CRMLA and California Code of
8 Regulations, including but not limited to Financial Code sections 50200, 50201, and California Code
9 of Regulations, title 10, section 1950.200. Urban Fulfillment must ensure the Report of Internal
10 Controls is included as part of the audit. The audit report is due on April 15, 2020.

11 6. Effect of Consent Order. In consideration of Urban Fulfillment’s agreement to the
12 issuance of the Order to Discontinue Violations, and timely payments of the penalties and
13 enforcement and examination costs, as described in paragraphs 2 through 5, the Commissioner
14 hereby agrees to allow Urban Fulfillment to renew its CRMLA license at this time.

15 7. Waiver of Hearing Rights. Urban Fulfillment acknowledges the Commissioner is
16 ready, willing, and able to proceed with the filing of an administrative enforcement action on the
17 charges contained in this Consent Order. Urban Fulfillment hereby waives the right to any hearings,
18 and to any reconsideration, appeal, or other right to review which may be afforded pursuant to the
19 CRMLA, the California Administrative Procedure Act, the California Code of Civil Procedure, or
20 any other provision of law. Urban Fulfillment further expressly waives any requirement for the filing
21 of an enforcement action pursuant to Government Code section 11415.60, subdivision (b). By
22 waiving such rights, Urban Fulfillment effectively consents to this Consent Order becoming final.

23 8. Full and Final Settlement. The parties hereby acknowledge and agree that this
24 Consent Order is intended to constitute a full, final, and complete resolution of the violations
25 described herein: failing to maintain the required minimum tangible net worth, failing to maintain
26 books and records that would enable the Department to determine that the licensee is in compliance
27 with the laws and regulations, and failing to provide an audited report that complies with the
28 requirements of the CRMLA and California Code of Regulations, and that no further proceedings or

1 actions will be brought by the Commissioner in connection with these matters except under the
2 CRMLA, or any other provision of law, to enforce compliance with the terms of this Consent Order.

3 9. Failure to Comply with Consent Order. Urban Fulfillment agrees that if it fails to
4 comply with any of the terms of this Consent Order, the terms of the February 2018 Consent Order,
5 or any of the Orders to Discontinue Violations, including but not limited to, failure to satisfy or meet
6 the requirements of Financial Code sections 50200, 50201, 50314, or California Code of
7 Regulations, title 10, sections 1950.314.2 and 1950.200, and upon written notice from the
8 Commissioner to Urban Fulfillment and 30 days' opportunity to cure, the Commissioner may, in
9 addition to all other available remedies it may invoke under the CRMLA, summarily suspend or
10 revoke Urban Fulfillment's license. Urban Fulfillment waives any notice and hearing rights to
11 contest such summary suspension or revocation which may be afforded under the CRMLA, the
12 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
13 provision of law in connection therewith.

14 10. Information Willfully Withheld or Misrepresented. This Consent Order may be
15 revoked, and the Commissioner may pursue any and all remedies available under law against Urban
16 Fulfillment if the Commissioner discovers that Urban Fulfillment knowingly or willfully withheld or
17 misrepresented information used for and relied upon in this Consent Order.

18 11. Future Actions by Commissioner. If Urban Fulfillment fails to comply with any term
19 of the Consent Orders or Orders to Discontinue Violations, the Commissioner may institute
20 proceedings for any and all violations otherwise resolved under this Consent Order. The
21 Commissioner reserves the right to bring any future actions against Urban Fulfillment for any and all
22 unknown violations of the CRMLA.

23 12. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner's
24 ability to assist any other government agency (city, county, state, or federal) with any prosecution,
25 administrative, civil, or criminal brought by that agency against Urban Fulfillment or any other
26 person based upon any of the activities alleged in this matter or otherwise.

27 13. No Presumption Against Drafting Party. Each party acknowledges that it has had the
28 opportunity to draft, review, and edit the language of this Consent Order. Accordingly, the parties

1 intend that no presumption for or against the drafting party will apply in construing any part of this
2 Consent Order. The parties waive the benefit of Civil Code section 1654 as amended or
3 corresponding provisions of any successor statute, which provide that in cases of uncertainty,
4 language of a contract should be interpreted most strongly against the party that caused the
5 uncertainty to exist.

6 14. Independent Legal Advice. Each of the parties represents, warrants, and agrees that it
7 has received independent advice from its attorney(s) and/or representatives with respect to the
8 advisability of executing this Consent Order.

9 15. Headings. The headings to the paragraphs of this Consent Order are inserted for
10 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
11 the provisions hereof.

12 16. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
13 interest.

14 17. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
15 Consent Order it has relied solely on the statements set forth herein and the advice of its own
16 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
17 Order it has placed no reliance on any statement, representation, or promise of any other party, or
18 any other person or entity not expressly set forth herein, or upon the failure of any party or any other
19 person or entity to make any statement, representation or disclosure of anything whatsoever. The
20 Parties have included this clause: (1) to preclude any claim that any party was in any way
21 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
22 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

23 18. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
24 this Consent Order will be valid or binding unless it is in writing and signed by each of the parties.
25 The waiver of any provision of this Consent Order will not be deemed a waiver of any other
26 provision. No waiver by either party of any breach of, or of compliance with, any condition or
27 provision of this Agreement by the other party will be considered a waiver of any other condition or
28 provision or of the same condition or provision at another time.

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To the Commissioner: Affi Eghbaldari, Counsel
Department of Business Oversight
1350 Front Street, #2034
San Diego, California 92101
Affi.Eghbaldari@dbo.ca.gov

25. Signatures. A fax or electronic mail signature shall be deemed the same as an original signature.

26. Public Record. Urban Fulfillment acknowledges that this Consent Order is and will be a matter of public record.

27. Effective Date. This Consent Order shall become final and effective when signed by all parties and delivered by the Commissioner’s agent via e-mail to Urban Fulfillment’s counsel, Lydia Holzman at Lydia.Holzman@hcl.com.

28. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Consent Order and undertake the obligations set forth herein.

MANUEL P. ALVAREZ
Commissioner of Business Oversight

Dated: February 13, 2020

By _____
Mary Ann Smith
Deputy Commissioner

URBAN FULFILLMENT SERVICES, LLC

Dated: February 6, 2020

By _____
Raghavan Veera Sesa Kidambi
President of Urban Fulfillment Services, LLC

APPROVED AS TO FORM AND CONTENT:

Lydia Holzman, Esq.
Counsel for Urban Fulfillment Services, LLC