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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) NMLS No.: 46494
PROTECTION AND INNOVATION,)
13) SPONSOR FILE No.: N/A
14 Complainant,)
) STATEMENT OF ISSUES
15 v.)
)
16 WILLIAM SPURGEON WRIGHT JR.,)
17)
18 Respondent.)
)

19
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 William
22 Spurgeon Wright Jr. (Wright) as follows:

23 **I.**

24 **Introduction**

25 1. The proposed order seeks to deny the issuance of a mortgage loan originator license
26 to Wright pursuant to Financial Code sections 22109.1 and 50141 in that Wright has failed to
27 demonstrate such financial responsibility, character, and general fitness as to command the
28 confidence of the community and to warrant a determination that he will operate honestly, fairly, and

1 efficiently.

2 **II.**

3 **The Pending Application**

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

5 (a) An applicant for a mortgage loan originator license shall apply by submitting

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7
8 ...
9 (c) In connection with an application for a license as a mortgage loan originator, the
10 applicant shall, at a minimum, furnish to the Nationwide Mortgage Licensing System
11 and Registry information concerning the applicant’s identity, including the following:

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

17 ...
18 (B) Information related to any administrative, civil, or criminal findings by any
19 governmental jurisdiction.

20 3. On or about December 11, 2019, Wright filed an application for a mortgage loan
21 originator license with the Commissioner pursuant to the California Financing Law (CFL) (Fin.
22 Code § 22000 et. seq.) and the California Residential Mortgage Lending Act (CRMLA) (Fin. Code §
23 50000 et. Seq.), in particular, Financial Code sections 22105.1 and 50140. The application was
24 submitted to the Commissioner by filing Form MU4 through the Nationwide Mortgage Licensing
25 System (NMLS). Wright responded “no” to all the disclosure questions. Wright signed the Form
26 MU4 attesting that the answers were true and complete to the best of his knowledge.

27 4. On or about February 20, 2020, Wright submitted and attested to an amended Form
28 MU4 in which he answered yes to Form MU4 Question (K)(1), which asks: “Has any state or federal
regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO)
ever: (1) found you to have made a false statement or omission or been dishonest, unfair or
unethical?” Wright’s February 20, 2020 amended Form MU4 was in response to the February 20,
2020 notification to Wright by Department of Financial Protection and Innovation (formerly
Department of Business Oversight) (Department) staff that information in the Department’s

1 possession indicated that one or more Form MU4 questions (K)(1)-(9) should have been answered in
2 the affirmative. Wright was further instructed to submit a detailed explanation and supporting
3 documentation as MLO applicants are required to give detailed explanations for every disclosure
4 answered in the affirmative and submit supporting documentation. The February 20, 2020 amended
5 Form MU4 submitted by Wright explained the affirmative response as “NASD revoked my license
6 for not testifying per my attorney's orders. No longe (sic) in the investment business after that, so I
7 just l left it that way.” Wright did not provide any supporting documentation.

8 5. On or about February 21, 2020, Wright submitted and attested to a further amended
9 Form MU4 in which he changed his response to Form MU4 Question (K)((1) from “yes” to “no”
10 and from “no” to “yes” on Form MU4 Question (K)(5). Form MU4 Question (K)(5) asks: “Has any
11 state or federal regulatory agency or foreign financial regulatory authority or self-regulatory
12 organization (SRO) ever: (5) revoked your registration or license?” Wright gave the same
13 explanation for Form MU4 Question (K)(5) as he had given on the February 20, 2020 response for
14 Form MU4 Question (K)(1). Wright still did not provide any documentation for the affirmative
15 response.

16 6. On or about February 26, 2020, Wright submitted and attested to another amended
17 Form MU4 in which he uploaded, as an attachment, a more detailed response to Form MU4
18 Question (K)(5). Wright’s February 26, 2020 amended MU4 was in response to the February 25,
19 2020 notification to Wright by the Department that information in the Department’s possession
20 continued to indicate that more Form MU4 questions (K)(1)-(9) should have been answered in the
21 affirmative in regards to the National Association of Securities Dealers (NASD) revocation and a
22 Securities and Exchange Commission (SEC) action (see discussion below). Wright continued to
23 respond in the negative to all the other disclosure questions and continued in his failure to upload
24 any supporting documents.

25 7. At no time has Wright ever submitted information to the Commissioner that he is
26 employed by, and subject to the supervision of, a finance lender or broker and/or residential
27 mortgage lender or servicer that has obtained a license from the commissioner pursuant to CFL
28 and/or CRMLA.

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III.

