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

10 In the Matter of:) NMLS NO.: 1145255
11 THE COMMISSIONER OF FINANCIAL) STATEMENT OF ISSUES
PROTECTION AND INNOVATION,)
12 Complainant,)
13 v.)
14 JACKIE ALEXANDER GRAVES,)
15 Respondent.)
16 _____)

17
18 The Commissioner of Financial Protection and Innovation (Commissioner) is informed and
19 believes, and based upon such information and belief, alleges and charges Respondent as follows:

20 **I.**

21 **Jurisdiction**

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

28 2. On November 12, 2020, Respondent Jackie Alexander Graves (Graves) applied to

1 the Commissioner for a mortgage loan originator (MLO) license under the CFL and CRMLA.

2 3. The Commissioner brings this action to deny the issuance of an MLO license to
3 Graves under Financial Code sections 22109.1, 22172, 50141, and 50513 because Graves: (1)
4 withheld information and made material misstatements in his application for a license; (2) has not
5 demonstrated such financial responsibility, character, and general fitness as to command the
6 confidence of the community and to warrant a determination that he will operate honestly, fairly,
7 and efficiently as an MLO; and (3) is not employed by or subject to the supervision of a lender,
8 broker, or servicer licensed under the CFL or CRMLA.

9 **II.**

10 **Statement of Facts**

11 4. To become licensed by the Commissioner as an MLO, an individual must submit a
12 uniform application form (known as the MU2 or MU4 form) through the Nationwide Mortgage
13 Licensing System and Registry (NMLS).

14 5. On November 12, 2020, Graves applied for an MLO license by filing a Form MU4
15 through NMLS. His application was not sponsored by a lender, broker, or servicer licensed under
16 the CFL or CRMLA.

17 6. Form MU4 question (K) asked, in relevant part:

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

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

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

23 . . .

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

25 (5) revoked your registration or license?

26 (6) denied or suspended your registration or license or application for
27 licensure, disciplined you, or otherwise by order, prevented you from
28 associating with a financial services-related business or restricted your
activities?

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

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

5 7. Graves answered “Yes” to questions (K)(1), (K)(2), (K)(4), (K)(5), (K)(6), (K)(8),
6 and (K)(9). In event explanations for these questions, Graves identified three regulatory actions: a
7 2007 cease-and-desist order issued by the Texas Department of Savings and Mortgage Lending, a
8 2010 revocation of his real-estate broker license by the California Department of Real Estate
9 (DRE), and a 2013 DRE order denying reinstatement of his license.

10 8. Regarding the 2007 Texas cease-and-desist order, Graves stated that he had failed to
11 return to Texas for a scheduled audit because of a “misunderstanding on [his] part” that his broker’s
12 license had not been renewed in 2006 for failing to meet the net-worth requirement. He had closed
13 the office because he was unable to renew the license. Graves did not upload a copy of the 2007
14 order.

15 9. Regarding the 2010 DRE revocation, Graves stated that in 2008, the DRE completed
16 an audit of his business and that he failed to open the letter containing the audit findings and to take
17 corrective actions. In April 2010, he received the DRE’s order revoking his real-estate broker
18 license “by default.” Graves uploaded a copy of the 2010 decision, but the copy was incomplete,
19 omitting the final page, which contained findings and the order of revocation.

20 10. Regarding the 2013 DRE order denying reinstatement, Graves stated that a year after
21 his real-estate broker license was revoked, he petitioned the DRE for reinstatement and, in March
22 2013, the DRE “approved [his] application” with two conditions: (1) he had to pass a state
23 examination “for the [DRE] to issue a Restricted Salesperson’s License for two years” and (2) after
24 holding the restricted salesperson license for two years, he would be “eligible to petition for
25 reinstatement of [his] Broker’s license.” Graves uploaded a copy of the 2013 order.

26 11. Graves did not disclose any subsequent regulatory events in response to Form MU4
27 question (K).

