

1 MARY ANN SMITH
Deputy Commissioner
2 SEAN M. ROONEY
Assistant Chief Counsel
3 JUDY L. HARTLEY (State Bar No. 110628)
Senior Counsel
4 Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-7604
6 Facsimile: (213) 576-7181

7 Attorneys for Complainant

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

11 In the Matter of:)
12 THE COMMISSIONER OF FINANCIAL) CFL LICENSE No.: 603-K249
13 PROTECTION AND INNOVATION,)
14 Complainant,) SETTLEMENT AGREEMENT
15 v.)
16 CORNERSTONE FIRST MORTGAGE, INC.,)
17 Respondent.)

18
19 This Settlement Agreement is entered into by and between the Commissioner of Financial
20 Protection and Innovation (Commissioner) and Cornerstone First Mortgage, Inc. (Cornerstone), and
21 is made with respect to the following facts:
22

23 **I.**

24 **Recitals**

25 A. The Department of Financial Protection and Innovation (Department), through the
26 Commissioner, has jurisdiction over the licensing and regulation of persons and entities engaged in
27 the business of finance lending and brokering pursuant to the California Financing Law (Fin. Code
28 §22000 et seq.) (CFL).

1 B. Cornerstone is a corporation in good standing, duly formed and existing pursuant to
2 the laws of the State of California and is authorized to conduct business in the State of California.
3 Cornerstone is a finance lender and broker licensed by the Commissioner pursuant to the CFL.
4 Cornerstone has its principal place of business located at 2655 Camino Del Rio North, Suite 450, San
5 Diego, California 92108. Cornerstone currently has 6 branch office locations under its CFL license.
6 Cornerstone employs mortgage loan originators in its CFL business.

7 C. Erik Lee Jorissen is the chief executive officer of Cornerstone and is authorized to
8 enter into this Settlement Agreement on behalf of Cornerstone.

9 D. On February 1, 2021, Cornerstone was personally served by the Commissioner with a
10 Notice of Intention to Issue Order Suspending Finance Lender and Broker Licenses and to Levy
11 Penalties, Accusation and accompanying documents dated January 27, 2021 (Accusation). In the
12 Accusation, the Commissioner alleged that Cornerstone overcharged appraisal fees in violation of
13 Financial Code section 22317 and failed to maintain copies of appraisal invoices in violation of
14 Financial Code section 22156 (Accusation Allegations).

15 E. On February 2, 2021, Cornerstone timely submitted a Notice of Defense to the
16 Commissioner requesting an administrative hearing on the Accusation Allegations.

17 F. It is the intention of Cornerstone and the Commissioner (the Parties) to resolve the
18 Accusation Allegations without the necessity of a hearing.

19 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions
20 contained herein, the Parties agree as follows:

21 **II.**

22 **Terms and Conditions**

23 1. **Purpose.** This Settlement Agreement resolves the Accusation Allegations in a
24 manner that avoids the expense of a hearing and other possible court proceedings, protects
25 consumers, is in the public interest, and is consistent with the purposes, policies, and provisions of
26 the Escrow Law.

27 2. **Cease and Desist Order (CFL).** Pursuant to Financial Code section 22712,
28 Cornerstone First Mortgage, Inc. is hereby ordered to cease and desist overcharging appraisal fees

1 and failing to maintain appraisal invoices in violation of Financial Code sections 22317 and 22156,
2 respectively.

3 3. **Penalty.** Cornerstone shall pay to the Commissioner a penalty of \$40,000.00
4 (Penalty). The Penalty is due within 5 business days of the Effective Date, as defined in Paragraph
5 30 below (Effective Date) and should be made payable in the form of a cashier’s check or Automated
6 Clearing House deposit to the “Department of Financial Protection and Innovation” and transmitted
7 to the attention of: Accounting – Enforcement Division, Department of Financial Protection and
8 Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Notice of such payment shall be
9 forwarded to Judy L. Hartley, Senior Counsel, Department of Financial Protection and Innovation,
10 Enforcement Division, 320 West 4th Street, Suite 750, Los Angeles, California 90013.

11 4. **Refunds.** Cornerstone represents that it has conducted self-audits regarding appraisal
12 fee charges for the period commencing August 1, 2017 through September 30, 2019 and made
13 refunds totaling \$66,826.00 on 462 loans.

14 5. **Refund Reports.** Cornerstone has previously submitted reports to the Commissioner
15 detailing the findings of the audits described in Paragraph 4 above. The Commissioner’s receipt of
16 the audit reports does not constitute an approval that the audit reports are correct and does not
17 otherwise limit the Commissioner’s audit or examination rights under this Settlement Agreement.

