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8 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of:)
)
12 THE COMMISSIONER OF FINANCIAL) CRMLA LICENSE No.: 413-1205
13 PROTECTION AND INNOVATION,)
)
14 Complainant,) ACCUSATION
)
15 v.)
)
16 ANGEL OAK HOME LOANS LLC,)
17)
18 Respondent.)
)

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20 The Commissioner of Financial Protection and Innovation (Commissioner) is informed and
21 believes, and based upon such information and belief, alleges and charges Respondent Angel Oak
22 Home Loans LLC (Angel Oak) as follows:

23 **I.**

24 **Introduction**

25 1. Angel Oak is licensed by the Commissioner as a residential mortgage lender and
26 servicer pursuant to the California Residential Mortgage Lending Act (CRMLA) (Fin. Code § 50000
27 et seq.). Angel Oak has its principal place of business located at 980 Hammond Drive, Suite 200,
28 Atlanta, Georgia 30328. Angel Oak currently has 14 branch office locations under its CRMLA

ACCUSATION

1 license. Angel Oak employs mortgage loan originators in its CRMLA business.

2 **II.**

3 **Per Diem Interest Overcharges**

4 2. On or about May 4, 2020, the Commissioner, by and through staff, commenced a
5 regulatory examination of the books and records of Angel Oak under the CRMLA (2020 regulatory
6 examination). The 2020 regulatory examination disclosed that in 3 of 15 funded loans reviewed, or
7 20%, Angel Oak was charging the borrower per diem interest in excess of one day prior to the
8 disbursement of loan proceeds in violation of Financial Code section 50204, subdivision (o). The
9 per diem interest overcharges averaged \$290.63 per loan. The range of per diem interest
10 overcharges was between \$84.09 and \$518.97. The range of days that interest was overcharged was
11 between 1 and 4 days.

12 3. On or about June 30, 2020, the Commissioner, based upon the findings of the 2020
13 regulatory examination and pursuant to Financial Code section 50307, subdivision (b), directed
14 Angel Oak to conduct a self-audit regarding per diem interest charges for all loans originated from
15 November 22, 2016 through May 31, 2020, make appropriate refunds, and submit a report as to the
16 findings of the self-audit (per diem self-audit report). On or about July 27, 2020, Angel Oak
17 submitted its per diem self-audit report to the Commissioner. The per diem self-audit report filed
18 with the Commissioner, which covered the period from November 22, 2016 through May 31, 2020,
19 disclosed 87 per diem interest overcharges out of 828 loans or 10.5% with refunds totaling
20 \$17,917.46.

21 4. The Commissioner had found that Angel Oak was overcharging per diem interest
22 during the last regulatory examination under the CRMLA that commenced in May 2016 (2016
23 regulatory examination). A self-audit performed by Angel Oak for the period of May 4, 2012
24 through November 22, 2016 disclosed 49 per diem interest overcharges out of 346 loans or 14.6%
25 with refunds totaling \$6,721.40. Based upon the findings of the 2016 regulatory examination, the
26 Commissioner instructed Angel Oak to implement such procedures as necessary to ensure that per
27 diem interest was not overcharged in the future.

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III.

CRMLA Suspension/Penalty Statutes

5. Financial Code section 50327 provides in pertinent part:

(a) The commissioner may, after notice and a reasonable opportunity to be heard, . . . suspend or revoke any license, if the commissioner finds that:

(1) the licensee has violated any provision of this division or rule or order of the commissioner thereunder; or (2) any fact or condition exists that, if it had existed at the time of the original application for license, reasonably would have warranted the commissioner in refusing to issue the license originally.

6. Financial Code section 50513 provides in pertinent part:

(a) The commissioner may do one or more of the following:

(4) Impose fines on a mortgage loan originator or any residential mortgage lender or servicer licensee employing a mortgage loan originator pursuant to subdivisions (b), (c), and (d).

(b) The commissioner may impose a civil penalty on a mortgage loan originator or any residential mortgage lender or servicer licensee employing a mortgage loan originator, if the commissioner finds, on the record after notice and opportunity for hearing, that the mortgage loan originator or any residential mortgage lender or servicer licensee employing a mortgage loan originator has violated or failed to comply with any requirement of this division or any regulation prescribed by the commissioner under this division or order issued under authority of this division.

(c) The maximum amount of penalty for each act or omission described in subdivision (b) shall be twenty-five thousand dollars (\$25,000).

(d) Each violation or failure to comply with any directive or order of the commissioner is a separate and distinct violation or failure.

IV.

Conclusion

7. The Commissioner finds that, by reason of the foregoing, Angel Oak Home Loans LLC has repeatedly violated Financial Code section 50204, subdivision (o), 50307, and based thereon, grounds exist to (i) suspend the residential mortgage lender and servicer licenses of Angel Oak Home Loans LLC, and (ii) assess penalties against Angel Oak Home Loans LLC.

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V.

Prayer

WHEREFORE, IT IS PRAYED that:

1. Pursuant to Financial Code section 50327, the residential mortgage lender and servicer licenses of Angel Oak Home Loans LLC be suspended for a period of up to 12 months; and
2. Pursuant to the Financial Code section 50513, subdivision (b), penalties be levied against Angel Oak Home Loans LLC for at least 87 violations of Financial Code sections 50204, subdivision (o), overcharging per diem interest, according to proof, but in an amount of at least \$1,000.00 per violation.

Dated: October 15, 2020
Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation

By _____
Judy L. Hartley
Senior Counsel
Enforcement Division