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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) CFL LICENSE No.: 603-K249
13 PROTECTION AND INNOVATION,)
)
14 Complainant,) ACCUSATION
)
15 v.)
)
16 CORNERSTONE FIRST MORTGAGE, INC.,)
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 Cornerstone
22 First Mortgage, Inc. (Cornerstone) as follows:

23 **I.**

24 **Introduction**

25 1. Cornerstone is licensed by the Commissioner as a finance lender and broker pursuant
26 to the California Financing Law (CFL) (Fin. Code § 22000 et seq.). Cornerstone has its principal
27 place of business located at 42655 Camino Del Rio North, Suite 450, San Diego, California 92108.
28 Cornerstone currently has 3 branch office locations under its CFL license. Cornerstone employs

ACCUSATION

1 mortgage loan originators in its CFL business.

2 **II.**

3 **Appraisal Fee Overcharges**

4 2. On or about September 16, 2019, the Commissioner, by and through staff,
5 commenced a regulatory examination of the books and records of Cornerstone under the CFL (2020
6 regulatory examination). The 2019 regulatory examination disclosed that in 18 of 23 funded loans
7 reviewed, or 78%, Cornerstone was overcharging the borrowers appraisal fees in violation of
8 Financial Code section 22317. The appraisal fee overcharges averaged \$234.16 per loan. The range
9 of appraisal fee overcharges was between \$35.00 and \$750.00.

10 **First Self-Audit**

11 3. On or about October 18, 2019, the Commissioner, based upon the findings of the
12 2019 regulatory examination and pursuant to Financial Code section 22159, subdivision (b), directed
13 Cornerstone to conduct a self-audit regarding appraisal fees for all loans originated from August 1,
14 2017 through September 30, 2019, make appropriate refunds, and submit a report as to the findings
15 of the self-audit (self-audit report). On or about April 21, 2020, Cornerstone submitted its self-audit
16 report to the Commissioner. The self-audit report filed with the Commissioner, which covered the
17 period from August 1, 2017 through September 30, 2019, disclosed appraisal fee overcharges in 214
18 out of 575 loans or 37% and identified refunds totaling \$31,525.19. However, Cornerstone had
19 issued 217 refunds totaling only \$25,970.00.

20 4. A sampling of 30 of the 575 loans originated during the self-audit period disclosed, in
21 28 of the 30 loans sampled (93%), differences between the amount refunded per the self-audit report
22 and the amount per the refund check, or no refund was issued at all. The sampling also disclosed that
23 Cornerstone was unable to provide an appraisal fee invoice in 15 of the 30 sampled loans in
24 violation of Financial Code section 22156 and also prevented the Department of Financial Protection
25 and Innovation (Department) staff from validating the appraisal fee charged or the accuracy of the
26 refund provided.

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Second Self-Audit

5. On or about May 18, 2020, Cornerstone was instructed to conduct a new appraisal fee self-audit due to the high percentage of missing appraisal invoices and the high error rate in calculating the amount overcharged or refund amount (second self-audit report). On or about May 29, 2020, Cornerstone submitted its second self-audit report to the Commissioner. The second self-audit report filed with the Commissioner disclosed appraisal fee overcharges in 450 out of 525 loans or 86% and issued refunds totaling \$63,156.00 on or about June 4, 2020. Cornerstone could not explain the difference in total loans between the two self-audits; 575 total loans in the first self-audit versus 525 total loans in the second self-audit.

6. A sampling of 60 of the 525 loans identified in the second self-audit report as being originated during the self-audit period disclosed, in 16 of the 60 loans sampled (26.7%), differences between the amount refunded per the self-audit report and the amount per the refund check, or no refund was issued at all. On or about July 20, 2020, Cornerstone issued further refunds totaling \$1,960.00 for the refund amounts found to be outstanding during the sampling review.

7. The two self-audits performed by Cornerstone disclosed that 664 borrowers had been overcharged appraisal fees totaling \$94,681.19.

III.

CFL Suspension/Penalty Statutes

8. Financial Code section 22714 provides in pertinent part:

(a) The commissioner shall suspend or revoke any license, upon notice and reasonable opportunity to be heard, if the commissioner finds any of the following:

(2) The licensee has violated any provision of this division or any rule or regulation made by the commissioner under and within the authority of this division.

9. Financial Code section 22172 provides in pertinent part:

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

....

1 (4) Impose fines on a mortgage loan originator or any finance lender or broker
2 licensee employing a mortgage loan originator pursuant to subdivisions (b), (c),
3 and (d).

4

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

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

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

17 **IV.**

18 **Conclusion**

19 10. The Commissioner finds that, by reason of the foregoing, Cornerstone First
20 Mortgage, Inc. has repeatedly violated Financial Code sections 22156 and 22317, and based thereon,
21 grounds exist to (i) suspend the finance lender and broker licenses of Cornerstone First Mortgage,
22 Inc., and (ii) assess penalties against Cornerstone First Mortgage, Inc.

23 **V.**

24 **Prayer**

25 WHEREFORE, IT IS PRAYED that:

26 1. Pursuant to Financial Code section 22714, the finance lender and broker licenses of
27 Cornerstone First Mortgage, Inc. be suspended for a period of up to 12 months;

28 2. Pursuant to the Financial Code section 22172, subdivision (b), penalties be levied
against Cornerstone First Mortgage, Inc. for at least 664 violations of Financial Code section 22317,
overcharging appraisal fees, according to proof, but in an amount of at least \$500.00 per violation;

and

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3. Pursuant to the Financial Code section 22172, subdivision (b), penalties be levied against Cornerstone First Mortgage, Inc. for at least 15 violations of Financial Code section sections 22156, failure to maintain books and records, according to proof, but in an amount of at least \$200.00 per violation.

Dated: January 27, 2021
Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation



By _____
Judy L. Hartley
Senior Counsel
Enforcement Division