

1 MARY ANN SMITH
Deputy Commissioner
2 SEAN M. ROONEY
Assistant Chief Counsel
3 JUDY L. HARTLEY (State Bar No. 110628)
Senior Counsel
4 Department of Business Oversight
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-7604
6 Facsimile: (213) 576-7181

7 Attorneys for Complainant

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

11 In the Matter of:)
)
12 THE COMMISSIONER OF BUSINESS) NMLS No.: 1050053
13 OVERSIGHT,)
) SPONSOR FILE No.: N/A
14 Complainant,)
) STATEMENT OF ISSUES
15 v.)
)
16 SCOTT MASAMI MURAKAMI also known as)
17 SCOTT MASAMI FENNEMA,)
)
18 Respondent.)

19
20 The Commissioner of Business Oversight (Commissioner) is informed and believes, and
21 based upon such information and belief, alleges and charges Respondent Scott Masami Murakami
22 aka Scott Masami Fennema (Murakami) as follows:

23 **I.**

24 **Introduction**

25 1. The proposed order seeks to deny the issuance of a mortgage loan originator license
26 to Murakami pursuant to Financial Code sections 22109.1 and 50141 in that Murakami has failed to
27 demonstrate such financial responsibility, character, and general fitness as to command the

28 ///

1 confidence of the community and to warrant a determination that he will operate honestly, fairly, and
2 efficiently.

3 **II.**

4 **The Application**

5 2. Financial Code sections 22105.1 and 50140 provide in pertinent part:

6 (a) An applicant for a mortgage loan originator license shall apply by submitting
7 the uniform form prescribed for such purpose by the Nationwide Mortgage Licensing
8 System and Registry. The commissioner may require the submission of additional
information or supporting documentation to the department.

9 . . .

10 (c) In connection with an application for a license as a mortgage loan originator, the
applicant shall, at a minimum, furnish to the Nationwide Mortgage Licensing System
and Registry information concerning the applicant’s identity, including the following:

11 . . .

12 (2) Personal history and experience in a form prescribed by the Nationwide Mortgage
Licensing System and Registry, including the submission of authorization for the
Nationwide Mortgage Licensing System and Registry and the commissioner to obtain
13 both of the following:

14 . . .

15 (B) Information related to any administrative, civil, or criminal findings by any
governmental jurisdiction.

16 3. On or about January 10, 2020, Murakami filed an application for a mortgage loan
17 originator license with the Commissioner pursuant to the California Financing Law (CFL) (Fin.
18 Code § 22000 et. seq.) and the California Residential Mortgage Lending Act (CRMLA) (Fin. Code §
19 50000 et. Seq.), in particular, Financial Code sections 22105.1 and 50140. The application was
20 submitted to the Commissioner by filing Form MU4 through the Nationwide Mortgage Licensing
21 System (NMLS). On or about January 13, 2020, Murakami submitted two amended Form MU4s to
22 the Commissioner with minor revisions. Murakami signed the Form MU4s attesting that the
23 answers were true and complete to the best of his knowledge.

24 3. Form MU4 at Question (D) asks: “Do you have any unsatisfied judgments or liens
25 against you? Murakami answered “no” to the question.

26 4. Form MU4 at Question (J)(1) (a) asks: “Has any domestic or foreign court ever
27 enjoined you in connection with any financial services-related activity?” Murakami answered “no”
28 to the question.

1 5. Form MU4 at Questions (K)(4) and (9) ask: “Has any state or federal regulatory
2 agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever: (4)
3 entered an order against you in connection with a financial services-related activity?” and “(9)
4 entered an order concerning you in connection with any license or registration? Murakami answered
5 “yes” to the questions.

6 6. Form MU4 at Question (M) asks: “Based upon activities that occurred while you
7 exercised control over an organization, has any State or federal regulatory agency or foreign
8 financial regulatory authority or self-regulatory organization (SRO) ever taken any of the actions
9 listed in (K) through (L) above against any organization? Murakami answered “yes” to the
10 questions.

