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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.: 1980702
13 OVERSIGHT,)
) SPONSOR FILE No.: N/A
14 Complainant,)
) STATEMENT OF ISSUES
15 v.)
)
16 HERBERT EDWIN SLEZINGER JR.)
17)
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 Herbert Edwin Slezinger Jr.
22 (Slezinger) as follows:

23 **I.**

24 **Introduction**

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

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1 confidence of the community and to warrant a determination that he will operate honestly, fairly
2 and 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 June 12, 2020, Slezinger 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). Slezinger signed the Form MU4 attesting that the answers were true and complete
22 to the best of his knowledge.

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

26 5. Form MU4 at Questions (K)(4) and (8) ask: “Has any state or federal regulatory
27 agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever: (4)
28 entered an order against you in connection with a financial services-related activity?” and

1 “(8) issued a final order against you based on violations of any law or regulations that prohibit
2 fraudulent, manipulative, or deceptive conduct? Slezingler answered “no” to Question (K)(4) and
3 “yes” to Question (K)(8).

4 6. MLO applicants are required to give detailed explanations for every disclosure
5 answered in the affirmative and submit supporting documentation. Slezingler’s detailed explanation
6 regarding his affirmative response to Form MU4 questions (K)(8) was “In the early 1980’s I was
7 employed by Heritage Bank. The entire Board of Directors conceived a stock sale scheme that
8 resulted in them and me being sued by the SEC. They entered into a consent decree; I did not agree.
9 Nevertheless, I and they were ordered not to violate Rule 10b5. The order was issued in the 1980’s
10 and the bank closed in the 80’s. I have since spent an entire 40-year career in community banking
11 and have interacted with bank shareholders without any disapproval by regulators. I spoke with the
12 regulators about possibly removing the SEC decree. While they were willing to discuss that
13 possibility, they wanted so much information that I decided the effort was, on the whole, not a
14 productive use of my time. Thus, while the order remains intact, it is effectively ancient history.”
15 Slezingler did not submit any supporting documents as required.

16 7. On or about July 13, 2020, Department of Business Oversight (Department) staff
17 posted a license item deficiency in NMLS notifying Slezingler that all applicable documents
18 concerning the final order issued by the regulatory agency that he discussed in response to
19 Disclosure Question (K)(8) must be uploaded to his application record in NMLS.

20 8. On or about July 14, 2020, Slezingler amended his Form MU4 and uploaded a
21 document titled “sec news digest” dated November 8, 1990. The “sec news digest” contained a
22 section titled “civil proceedings” in which a civil action against Slezingler was summarized.
23 Specifically, the “sec news digest” stated that “on November 2, 1990, the U.S. District Court,
24 Central District of California, issued a Final Judgment enjoining Slezingler from violating Section
25 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5” and that the “judgment was based on
26 Slezingler’s consent, without admitting or denying the allegations of the complaint, after the Court
27 had heard the evidence in the Commission’s case-in-chief at trial.” The article went on to state that
28 “the Commission charged defendants with manipulating the stock of Heritage Bank, Anaheim

1 California, and its successor Heritage Bancorp (Heritage) by: rewarding employees for performance
2 in stock sales contests; making loans to finance stock purchases with certificates held in
3 “safekeeping”; having employee stock purchase plans buy stock exceeding employee commitments;
4 continuously soliciting purchasers for stock coming on the market.; and touting the stock’s
5 performance and prospects.

6 9. On or about July 17, 2020, the Department informed Slezinger via email that the “sec
7 news digest” was not acceptable and that all applicable court documents related to the civil case
8 discussed therein, including regulatory actions were required to be uploaded to his application
9 record in NMLS.

10 10. On or about July 17, 2020, Slezinger amended his Form his MU4 and uploaded the
11 final judgment for the civil action described in Paragraph 8 above (Final Judgment). The Final
12 Judgment permanently restrained and enjoined Slezinger from violating Section 10(b) of the
13 Securities Exchange Act of 1934 and Rule 10b-5. Specifically, the Final Judgment prohibited
14 Slezinger from:

- 15 a) employing any device, scheme or artifice to defraud,
- 16 b) making any untrue statement of fact or omitting to state a material fact necessary in
17 order to make the statements made, in the light of the circumstance under which they were made, not
18 misleading, or
- 19 c) engaging in any act, practice or course of business which operates or would operate
20 as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

21 11. The Final Judgment submitted by Slezinger on or about July 17, 2020 did not provide
22 the details of the civil complaint.

23 12. On or about July 31, 2020, the Department posted two further license item
24 deficiencies in NMLS notifying Slezinger that the court documents he submitted indicated that Form
25 MU4 question (J)(1) (Civil Disclosure) and possibly K(1)-(9) (Regulatory Disclosure) should have
26 been answered in the affirmative. Slezinger was further notified to provide an amended filing
27 through NMLS and give a detailed explanation of the Securities and Exchange Commission (SEC)
28 matter and upload all applicable legal documents.