18 6. **October 1, 2019 through December 30, 2019 Audit for Appraisal Fee Charges.**
19 Cornerstone also agrees to conduct an audit of appraisal fee charges, by and a through a third-party
20 compliance company for all California loans originated by Cornerstone between October 1, 2019 and
21 December 31, 2019 (appraisal fee audit). Cornerstone, by and through its third-party compliance
22 company, shall submit to the Commissioner the results of the appraisal fee audit (appraisal fee audit
23 report) within 45 days of the Effective Date of this Settlement Agreement. The appraisal fee audit
24 report shall be submitted in Microsoft Excel format and shall include at a minimum, the total number
25 of loans made during this period, the number of loans with appraisal fee overcharges, and for each
26 loan, the report shall list the borrower loan number, name, address, loan amount, loan date, interest
27 rate, appraisal fee charged, actual appraisal fee, overcharge amount (if applicable), date of refund (if
28 applicable), and proof of refund (if applicable). Cornerstone further agrees that it shall pay an

1 administrative penalty to the Commissioner, upon submission of the appraisal fee audit report, equal
2 to \$100.00 for each appraisal fee overcharge discovered during the appraisal fee audit that was not
3 refunded to the borrower within 30 days of loan closing.

4 7. **October 1, 2019 through December 30, 2019 Audit Refunds.** Cornerstone shall
5 make appropriate refunds to include interest at the rate of 10 percent per annum from the date of loan
6 closing for all overcharges found pursuant to the audit described in Paragraph 6 above. Refunds shall
7 be mailed to the last known address of each borrower prior to submission of the applicable report to
8 the Commissioner. Borrower refunds made pursuant to this Settlement Agreement and shall be
9 accompanied by a cover letter that states: "As a result of an examination by the Department of
10 Financial Protection and Innovation, a refund or adjustment in the amount of \$XXXX is being made
11 for your benefit. If you have any questions concerning this refund, please contact (lender) at (800)
12 XXX-XXXX."

13 8. **Unclaimed Refunds.** Cornerstone shall escheat any unclaimed refunds to the
14 California State Controller's Office within the period provided by Code of Civil Procedure section
15 1520 of the Unclaimed Property Law (Code of Civ. Proc., section 1500, et seq.).

16 9. **Waiver of Hearing Rights.** Cornerstone acknowledges the Commissioner is ready,
17 willing, and able to proceed with the administrative enforcement action described in Paragraph D
18 above. Cornerstone hereby waives its right to any hearing, and to any reconsideration, appeal, or
19 other right to review which may be afforded pursuant to the CFL, the California Administrative
20 Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection
21 herewith. Cornerstone further waives any right to an administrative hearing under Financial Code
22 section 22712 in connection with the Desist and Refrain Order agreed to herein. By waiving such
23 rights, Cornerstone effectively consents to this Settlement Agreement and the Cease and Desist Order
24 becoming final.

25 10. **Consideration.** Except as otherwise set forth herein, in consideration of
26 Cornerstone's agreement to the issuance of a Cease and Desist order, submission of an appraisal fee
27 third-party compliance audit, and payment of penalties as provided for in paragraphs 2, 3 and 6
28 above, the Commissioner hereby agrees not to suspend the CFL licenses of Cornerstone as a result of

1 this action.

2 11. **Failure to Comply.** Cornerstone agrees that if it fails to comply with the provisions
3 of this Settlement Agreement, the Commissioner may, in addition to all other available remedies
4 under the CFL, summarily suspend the CFL licenses of Cornerstone until Cornerstone is in
5 compliance. Cornerstone waives any notice and hearing rights to contest such summary suspension
6 which may be afforded under the CFL, the Administrative Procedure Act, the Code of Civil
7 Procedure, or any other provision of law in connection therewith.

8 12. **Full and Final Settlement.** The Parties hereby acknowledge and agree that this
9 Settlement Agreement is intended to constitute a full, final, and complete resolution of the
10 Accusation, and that no further proceedings or actions will be brought by the Commissioner in
11 connection with the Accusation under the CFL or any other provision of law, excepting therefrom
12 any proceeding to enforce compliance with the terms of this Settlement Agreement.

13 13. **Information Willfully Withheld or Misrepresented.** This Settlement Agreement
14 may be revoked, and the Commissioner may pursue any and all remedies available under the law
15 against Cornerstone if the Commissioner discovers that Cornerstone knowingly or willfully withheld
16 information used for and relied upon in this Settlement Agreement.

17 14. **Assisting Other Agencies.** Nothing in this Settlement Agreement limits the
18 Commissioner's ability to assist any other government agency (city, county, state, or federal) with
19 any administrative, civil or criminal prosecutions brought by that agency against Cornerstone or any
20 other person based upon any of the activities alleged in this matter or otherwise.

21 15. **Headings.** The headings to the paragraphs of this Settlement Agreement are for
22 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
23 the provisions hereof.