11 7. MLO applicants are required to give detailed explanations for every disclosure
12 answered in the affirmative and submit supporting documentation. Murakami’s detailed explanation
13 regarding his affirmative responses to Form MU4 questions (K)(4) and (9) and (M) was “[b]etween
14 2013 and 2015, I managed a Law Firm, under the direction of an Attorney. I acted as the main point
15 in contact, in addition to handling complaints in the manner directed by the Attorney. In 2014, the
16 Law firm began receiving complaints from the Attorney General (“AG”) in New Mexico with
17 respect to some files which were allegedly mishandled by our office. Although I relayed these
18 complaints from the AG to the Attorney of the Firm, the Attorney failed to respond to me or New
19 Mexico. The Attorney’s failure to communicate with the AG, initiated a lawsuit by the State of New
20 Mexico for alleged deceptive conduct which named the Attorney and the Law Firm as defendants.
21 Seeing that the Attorney failed to communicate with the AG regarding my role and seeing that I was
22 the main point of contact for the Firm, the AG named me as a defendant in the lawsuit as well. I
23 immediately resigned from my position at the Law Firm and hired counsel in an attempt to defend
24 myself in the lawsuit, as I was unaware of the deceptive conduct that was occurring with the Firm, if
25 any ever existed. I later learned that the Attorney which I had worked for had his license either
26 suspended revoked to practice law in lieu of these allegations. Despite my lack of liability to the
27 allegations in the AG’s complaint, the AG refused to dismiss me or any other unrelated parties (there
28 were several) from the lawsuit. Given the aggressive manner of the AG and my inability to afford to

1 pay an attorney for a defense through trial, I decided it would be best to enter into a Final Stipulated
2 Order which only takes effect in the State of New Mexico. The State of New Mexico never proved
3 that I violated any regulations or laws nor did I admit so when entering into the Final Stipulated
4 Order. I simply entered into the Order to make this lawsuit go away.”

5 8. Murakami, in further response to Form MU4 questions (K)(4) and (9) and (M),
6 uploaded a Stipulated Final Order for Permanent Injunction and Monetary Penalties entered into
7 with the New Mexico Attorney General on or about November 30, 2015 (Stipulated Final Order).
8 The Stipulated Final Order alleged Murakami participated in violations of the Unfair Practices Act
9 and the Mortgage Assistance Relief Services Rule (MARS rule), 16 C.F.R., Section 322, re-codified
10 as Mortgage Assistance Relief Services (Regulation O), 12 C.F.R., Section 1015, in connection with
11 the advertising, marketing, promotion, and offering of mortgage assistance relief services. In
12 addition to being permanently enjoined from advertising, marketing, promoting, offering for sale, or
13 selling, any secured or unsecured debt relief product or service in the State of New Mexico or
14 assisting others engaged in advertising, marketing, promoting, offering for sale, or selling, any
15 secured or unsecured debt relief product or services in the State of New Mexico. Murakami was also
16 ordered to pay \$28,706.66 in consumer restitution and \$15,000.00 in civil penalties and costs.

17 9. On or February 17, 2020, Murakami submitted and attested to a further amended
18 MU4 in which he answered yes to Form MU4 Question (J)(1)(a). Murakami’s February 17, 2020
19 amended MU4 was in response to the February 13, 2020 notification to Murakami by Department of
20 Business Oversight (Department) staff that information in the Department’s possession indicated
21 that Form MU4 question (J)(1)(a), and possibly question (J)(1)(b), should have been answered in the
22 affirmative. Murakami was further instructed to submit a detailed explanation and supporting
23 documentation. The February 17, 2020 amended Form MU4 submitted by Murakami just copied the
24 same explanation he had provided for Questions (K)(4) and (9) and (M). Murakami did not provide
25 any documentation.

26 10. On or February 19, 2020, Murakami submitted and attested to three further amended
27 Form MU4s in which Murakami submitted the Stipulated Final Order as supporting documentation
28 for Form MU4 Question (J)(1)(a). Murakami’s February 19, 2020 amended MU4s were in response

1 to Department staff’s February 18, 2020 notification to Murakami that he failed to provide
2 documentation concerning his affirmative response to Form MU4 question (J)(1)(a).

