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10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
11 OF THE STATE OF CALIFORNIA

12 In the Matter of: ) NMLS LICENSE NO.: 1049418  
13 )  
14 THE COMMISSIONER OF FINANCIAL ) ORDER DENYING MORTGAGE LOAN  
PROTECTION AND INNOVATION, ) ORIGINATOR APPLICATION  
15 )  
16 Complainant, )  
17 )  
18 v. )  
19 CRISTOBAL LARA GARCIA, )  
20 )  
Respondent. )  
)

21 The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

- 22 1. The Commissioner has jurisdiction over the licensing and regulation of persons  
23 engaged in the business of making or brokering or servicing residential mortgage loans, including  
24 mortgage loan originators, under the California Financing Law (CFL) (Fin. Code, § 22000 et seq.)  
25 and the California Residential Mortgage Lending Act (CRMLA) (Fin. Code, § 50000 et seq.).  
26 2. Respondent Garcia applied for a mortgage loan originator (MLO) license with the  
27 Commissioner.  
28

1           3.       Under the provisions of Financial Code sections 22109.1 and 22172 of the CFL and  
2 Financial Code sections 50141 and 50513 of the CRMLA, the Commissioner brought an action to  
3 deny Garcia’s MLO license application because (1) Garcia was terminated by a former employer for  
4 falsely enrolling clients in an online bank feature in violation of bank rules; (2) Garcia was barred by  
5 the Financial Industry Regulatory Authority (FINRA) from associating with any registered broker-  
6 dealer when Garcia falsified customer account documents for personal gain and then failed to  
7 respond to FINRA’s requests for information about the scheme; and (3) Garcia failed to disclose his  
8 termination and the FINRA bar in his license application filed with the Commissioner.

9           4.       In or about 2007, JPMorgan Chase Bank, N.A. employed Garcia as a “Personal  
10 Banker” at its Garland, Texas branch. In addition to his duties at the retail bank, Garcia was a  
11 registered representative of Chase Investment Services Corp. (Chase).

12           5.       An internal investigation by the bank disclosed that Garcia had violated the bank’s  
13 code of conduct and it terminated Garcia on December 5, 2008 (the termination).

14           6.       As Garcia was a registered representative of the bank’s affiliated investment adviser  
15 firm, Chase, the investment adviser filed a Form U5 termination disclosure document with FINRA on  
16 December 23. The U5 Chase filed with FINRA disclosed that Garcia was:

17                   Terminated by affiliate bank – non securities related registered rep  
18                   [Garcia] violated bank code of conduct by enrolling bank clients in an  
19                   online bank feature without their knowledge and deposited \$50 of his  
20                   own funds into the clients['] accounts and subsequently withdrew the  
21                   same funds. In addition[,] [Garcia] admitted to giving incentive  
22                   coupons to customers that were not entitled [to receive them].

23           7.       FINRA is an independent, nongovernmental organization that writes and enforces the  
24 rules governing registered brokers and broker-dealer firms in the United States and is considered a  
25 self-regulatory organization or SRO.

26           8.       On November 5, 2009, FINRA barred Garcia from associating with any member firm  
27 in any capacity for falsifying customer account documents, in violation of FINRA rule 2110, and  
28 failing to respond to requests for information, in violation of FINRA procedural rule 8210 and  
conduct rule 2010 (the FINRA bar).

1           9.       Specifically, after FINRA received and reviewed Garcia’s Form U5, FINRA  
2 conducted its own investigation into the matter. FINRA determined that Garcia, while employed by  
3 the bank as a Personal Banker and a registered representative of Chase, falsified account opening  
4 documents by enrolling 12 bank customers in a bank online bill payment program without their  
5 knowledge or consent, and then Garcia accessed and activated those customers’ accounts for personal  
6 gain. FINRA further concluded that Garcia had failed to respond to FINRA’s requests for information  
7 concerning his actions while employed by the bank.