The Prior Application

8. Wright originally applied for an MLO license with the Department on or about January 2, 2014. Wright responded “no” to all the disclosure questions except Form MU4 Questions (A)(1) and (K)(6), which ask: “Have you filed a personal bankruptcy petition or been the subject of an involuntary bankruptcy petition within the past 10 years?” and “Has any state or federal regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever: (6) denied or suspended your registration or license or application for licensure, disciplined you, or otherwise by order, prevented you from associating with a financial services-related business or restricted your activities?” Wright’s detailed explanation for his affirmative response to Form MU4 Question (K)(6) concerned a denial for a Wisconsin mortgage license in 2009 due to his failure to have the requisite continuing education. Wright signed the Form MU4 attesting that the answers were true and complete to the best of his knowledge.

9. Wright submitted and attested to 3 amended Form MU4’s between January 2, 2014 and August 6, 2014. The amended Form MU4’s contained only minor changes.

10. On or about September 15, 2014, Wright’s MLO license application was approved by the Commissioner.

11. Between November 26, 2014 and February 6, 2019, Wright submitted and attested to 32 amended Form MU4’s. None of these amended MU4’s responded affirmatively to any disclosure questions other than Questions (A)(1) and (K)(6).

12. On or about January 1, 2019, Wright’s California MLO license expired for failure to renew.

IV.

Civil Action

13. Pursuant to a consent judgment entered in the United States District Court for the Southern District of New York on April 27, 1978 in the matter of the *Securities and Exchange Commission V. Dimensional Entertainment Corp, et al*, 77 Civ 5290 (S.D.N.Y), Wright was enjoined from further violations of sections 5(a), 5(c) and 17(a) of the Securities Act, Section 10(b)

1 of the Exchange Act and Rule 10b-5 thereunder. The SEC had alleged that Wright willfully violated
2 and willfully aided and abetted violations of sections 5(a), 5(c) and 17(a) of the Securities Act,
3 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in that, among other things, Wright (i)
4 solicited the purchase of unregistered Dimensional Entertainment Corp. (Dimensional) common
5 stock on behalf of a control person of Dimensional; (ii) utilized a nominee account to sell
6 unregistered Dimensional common stock purchased from a control person of Dimensional; (iii) made
7 material misrepresentations and omitted to state material facts in connection with the purchase and
8 sale of Dimensional common stock; and (iv) solicited customers for the purchase of his personal
9 Dimensional common stock without disclosing that he was selling his personal stock.

10 **V.**

11 **Administrative Actions**

12 14. On or about November 24, 1980, Wright entered into a consent order with the
13 Securities and Exchange Commission (SEC) wherein Wright was suspended from association in any
14 capacity with any broker or dealer, investment company, investment adviser or municipal securities
15 dealer for a period of 30 days and barred from association with any broker or dealer, investment
16 company, investment adviser or municipal securities dealer in any proprietary, executive, managerial
17 or supervisory capacity during the suspension period. The suspension was to commence on
18 December 8, 1980. The SEC alleged Wright had willfully violated and/or aided and abetted
19 violations of the registration provisions of the Securities Act of 1933 and the antifraud and anti-
20 manipulation provisions of the Securities Exchange Act of 1934 by unlawfully distributing and
21 subsequently manipulating the market in the common stock of Dimensional Entertainment
22 Corporation.

23 15. On or about February 5, 1993, the NASD, now known as Financial Industry
24 Regulatory Authority (FINRA), through its Market Surveillance Committee (MSC), issued a
25 complaint – number CMS930005 - against Wright for violations of Article III, Section 1 and Article
26 IV, Section 5 of the Association's rules of fair practice for his refusal to submit to a staff interview.
27 FINRA is a self-regulatory organization that regulates securities broker dealers. The MSC found the
28 violations as alleged and censured Wright along with fining him \$10,000.00 and suspending him as a

1 broker dealer from associating with any member in any capacity for a period of 30 days. Wright
2 appealed, but later waived his right to a hearing; wherein the Board affirmed the findings and
3 sanctions against Wright on November 4, 1993. Wright’s suspension was to commence on February
4 22, 1994.

5 16. On or about March 2, 1994, FINRA revoked the broker dealer license of Wright for
6 failure to pay the fines ordered on November 4, 1993.