3 11. At no time has Murakami ever submitted information to the Commissioner that he is
4 employed by, and subject to the supervision of, a finance lender or broker and/or residential
5 mortgage lender or servicer that has obtained a license from the commissioner pursuant to the CFL
6 and/or CRMLA.

7 **III.**

8 **Material Misrepresentations and/or Omissions**

9 12. In the MU4s filed between January 10 and February 19, 2020, Murakami was
10 required to respond “yes” to Question (D) - “Do you have any unsatisfied judgments or liens against
11 you?” as Murakami had two unsatisfied liens and one unsatisfied judgment against him as follows:
12 (a) Internal Revenue Service (IRS) tax lien recorded on September 27, 2017 concerning November
13 23, 2015 assessment in the unpaid amount of \$93,369.18 for the tax period ended December 31,
14 2012; (b) IRS tax lien recorded on August 30, 2018 concerning September 25, 2017 assessment in
15 the unpaid amount of \$8,794.47 for the tax period ended December 31, 2016 and (c) the consumer
16 restitution and civil penalties and costs ordered in the New Mexico civil matter have yet to be paid in
17 full. Murakami has never accurately responded to Question (D).

18 13. In the January 10 and 13, 2020 MU4s, Murakami was required to respond “yes” to
19 Question (J)(1) (a) - “Has any domestic or foreign court ever enjoined you in connection with any
20 financial services-related activity?” as Murakami had entered into a stipulated final order for
21 permanent injunction and monetary relief with the New Mexico Attorney General on or about
22 November 30, 2015 in the United States District Court for the District of New Mexico. Murakami
23 did not accurately respond to Question (J)(1)(a) until prompted by Department staff.

24 14. Murakami failed to submit all supporting documentation concerning his affirmative
25 responses to certain of the MU4 disclosure questions notwithstanding numerous prompts from
26 Department staff and having filed 7 MU4s. While Murakami submitted the Stipulated Final Order;
27 he failed to submit the First Amended Complaint, which disclosed numerous other named

28 ///

1 ///

2 defendants that were controlled by Murakami¹ and that the New Mexico Attorney General believed
3 Murakami to be a key figure in the unfair and illegal practices described in the complaint.

4 15. Additionally, Murakami, while responding “yes” to Form MU4 Question (M), failed
5 to disclose all the actions and submit documentation regarding matters that fell within the coverage
6 of Question (M). Form MU4 Question (M) asks: “Based upon activities that occurred while you
7 exercised control over an organization, has any State or federal regulatory agency or foreign
8 financial regulatory authority or self-regulatory organization (SRO) ever taken any of the actions
9 listed in (K) through (L) above against any organization? Murakami failed to disclose a Consent
10 Order to cease and desist unlicensed debt negotiation he entered into with the Connecticut Banking
11 Commissioner on behalf of State Law Group as its manager on or about February 15, 2013.

12 16. Further, Murakami failed to disclose his employment with State Law Group and Time
13 2 Settle, Inc. as required by Form MU4 and Financial Code sections 22105.1 and 50140.

14 **IV.**

15 **Licensing Requirements**

16 17. Financial Code sections 22109.1 and 50141 provide in relevant part:

17 (a) The commissioner shall deny an application for a mortgage loan
18 originator license unless the commissioner makes, at a minimum, the
19 following findings:

20 . . .

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

25 . . .

26 (6) The applicant is employed by, and subject to the supervision of, a residential
27 mortgage lender or servicer that has obtained a license from the commissioner
28 pursuant to this division.

29 18. California Code of Regulations, title 10, sections 1422.6.2 and 1950.12.5.2 provide in
30 relevant part:

31 (a) The Commissioner's finding required by Section 22109.1(c) of the California
32 Finance Lenders Law/Section 501414(c) of the California Residential Mortgage

¹ State Law Group, Mura Consulting Corporation, and Time 2 Settle, Inc. to name a few.

1 Lending Act relates to any matter, personal or professional, that may
2 impact upon an applicant's propensity to operate honestly, fairly, and efficiently
3 when engaging in the role of a mortgage loan originator.

4 . . .