28 12. Form MU4 question (O) asked: “Based upon activities that occurred while you

1 exercised control over an organization is there a pending regulatory action proceeding against any
2 organization for any alleged violation described in (K) through (L)?”

3 13. Graves answered “No” to question (O).

4 14. On November 30, 2020, and January 27, 2021, Graves filed amended Form MU4s
5 with minor clerical changes.

6 15. On January 27, 2021, the Commissioner placed a license item on Graves’s NMLS
7 account, noting his explanation of the 2007 Texas action and his “Yes” responses to questions
8 (K)(4), (K)(6), and (K)(9) and requesting that he upload applicable legal documents.

9 16. The next day, on January 28, 2021, Graves filed an amended Form MU4 in which he
10 uploaded a copy of the 2007 Texas order and accompanying documents, along with post-issuance
11 correspondence between Graves and the regulator and payment confirmations from 2019 showing
12 payment of penalties. No other changes were made, including to his answers to the disclosure
13 questions.

14 17. From February 9 to May 1, 2021, Graves filed amended Form MU2s or MU4s with
15 minor clerical changes.

16 18. Records obtained from Graves and the Commissioner’s investigation show that on
17 August 1, 2007, the Texas Department of Savings and Mortgage Lending issued a cease-and-desist
18 order against Graves after it was unable to schedule and conduct an examination of Graves’s
19 mortgage-broker business. At all times relevant to the order, Graves was a licensed Texas mortgage
20 broker. The order assessed an administrative penalty of \$2,500.00 for Graves’s failure to produce
21 records. Graves did not pay the penalty until September 2019.

22 19. Records obtained from the Commissioner’s investigation show that on October 8,
23 2008, the DRE issued an accusation against Graves concerning his real-estate broker license.
24 Graves failed to file a notice of defense. About a year and a half later, on March 10, 2010, the DRE
25 issued a default order. In a decision that became effective on April 21, 2010, the DRE revoked
26 Graves’s real-estate broker license. The DRE found cause to revoke the license based on violations
27 arising from mortgage loan origination activity. In particular, the DRE found that Graves had
28 committed several acts of fraud or dishonest dealing and violations of Division 1.7 of the Financial

1 Code (§ 4970 et seq.), which regulates and prohibits predatory mortgage-lending practices
2 (*American Financial Services Assn. v. City of Oakland* (2005) 34 Cal.4th 1239, 1246).

3 20. Records obtained from the Commissioner’s investigation show that about a year and
4 half later, on November 10, 2011, Graves filed with the DRE a petition for reinstatement of his real-
5 estate broker license. In an order that became effective on April 30, 2013, the DRE denied his
6 petition, finding that he had failed to demonstrate that he was sufficiently rehabilitated to warrant
7 reinstatement. The DRE, however, granted the right to the issuance of a restricted real-estate
8 salesperson license if he met certain conditions. On June 5, 2013, the DRE issued the restricted
9 salesperson license.

10 21. Records obtained from the Commissioner’s investigation show that two years later,
11 on June 25, 2015, Graves filed with the DRE a petition for removal of restrictions from his
12 restricted real-estate salesperson license. In an order that became effective on June 19, 2017, the
13 DRE denied his petition, finding that he had failed to demonstrate that he was sufficiently
14 rehabilitated to warrant removal of restrictions. In particular, the DRE noted Graves’s lack of
15 candor in failing to disclose unsatisfied judgments in his petition.

16 22. Records obtained from the Commissioner’s investigation show that on August 31,
17 2020, the DRE filed an accusation against ChangeMyRate.com, a Mortgage Corporation
18 (ChangeMyRate.com), and its designated officer. Graves was not a named respondent but at all
19 relevant times was the sole shareholder and president of ChangeMyRate.com, which was a licensed
20 real-estate broker with a mortgage-loan-originator endorsement. In the accusation, the DRE alleged
21 numerous violations of the Real Estate Law by ChangeMyRate.com arising from mortgage loan
22 origination activity, including mishandling of trust funds and making substantial misrepresentations
23 to borrowers. The matter remains pending.