1 13. On or about August 4, 2020, Slezinger, via email, expressed concern over his ability
2 to obtain the applicable court documents as the case was over 30 years old. Slezinger emailed a
3 copy of a May 3, 1986 newspaper article from the San Diego Union discussing a verdict for
4 defendants, including Slezinger, in a private civil matter brought by investors concerning the sale of
5 Heritage Bank stock. Slezinger seemed to be confusing the private investor lawsuit with the SEC
6 matter.

7 14. To date, Slezinger has not amended his Form MU4 to respond “yes” to all applicable
8 Form MU4 Disclosure question(s) nor has he submitted all the required supporting documentation
9 and detailed explanations.

10 15. At no time has Slezinger ever submitted information to the Commissioner that he is
11 employed by, and subject to the supervision of, a finance lender or broker and/or residential
12 mortgage lender or servicer that has obtained a license from the commissioner pursuant to the CFL
13 and/or CRMLA.

14 **III.**

15 **Material Misrepresentations and/or Omissions**

16 16. In the MU4s filed on June 12, July 14, and July 17, 2020, Slezinger was required to
17 respond “yes” to Question (J)(1) (a) - “Has any domestic or foreign court ever enjoined you in
18 connection with any financial services-related activity?” as Slezinger had been permanently
19 restrained and enjoined from violating Section 10(b) of the Securities Exchange Act of 1934 and
20 Rule 10b-5 by the U.S. District Court, Central District of California in a civil action brought by the
21 SEC. Slezinger has never accurately responded to Question (J)(1) (a).

22 17. Slezinger failed to submit all supporting documentation concerning the permanent
23 injunction notwithstanding numerous prompts from Department staff. While Slezinger submitted
24 the Stipulated Final Order; he failed to submit the civil complaint.

25 **IV.**

26 **Licensing Requirements**

27 18. Financial Code sections 22109.1 and 50141 provide in relevant part:

28 ///

1 (a) The commissioner shall deny an application for a mortgage loan
2 originator license unless the commissioner makes, at a minimum, the
3 following findings:

4 . . .

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

9 . . .

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

13 19. California Code of Regulations, title 10, sections 1422.6.2 and 1950.12.5.2 provide in
14 relevant part:

15 (a) The Commissioner's finding required by Section 22109.1(c) of the California
16 Finance Lenders Law/Section 501414(c) of the California Residential Mortgage
17 Lending Act relates to any matter, personal or professional, that may
18 impact upon an applicant's propensity to operate honestly, fairly, and efficiently
19 when engaging in the role of a mortgage loan originator.

20 . . .

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

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

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

27 **V.**

28 **Conclusion**

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

(1) On or about November 2, 1990, Slezinger was permanently enjoined from violating
Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 by way of (i) employing any
device, scheme or artifice to defraud, (ii) making any untrue statement of fact or omitting to state a
material fact necessary in order to make the statements made, in the light of the circumstances under
which they were made, not misleading; or (iii) engaging in any act, practice or course of business

1 which operates or would operate as a fraud or deceit upon any person, in connection with the
2 purchase or sale of any security;

3 (2) Commencing on or about June 12, 2020 and continuing through July 17, 2020,
4 Slezinger made a false representation in his MLO license application by representing that he had
5 never been enjoined by any domestic or foreign court in connection with any financial services-
6 related activity;

7 (3) Commencing on or about June 12, 2020 and continuing through July 17, 2020,
8 Slezinger failed to submit a detailed explanation and all supporting documentation concerning the
9 Final Judgment by failing to describe the underlying allegations or submit the civil complaint filed
10 by the SEC against him;

11 (4) As a result of the above, Slezinger has failed to demonstrate the financial
12 responsibility, character and fitness required of a mortgage loan originator under the California
13 Financing Law and the California Residential Mortgage Lending Act; and

14 (5) Slezinger is not employed by, nor subject to the supervision of, a finance lender or
15 broker and/or residential mortgage lender or servicer that has obtained a license from the
16 commissioner pursuant to this division.

17 THEREFORE, the Commissioner asserts that he is mandated under Financial Code sections
18 22109.1 and 50141 to deny the mortgage loan originator license application of Herbert Edwin
19 Slezinger Jr.

20 **VI.**

21 **Prayer**

22 WHEREFORE IT IS PRAYED that the mortgage loan originator license application filed by
23 Herbert Edwin Slezinger Jr. on June 12, 2020 be denied.

24 Dated: September 21, 2020
25 Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Business Oversight

26
27 By _____
28 Judy L. Hartley
Senior Counsel