8           10.       The FINRA bar concerned Garcia’s forgery and falsification of customer records,  
9 which involved acts of dishonest, unfair, and unethical conduct and false statements or omissions in  
10 violation of FINRA rules.

11           11.       In order to become licensed by the Commissioner as a MLO, an individual must  
12 submit a uniform application form (known as the MU4 or Form MU4) through the Nationwide  
13 Multistate Licensing System & Registry (the NMLS).

14           12.       On June 2, 2020, Garcia applied for a MLO license by filing a Form MU4 through the  
15 NMLS. Garcia’s application is sponsored by PennywiseMac Loan Services, LLC a CFL and  
16 CRMLA-licensed lender.

17           13.       When Garcia applied for his license, he failed to answer several of the questions  
18 posed, which asked Garcia about the FINRA bar and the termination.

19           14.       For example, Form MU4 question (K) asks, in relevant part:

20                   Has any State or federal regulatory agency or foreign financial  
21                   regulatory authority or self-regulatory organization (SRO) ever:

22                   (1) found you to have made a false statement or omission or been  
23                   dishonest, unfair or unethical?

24                   (2) found you to have been involved in a violation of a financial  
25                   services-related business regulation(s) or statute(s)?

26                                   .       .       .

27                   (4) entered an order against you in connection with a financial services-  
28                   related activity?

   .       .       .

1 (7) barred you from association with an entity regulated by such  
2 commissions, authority, agency, or officer, or from engaging in a  
3 financial services-related business?

4 (8) issued a final order against you based on violations of any law or  
5 regulations that prohibit fraudulent, manipulative, or deceptive  
6 conduct?

7 (9) entered an order concerning you in connection with any license or  
8 registration?

9 15. Garcia answered “No” to questions (K)(1), (2), (4), (7), (8), and (9).

10 16. Garcia correctly answered “Yes” to question (K)(6), which asks the applicant if a SRO  
11 has ever “denied or suspended your registration or license or application for licensure, disciplined  
12 you, or otherwise by order, prevented you from associating with a financial services-related business  
13 or restricted your activities?” But in the disclosure explanation section of the MU4 application, which  
14 asks the applicant to provide a more detailed explanation about his “Yes” response, Garcia failed to  
15 disclose the FINRA bar and instead described the suspension of his MLO license by Georgia state  
16 regulators due to his inability to obtain sponsorship.

17 17. Garcia also incorrectly answered “No” to termination disclosure questions (Q)(1) and  
18 (2), which ask the applicant if he has:

19 [E]ver voluntarily resigned, been discharged, or permitted to resign  
20 after allegations were made that accused [him] of:

21 (1) violating statute(s), regulation(s), rule(s), or industry standards of  
22 conduct?

23 (2) fraud, dishonesty, theft, or the wrongful taking of property?

24 18. On June 2, Garcia executed his MU4 under penalty of perjury that his responses were  
25 “current, true, accurate, and complete[.]”

26 19. But the Commissioner’s subsequent review of Garcia’s MU4 application disclosed the  
27 termination and Garcia’s FINRA bar.

28 20. On July 2, the Commissioner placed license items on Garcia’s NMLS account,  
requesting that he amend his application, provide a detailed explanation concerning the termination

1 and FINRA bar, and further asked that he upload all relevant documents related to the termination  
2 and FINRA bar.

3 21. Garcia failed to amend his MU4 application or respond to the license item requests.

4 22. The Commissioner must deny a MLO license if the licensee fails to meet the  
5 minimum criteria for licensure, which includes a requirement that the applicant “has demonstrated  
6 such financial responsibility, character and general fitness as to command the confidence of the  
7 community and to warrant a determination that the [MLO] will operate honestly, fairly, and  
8 efficiently within the purposes of this division.” (Fin. Code, § 22109.1, subd. (a)(3) and Fin. Code, §  
9 50141, subd. (a)(3).)