24 23. To date, Graves has not obtained sponsorship from a lender, broker, or servicer
25 licensed under the CFL or CRMLA.

26 III.

27 **Withheld Information and Material Misstatements**

28 24. The Commissioner may deny an application for an MLO license if the applicant

1 withholds information or makes a material misstatement in the application. (Fin. Code, §§ 22172,
2 subd. (a)(2), 50513, subd. (a)(2).)

3 25. As described in paragraphs 5 to 18, Graves failed to upload supporting records in
4 disclosing the 2007 Texas cease-and-desist order in his initial and amended application filings. He
5 uploaded a copy of the order only after the Commissioner asked him to do so.

6 26. As described in paragraphs 5 to 17, Graves failed to upload a complete copy of the
7 2010 DRE revocation.

8 27. As described in paragraphs 10 and 20, Graves misrepresented the circumstances of
9 the 2013 DRE order denying his petition for reinstatement. Graves mischaracterized the order as an
10 approval rather than a denial. Graves was granted the right to the issuance of a restricted real-estate
11 salesperson license if he met certain conditions, but his petition for reinstatement of his real-estate
12 broker license was denied, not granted.

13 28. As described in paragraphs 5 to 17 and 21, Graves failed to disclose the 2017 DRE
14 denial of his petition for removal of restrictions from his restricted real-estate salesperson license.

15 29. As described in paragraphs 5 to 17 and 22, Graves failed to disclose the 2020 DRE
16 disciplinary proceeding against ChangeMyRate.com in all his application filings. Graves was
17 required to disclose the proceeding in response to Form MU4 question (O), which asked whether
18 there were any pending regulatory proceedings against an organization based on activities that
19 occurred while he exercised control over the organization. The 2020 DRE action was based on
20 activities that occurred while Graves exercised control over ChangeMyRate.com as its sole
21 shareholder and president. The accusation was filed on August 31, 2020, more than two months
22 before Graves filed his initial application with the Commissioner on November 12, 2020. Despite
23 filing numerous amended applications, including as recently as May 1, 2021, Graves failed to
24 change his “No” answer to question (O).

25 30. Thus, Graves withheld information and made material misstatements in his
26 application for a license. Under Financial Code sections 22172, subdivision (a)(2), and 50513,
27 subdivision (a)(2), Graves’s application should be denied.

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1 IV.

2 **Financial Responsibility, Character, and General Fitness**

3 31. The Commissioner “shall deny” an application for an MLO license unless he makes,
4 at a minimum, specified findings, including that the applicant has demonstrated such financial
5 responsibility, character, and general fitness as to command the confidence of the community and to
6 warrant a determination that the applicant will operate honestly, fairly, and efficiently as a mortgage
7 loan originator. (Fin. Code, §§ 22109.1, subd. (a)(3), 50141, subd. (a)(3).)

8 32. As described in paragraph 18, Graves was a Texas-licensed mortgage broker and in
9 2007 was the subject of a cease-and-desist order for failing to submit to an examination and
10 produce records. Graves’s regulatory history weighs against finding that he has demonstrated the
11 character and general fitness required for licensure as an MLO.

12 33. As described in paragraphs 19 to 21, Graves’s real-estate broker license was revoked
13 by the DRE in 2010, and in 2013 and 2017 the DRE denied his petitions for reinstatement of his
14 broker license and removal of restrictions from his restricted salesperson license. Notably, the
15 revocation was based on violations arising from mortgage loan origination activity, the same
16 activity for which he now seeks a license from the Commissioner. Moreover, in denying the
17 removal of restrictions from Graves’s salesperson license, the DRE noted his lack of candor. This
18 regulatory history further militates against finding that Graves has demonstrated the character and
19 general fitness required for licensure as an MLO.

