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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.: 413-0722
13 PROTECTION AND INNOVATION,) CFL LICENSE No.: 603-K249
)
14 Complainant,)
) ACCUSATION
15 v.)
)
16 LENOX FINANCIAL MORTGAGE)
17 CORPORATION,)
)
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 Lenox
22 Financial Mortgage Corporation (Lenox) as follows:

23 **I.**

24 **Introduction**

25 1. Lenox is licensed by the Commissioner as a residential mortgage lender and servicer
26 pursuant to the California Residential Mortgage Lending Act (CRMLA) (Fin. Code § 50000 et seq.).
27 Lenox has its principal place of business located at 200 East Sandpointe, Suite 800, Santa Ana,
28

ACCUSATION

1 California 92707. Lenox currently has 26 branch office locations under its CRMLA license. Lenox
2 employs mortgage loan originators in its CRMLA business.

3 2. Lenox is also licensed by the Commissioner as a finance lender pursuant to the
4 California Financing Law (CFL) (Fin. Code § 22000 et seq.). Lenox has its principal place of
5 business under the CFL also located at 200 East Sandpointe, Suite 800, Santa Ana, California 92707.
6 Lenox has no branch office locations under its CFL license. Lenox employs mortgage loan
7 originators in its CFL business.

8 **II.**

9 **Failure to Pay Interest on Escrow Impound Funds**

10 3. On or about June 15, 2020, the Commissioner, by and through staff, commenced a
11 regulatory examination of the books and records of Lenox under the CRMLA (2020 regulatory
12 examination). The 2020 regulatory examination disclosed that (a) in 4 of 5 loans reviewed that were
13 being actively serviced and had escrow impound accounts, or 80%, and (b) in 3 of 6 loans reviewed
14 that had paid in full and had escrow impound accounts, or 50%, Lenox was not paying 2% interest
15 on borrower escrow impounds as required under Financial Code section 50202, subdivision (d)
16 and/or Civil Code section 2954.8.

17 4. On or about August 4, 2020, the Commissioner, based upon the findings of the 2020
18 regulatory examination and pursuant to Financial Code section 50307, subdivision (b), directed
19 Lenox to conduct a self-audit regarding borrower escrow impound account interest for all loans
20 serviced from March 1, 2017 through March 31, 2020, make appropriate refunds, and submit a
21 report as to the findings of the self-audit (self-audit report).

22 5. On or about December 7, 2020, Lenox submitted its self-audit report to the
23 Commissioner. The self-audit report filed with the Commissioner covered the period from March 1,
24 2017 through November 5, 2020 and disclosed a total of 1,142 paid off loans and 90 actively
25 serviced loans for a total of 1,232 loans reviewed. The self-audit report further disclosed unpaid
26 interest in 1,142 or 100% of the paid off loans and 49 out of 90 actively serviced loans, or 54%, and
27 identified restitution by way of check or credit totaling \$84,848.53.

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(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.

V.

Conclusion

10. The Commissioner finds that, by reason of the foregoing, Lenox Financial Mortgage Corporation has repeatedly violated Financial Code section 50202, subdivision (d) and/or Civil Code section 2954.8, and a fact or condition now exists, that if it had existed at the time of original licensure under the CFL, reasonably would have warranted the Commissioner in refusing to issue the CFL license, and based thereon, grounds exist to (i) suspend the residential mortgage lender and servicer licenses and the finance lender licenses of Lenox Financial Mortgage Corporation, and (ii) assess penalties against Lenox Financial Mortgage Corporation pursuant to Financial Code section 50513, subdivision (b).

V.

Prayer

WHEREFORE, IT IS PRAYED that:

1. Pursuant to Financial Code section 50327, the residential mortgage lender and servicer licenses of Lenox Financial Mortgage Corporation be suspended for a period of up to 12 months;
2. Pursuant to Financial Code section 22714, the finance lender licenses of Lenox Financial Mortgage Corporation be suspended for a period of up to 12 months; and

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3. Pursuant to the Financial Code section 50513, subdivision (b), penalties be levied against Lenox Financial Mortgage Corporation for at least 1,191 violations of Financial Code section 50202, subdivision (d) and/or Civil Code section 2954.8, failing to pay 2% interest on actively serviced and paid off loans with escrow impound accounts, according to proof, but in an amount of at least \$150.00 per violation;

Dated: May 20, 2021
Los Angeles, CA

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation



By _____
Judy L. Hartley
Senior Counsel
Enforcement Division