10 23. As described in paragraphs 12.-18., under penalty of perjury, on June 2, Garcia falsely  
11 answered “No” to questions (K)(1), (2), (4), (7), (8), and (9) which asked Garcia if a SRO had ever  
12 disciplined him for dishonest conduct, or for violating a financial services-related business regulation  
13 or statute, or entered an order against him in connection with a financial services-related activity, or  
14 barred him for such misconduct. He further failed to disclose the FINRA bar in response to the  
15 regulatory action disclosure explanation for question (K)(6), which asked Garcia if he had ever been,  
16 by order, prevented from associating with a financial services-related business. Garcia further falsely  
17 answered “No” to questions (Q)(1) and (2), which asked if he had ever been terminated for violating  
18 rules, or industry standards of conduct, or been terminated after allegations were made that accused  
19 him of fraud or dishonesty. Garcia withheld information and made material misstatements in his  
20 MU4 application, as Garcia was the subject of the termination and the FINRA bar and he failed to  
21 disclose the misconduct.

22 24. Thus, Garcia does not meet the minimum criteria for licensure under the CFL and  
23 CRMLA, and his application must be denied.

24 25. The CFL and CRMLA further provide that the Commissioner may deny a MLO  
25 license if a licensee withholds information or makes a material misstatement in an application for a  
26 license or license renewal. (Fin Code, § 22172, (a)(2) and Fin. Code, § 50513, subd. (a)(2).)

27 26. As described in paragraphs 12.-18., above, Garcia withheld information and made  
28 material misstatements in his MU4 application concerning the termination and the FINRA bar by

1 failing to answer “Yes” to questions (K)(1), (2), (4), (7), (8), (9) and (Q)(1) and (2). Garcia further  
2 failed to disclose the FINRA bar in response to regulatory action disclosure question (K)(6).

3 27. On January 12, 2021, the Commissioner issued Garcia his notice of intention to deny  
4 Garcia’s MLO license application, statement of issues, and other supporting pleadings (collectively,  
5 Statement of Issues).

6 28. On January 14, the Commissioner served Garcia by certified mail with the Statement  
7 of Issues at his address of record on file with the Commissioner.

8 29. On January 15, Garcia wrote to enforcement counsel by email, acknowledging that he  
9 had received and read the Statement of Issues.

10 30. Enforcement counsel responded to Garcia’s email on January 19, reminding Garcia  
11 that he had a limited number of days to file his notice of defense, should he desire to contest the  
12 Commissioner’s findings set forth in the Statement of Issues.

13 31. Garcia did not file his notice of defense with the Commissioner within the time  
14 required, and the time to file his hearing request concerning the Statement of Issues has now expired.

15 32. For the reasons set forth above, the Commissioner finds that Garcia has not  
16 demonstrated the financial responsibility, character, and general fitness required under Financial  
17 Code section 22109.1, subdivision (a)(3) and Financial Code section 50141, subdivision (a)(3), when  
18 Garcia falsely answered “No” to questions (K)(1),(2), (4), (7), (8), and (9) in his MU4, which asked  
19 Garcia if he had ever been disciplined by a SRO. Garcia further falsely answered questions (Q)(1)  
20 and (2) in his MU4, which asked if he had ever been terminated for violating rules, or industry  
21 standards of conduct, or been terminated after allegations were made accusing him of fraud or  
22 dishonesty. Finally, Garcia failed to disclose the FINRA bar in response to the regulatory action  
23 disclosure explanation section of his MU4 associated with question (K)(6).

24 The Commissioner also finds that Garcia withheld information and made material  
25 misstatements in his application for a license under Financial Code sections 22172, subdivision (a)(2)  
26 and 50513, subdivision (a)(2).

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NOW GOOD CAUSE APPEARING THEREFORE, IT IS HEREBY ORDERED that the application for an MLO license of Cristobal Lara Garcia is denied. This order is effective immediately.

MANUEL P. ALVAREZ  
Commissioner of Financial Protection & Innovation

Dated: February 9, 2021  
Los Angeles, California

By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division