20 34. As described in paragraph 22, a business entity over which Graves exercised control
21 is the subject of a pending DRE disciplinary proceeding. The proceeding involves allegations of
22 mishandling of trust funds and making substantial misrepresentations to borrowers. The alleged
23 violations occurred during mortgage loan origination activity, the same activity for which Graves
24 now seeks a license from the Commissioner. This regulatory history further militates against
25 finding that Graves has demonstrated the character and general fitness required for licensure as an
26 MLO.

27 35. Further, as described in paragraphs 5 to 22 and 25 to 29, Graves withheld
28 information and made material misstatements concerning these regulatory actions. Thus, although

1 some of the actions occurred some time ago, Graves’s lack of candor in disclosing both prior and
2 pending discipline weighs against finding that he has demonstrated the character and general fitness
3 required for licensure as an MLO.

4 36. For all these reasons, Graves has not demonstrated such financial responsibility,
5 character, and general fitness as to command the confidence of the community and to warrant a
6 determination that he will operate honestly, fairly, and efficiently as an MLO. Under Financial
7 Code sections 22109.1, subdivision (a)(3), and 50141, subdivision (a)(3), Graves’s application must
8 be denied.

9 **V.**

10 **Sponsoring Employer**

11 37. The Commissioner “shall deny” an application for an MLO license unless he makes,
12 at a minimum, specified findings, including that the applicant is employed by and subject to the
13 supervision of a lender, broker, or servicer licensed under the CFL or CRMLA. (Fin. Code,
14 §§ 22109.1, subd. (a)(6), 50141, subd. (a)(6).)

15 38. As described in paragraphs 5 and 23, Graves is not employed or sponsored by a
16 CFL-licensed lender or broker or a CRMLA-licensed lender or servicer.

17 39. Thus, Graves is not employed by or subject to the supervision of a lender, broker, or
18 servicer licensed under the CFL or CRMLA. Under Financial Code sections 22109.1, subdivision
19 (a)(6), and 50141, subdivision (a)(6), Graves’s application must be denied.

20 **VI.**

21 **Commissioner’s Authority to Deny Application**

22 40. Financial Code section 22109.1, subdivision (a), provides in relevant part:

23 The commissioner shall deny an application for a mortgage loan
24 originator license unless the commissioner makes, at a minimum, the
25 following findings:

26 . . .

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

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

41. Financial Code section 22172, subdivision (a), provides in relevant part:

The commissioner may do one or more of the following:

...

(2) Deny, suspend, revoke, condition, or decline to renew a mortgage loan originator license if an applicant or licensee fails at any time to meet the requirements of Section 22109.1 or 22109.4, or withholds information or makes a material misstatement in an application for a license or license renewal.

42. Financial Code section 50141, subdivision (a), provides in relevant part:

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

...

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

...

(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.

43. Financial Code section 50513, subdivision (a), provides in relevant part:

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

...

(2) Deny, suspend, revoke, condition, or decline to renew a mortgage loan originator license if an applicant or licensee fails at any time to meet the requirements of Section 50141 or 50144, or withholds information or makes a material misstatement in an application for a license or license renewal.

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VII.

Prayer

For the foregoing reasons, the Commissioner finds that Jackie Alexander Graves withheld information and made material misstatements in his application within the meaning of Financial Code sections 22172, subdivision (a)(2), and 50513, subdivision (a)(2).

The Commissioner also finds that Graves has not demonstrated the financial responsibility, character, and general fitness required under Financial Code sections 22109.1, subdivision (a)(3), and 50141, subdivision (a)(3).

Accordingly, the Commissioner must deny Graves’s application for a mortgage loan originator license.

WHEREFORE, IT IS PRAYED that Graves’s application for a mortgage loan originator license be denied.

Dated: May 17, 2021
Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation

By: _____
SAMUEL J. PARK
Counsel
Enforcement Division