7 **VI.**

8 **Material Misrepresentations and/or Omissions in the Pending Application**

9 17. Based upon the administrative and civil actions described in Sections IV and V
10 above, Wright was required to respond “yes” in the December 11, 2019 Form MU4 and all
11 subsequent amendments, to the following Form MU4 disclosure questions:

12 (a) Question (J)(1) (a) – “Has any domestic or foreign court ever enjoined you in
13 connection with any financial services-related activity?”;

14 (b) Question (K)(4) – “Has any State or federal regulatory agency or foreign
15 financial regulatory authority or self-regulatory organization (SRO) ever: (4) entered an order
16 against you in connection with a financial services-related activity?”;

17 (c) Question (K)(5) - “Has any State or federal regulatory agency or foreign financial
18 regulatory authority or self-regulatory organization (SRO) ever: (5) revoked your registration or
19 license?”;

20 (d) Question (K)(6) - “Has any State or federal regulatory agency or foreign financial
21 regulatory authority or self-regulatory organization (SRO) ever: (6) denied or suspended your
22 registration or license or application for licensure, disciplined you, or otherwise by order, prevented
23 you from associating with a financial services-related business or restricted your activities?”;

24 (e) Question (K)(7) - “Has any State or federal regulatory agency or foreign financial
25 regulatory authority or self-regulatory organization (SRO) ever: (7) barred you from association with
26 an entity regulated by such commissions, authority, agency, or officer, or from engaging in a
27 financial services-related business?”;

28

1 (f) Question (K)(8) - “Has any State or federal regulatory agency or foreign financial
2 regulatory authority or self-regulatory organization (SRO) ever: (8) issued a final order against you
3 based on violations of any law or regulations that prohibit fraudulent, manipulative, or deceptive
4 conduct?”; and

5 (g) Question (K)(9) - “Has any State or federal regulatory agency or foreign financial
6 regulatory authority or self-regulatory organization (SRO) ever: (9) entered an order concerning you
7 in connection with any license or registration?”.

8 18. Wright did eventually respond in the affirmative to Form MU4 Question (K)(5) in the
9 February 21, 2020, February 25, 2020 and February 26, 2020 Amended Form MU4’s, but only after
10 Department staff notified Wright that one or more of Form MU4 Questions (K)(1) through (9)
11 required an affirmative response. However, Wright has never submitted supporting documentation
12 in support of his affirmative response to Form MU4 Question (K)(5).

13 **VII.**

14 **Material Misrepresentations and/or Omissions in the Prior Application**

15 19. Based upon the administrative and civil actions described in Sections IV and V
16 above, Wright was required to respond “yes” in the January 2, 2014 Form MU4 and all 32
17 subsequent amendments, to the following Form MU4 disclosure questions:

18 (a) Question (J)(1) (a) – “Has any domestic or foreign court ever enjoined you in
19 connection with any financial services-related activity?”;

20 (b) Question (K)(4) – “Has any State or federal regulatory agency or foreign
21 financial regulatory authority or self-regulatory organization (SRO) ever: (4) entered an order
22 against you in connection with a financial services-related activity?”;

23 (c) Question (K)(5) - “Has any State or federal regulatory agency or foreign financial
24 regulatory authority or self-regulatory organization (SRO) ever: (5) revoked your registration or
25 license?”:

26 (d) Question (K)(6) - “Has any State or federal regulatory agency or foreign financial
27 regulatory authority or self-regulatory organization (SRO) ever: (6) denied or suspended your
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1 registration or license or application for licensure, disciplined you, or otherwise by order, prevented
2 you from associating with a financial services-related business or restricted your activities?";

3 (e) Question (K)(7) - "Has any State or federal regulatory agency or foreign financial
4 regulatory authority or self-regulatory organization (SRO) ever: (7) barred you from association with
5 an entity regulated by such commissions, authority, agency, or officer, or from engaging in a
6 financial services-related business?";

7 (f) Question (K)(8) - "Has any State or federal regulatory agency or foreign financial
8 regulatory authority or self-regulatory organization (SRO) ever: (8) issued a final order against you
9 based on violations of any law or regulations that prohibit fraudulent, manipulative, or deceptive
10 conduct?"; and

11 (g) Question (K)(9) - "Has any State or federal regulatory agency or foreign financial
12 regulatory authority or self-regulatory organization (SRO) ever: (9) entered an order concerning you
13 in connection with any license or registration?";

14 20. Wright did respond in the affirmative to Disclosure Question (K)(6), but the response
15 concerned his MLO license denial in Wisconsin. Wright made no disclosures regarding the 1978
16 SEC action, the 1993 FINRA suspension, or the 1994 FINRA revocation.

17 **VIII.**

18 **Licensing Requirements**

19 21. Financial Code sections 22109.1 and 50141 provide in relevant part:

20 (a) The commissioner shall deny an application for a mortgage loan
21 originator license unless the commissioner makes, at a minimum, the
22 following findings:

23 . . .

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

28 . . .

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

1 22. California Code of Regulations, title 10, sections 1422.6.2 and 1950.12.5.2 provide in
2 relevant part:

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

8 . . .

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

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

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

IX.