24 16. **Binding.** This Settlement Agreement is binding on all heirs, assigns, and/or
25 successors in interest.

26 17. **Reliance.** Each of the Parties represents, warrants, and agrees that in executing this
27 Settlement Agreement it has relied solely on the statements set forth herein and the advice of its own
28 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Settlement

1 Agreement it has placed no reliance on any statement, representation, or promise of any other party,
2 or any other person or entity not expressly set forth herein, or upon the failure of any party or any
3 other person or entity to make any statement, representation or disclosure of anything whatsoever.
4 The Parties have included this clause: (1) to preclude any claim that any party was in any way
5 fraudulently induced to execute this Settlement Agreement; and (2) to preclude the introduction of
6 parol evidence to vary, interpret, supplement, or contradict the terms of this Settlement Agreement.

7 18. **Waiver, Amendments, and Modifications.** No waiver, amendment, or modification
8 of this Settlement Agreement will be valid or binding unless it is in writing and signed by each of the
9 Parties. The waiver of any provision of this Settlement Agreement will not be deemed a waiver of
10 any other provision. No waiver by either party of any breach of, or of compliance with, any
11 condition or provision of this Settlement Agreement by the other party will be considered a waiver of
12 any other condition or provision or of the same condition or provision at another time.

13 19. **Full Integration.** This Settlement Agreement is the final written expression and the
14 complete and exclusive statement of all the agreements, conditions, promises, representations, and
15 covenants between the Parties with respect to the subject matter hereof, and supersedes all prior or
16 contemporaneous agreements, negotiations, representations, understandings, and discussions between
17 and among the Parties, their respective representatives, and any other person or entity, with respect to
18 the subject matter covered hereby.

19 20. **Governing Law.** This Settlement Agreement will be governed by and construed in
20 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such court,
21 and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
22 forum to the maintenance of such action or proceeding in such court.

23 21. **Counterparts.** This Settlement Agreement may be executed in one or more separate
24 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
25 together constitute a single document.

26 22. **Mandatory Disclosure in Future Applications.** Cornerstone agrees to disclose this
27 Settlement Agreement in any application for a license, permit, registration, or qualification under
28 the Commissioner’s current or future jurisdiction.

1 23. **Effect Upon Future Proceedings.** If Cornerstone is the subject of any future action
2 by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof shall be
3 admitted for the purpose of such action.

4 24. **Third Parties.** This Settlement Agreement does not create or give rise to any private
5 rights or remedies against Cornerstone, create any liability for Cornerstone, or limit the defenses of
6 Cornerstone for any person or entity not a party to this Settlement Agreement.

7 25. **Voluntary Agreement.** Cornerstone enters into this Settlement Agreement
8 voluntarily and without coercion and acknowledges that no promises, threats or assurances have been
9 made by the Commissioner or any officer, or agent thereof, about this Settlement Agreement. The
10 Parties each represent and acknowledge that he, she, or it is executing this Settlement Agreement
11 completely voluntarily and without any duress or undue influence of any kind from any source.

12 27. **Notice.** Any notice/report required under this Settlement Agreement shall be
13 addressed as follows:

14 To Cornerstone: Joshua A. Rosenthal, Esq.
15 Hargrave Rosenthal, P.C.
16 5341 Old Redwood Highway, Suite 320
17 Petaluma, California 94954
18 jrosenthal@hargraverosenthal.com

19 To the Commissioner: Judy L. Hartley, Esq.
20 Senior Counsel
21 Department of Financial Protection and Innovation
22 320 W. 4th Street, Suite 750
23 Los Angeles, California 90013-2344
24 judy.hartley@dfpi.ca.gov

25 28. **Signatures.** A fax or electronic mail signature shall be deemed the same as an
26 original signature.

27 29. **Public Record.** Cornerstone hereby acknowledges that this Settlement Agreement is
28 and will be a matter of public record.

 30. **Effective Date.** This Settlement Agreement shall become final and effective when
signed by all Parties and delivered by the Commissioner’s counsel via e-mail to the Cornerstone’s
counsel, Joshua A. Rosenthal at jrosenthal@hargraverosenthal.com.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

31. **Authority to Sign.** Each signatory hereto covenants that he or she possesses all necessary capacity and authority to sign and enter into this Settlement Agreement and undertake the obligations set forth herein.

Dated: July 14, 2021 CHRISTOPHER S. SHULTZ
Acting Commissioner of Financial Protection and Innovation

By _____
MARY ANN SMITH
Deputy Commissioner

Dated: July 13, 2021 CORNERSTONE HOME LOANS LLC

By _____
ERIK LEE JORISSEN, Chief Executive Officer

APPROVED AS TO FORM:

By _____
JOSHUA A. ROSENTHAL, ESQ. attorney for
CORNERSTONE FIRST MORTGAGE, INC.