5 (c) An applicant may be precluded from obtaining a mortgage loan originator
6 license where his or her personal history includes:

7 (1) Any liens or judgments for fraud, misrepresentation, dishonest dealing,
8 and/or mishandling of trust funds, or

9 (2) Other liens, judgments, or financial or professional conditions that indicate
10 a pattern of dishonesty on the part of the applicant.

11 **V.**

12 **Conclusion**

13 The Commissioner finds, by reason of the foregoing, that:

14 (1) Murakami has two outstanding IRS liens against him;

15 (2) On or about November 30, 2015, Murakami was permanently enjoined from
16 advertising, marketing, promoting, offering for sale, or selling, any secured or unsecured debt relief
17 product or service in the State of New Mexico or assisting others engaged in advertising, marketing,
18 promoting, offering for sale, or selling, any secured or unsecured debt relief product or services in
19 the State of New Mexico and ordered to pay \$28,706.66 in consumer restitution and \$15,000.00 in
20 civil penalties and costs in connection with a civil action brought by the New Mexico Attorney
21 General concerning violations of the Unfair Practices Act and the Mortgage Assistance Relief
22 Services Rule (MARS rule), 16 C.F.R., Section 322, re-codified as Mortgage Assistance Relief
23 Services (Regulation O), 12 C.F.R., Section 1015, in connection with the advertising, marketing,
24 promotion, and offering of mortgage assistance relief services;

25 (3) On or about February 15, 2013, a law firm (State Law Group) managed by Murakami
26 was ordered to cease and desist from engaging in unlicensed debt negotiation activity (mortgage loan
27 modifications) and overcharging fees by the Connecticut Banking Commissioner;

28 (4) Commencing on or about January 10 and continuing through February 19, 2020,
Murakami made a false representation in his MLO license application by representing that he had no
outstanding judgments or liens against him;

1
2 (5) On or about January 10 and 13, 2020, Murakami made a false representation in his
3 MLO license application by representing that he had never been enjoined by any domestic court in
4 connection with any financial services-related activity;

5 (6) Commencing on January 10, 2020 and continuing through February 19, 2020,
6 Murakami failed to submit all supporting documentation concerning his affirmative responses to
7 certain of the MU4 disclosure questions by failing to submit the First Amended Complaint filed by
8 the New Mexico Attorney General against him;

9 (7) Commencing on January 10, 2020 and continuing through February 19, 2020,
10 Murakami omitted material information in his MLO license application by failing to disclose a
11 February 15, 2013 Consent Order to cease and desist unlicensed debt negotiation issued by the
12 Connecticut Banking Commissioner against a law firm he was managing in response to Form MU4
13 Question (M), to wit: “Based upon activities that occurred while you exercised control over an
14 organization, has any State or federal regulatory agency or foreign financial regulatory authority or
15 self-regulatory organization (SRO) ever taken any of the actions listed in (K) through (L) above
16 against any organization?”;

17 (8) Commencing on January 10, 2020 and continuing through February 19, 2020,
18 Murakami omitted material information in his MLO license application by failing to disclose his
19 employment with State Law Group and Time 2 Settle, Inc.

20 (9) Murakami has failed to demonstrate the financial responsibility, character and fitness
21 required of a mortgage loan originator under the California Financing Law and the California
22 Residential Mortgage Lending Act as demonstrated by his continuous history of dishonest acts and
23 disregard for the regulatory oversight process; and

24 (10) Murakami is not employed by, nor subject to the supervision of, a finance lender or
25 broker and/or residential mortgage lender or servicer that has obtained a license from the
26 commissioner pursuant to this division.

27 THEREFORE, the Commissioner asserts that he is mandated under Financial Code sections
28 22109.1 and 50141 to deny the mortgage loan originator license application of Scott Masami

1 Murakami.

2

VI.

3

Prayer

4

WHEREFORE IT IS PRAYED that the mortgage loan originator license application filed by
5 Scott Masami Murakami on January 10, 2020 be denied.

6

Dated: September 4, 2020
7 Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Business Oversight

8

9

By _____
10 Judy L. Hartley
Senior Counsel

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28