Conclusion

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

16 (1) On or about April 27, 1978, Wright was enjoined from further violations of sections
17 5(a), 5(c) and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5
18 thereunder by the SEC pursuant to a consent judgment entered in the United States District Court for
19 the Southern District of New York in the matter of the *Securities and Exchange Commission V.*
20 *Dimensional Entertainment Corp, et al*, 77 Civ 5290 (S.D.N.Y);

21 (2) On or about November 24, 1980, Wright, pursuant to a consent order entered into
22 with the SEC, was suspended from association in any capacity with any broker or dealer, investment
23 company, investment adviser or municipal securities dealer for a period of 30 days and barred from
24 association with any broker or dealer, investment company, investment adviser or municipal
25 securities dealer in any proprietary, executive, managerial or supervisory capacity during the
26 suspension period concerning alleged violations of and/or aiding and abetting violations of the
27 registration provisions of the Securities Act of 1933 and the antifraud and anti-manipulation
28 provisions of the Securities Exchange Act of 1934;

1 (3) On or about November 4, 1993, Wright was censured, fined \$10,000.00 and
2 suspended as a broker dealer from associating with any member in any capacity for a period of 30
3 days by FINRA concerning alleged violations of Article III, Section 1 and Article IV, Section 5 of
4 the Association’s rules of fair practice for his refusal to submit to a staff interview;

5 (4) On or about March 2, 1994, Wright’s broker dealer license was revoked by FINRA
6 for failure to pay the fines ordered on November 4, 1993;

7 (5) Commencing on or about January 2, 2014 and continuing through at least February 6,
8 2019, Wright made false representations to the Commissioner and/or omitted material information
9 in his original MLO license application and subsequent amendments by representing that he had
10 never (a) been enjoined in any domestic or foreign court in connection with any financial services-
11 related activity; (b) had an order entered against him you in connection with a financial services-
12 related activity by a State or federal regulatory agency or foreign financial regulatory authority or
13 self-regulatory organization; (c) had a registration or license revoked by a State or federal regulatory
14 agency or foreign financial regulatory authority or self-regulatory organization; (d) had a registration
15 or license denied, suspended, disciplined, or otherwise by order been prevented from associating
16 with a financial services-related business or activities restricted by a State or federal regulatory
17 agency or foreign financial regulatory authority or self-regulatory organization except to disclose his
18 MLO license denial in Wisconsin for failure to comply with continuing education; (e) been barred
19 from association with an entity or from engaging in a financial services-related business regulated by
20 a State or federal regulatory agency or foreign financial regulatory authority or self-regulatory
21 organization; (f) been issued a final order based on violations of any law or regulations that prohibit
22 fraudulent, manipulative, or deceptive conduct by a State or federal regulatory agency or foreign
23 financial regulatory authority or self-regulatory organization; and (g) had an order entered against
24 him in connection with any license or registration by a State or federal regulatory agency or foreign
25 financial regulatory authority or self-regulatory organization;

26 (6) Commencing on or about December 11, 2019 and continuing through at least
27 February 26, 2020, Wright made false representations to the Commissioner and/or omitted material
28 information in his pending MLO license application and subsequent amendments by representing

1 that he had never (a) been enjoined in any domestic or foreign court in connection with any financial
2 services-related activity; (b) had an order entered against him you in connection with a financial
3 services-related activity by a State or federal regulatory agency or foreign financial regulatory
4 authority or self-regulatory organization; (c) had a registration or license denied, suspended,
5 disciplined, or otherwise by order been prevented from associating with a financial services-related
6 business or activities restricted by a State or federal regulatory agency or foreign financial regulatory
7 authority or self-regulatory organization; (d) been barred from association with an entity or from
8 engaging in a financial services-related business regulated by a State or federal regulatory agency or
9 foreign financial regulatory authority or self-regulatory organization; (e) been issued a final order
10 based on violations of any law or regulations that prohibit fraudulent, manipulative, or deceptive
11 conduct by a State or federal regulatory agency or foreign financial regulatory authority or self-
12 regulatory organization; and (f) had an order entered against him in connection with any license or
13 registration by a State or federal regulatory agency or foreign financial regulatory authority or self-
14 regulatory organization, and initially representing he had never had a registration or license revoked
15 by a State or federal regulatory agency or foreign financial regulatory authority or self-regulatory
16 organization;

17 (7) Commencing on February 21, 2020 and continuing through to the date hereof, Wright
18 failed to submit all supporting documentation concerning his affirmative response to having his
19 broker dealer license revoked by FINRA;

20 (8) Wright 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 (8) Wright 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 the CFL or CRMLA.

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THEREFORE, the Commissioner asserts that he is mandated under Financial Code sections 22109.1 and 50141 to deny the mortgage loan originator license application of William Spurgeon Wright, Jr.

X.

Prayer

WHEREFORE IT IS PRAYED that the mortgage loan originator license application filed by William Spurgeon Wright, Jr. on December 11, 2019 be denied.

Dated: October 15, 2020
Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation

By _____
Judy L. Hartley
Senior Counsel