

1 CLOTHILDE V. HEWLETT  
Commissioner  
2 MARY ANN SMITH  
Deputy Commissioner  
3 SEAN M. ROONEY  
Assistant Chief Counsel  
4 TAYLOR STEINBACHER (State Bar No. 285335)  
Senior Counsel  
5 Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
6 Los Angeles, California 90013-2344  
7 Telephone: (213) 576-7632  
Facsimile: (213) 576-7181  
8 Attorneys for Complainant

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

11 In the Matter of: ) NMLS NO.: 2115039  
12 )  
13 THE COMMISSIONER OF FINANCIAL )  
PROTECTION AND INNOVATION, )  
14 ) STATEMENT OF ISSUES  
Complainant, )  
15 v. )  
16 )  
KAELIN MICHAEL LOOSE, )  
17 )  
Respondent. )

18  
19 Clothilde V. Hewlett, the Commissioner of Financial Protection and Innovation  
20 (Commissioner), is informed and believes, and based on such information and belief, alleges and  
21 charges Respondent Kaelin Michael Loose (Loose) as follows.

22 **I.**

23 **Jurisdiction**

24 1. The Commissioner has jurisdiction over the licensing and regulation of persons and  
25 entities engaged in the business of making, brokering or servicing residential mortgage loans,  
26 including mortgage loan originators, under the California Financing Law (CFL) (Cal. Fin.  
27 Code § 22000, et seq.) and California Residential Mortgage Lending Act (CRMLA) (Cal. Fin. Code  
28 ///

1 § 50000 et seq.). The Commissioner is authorized to administer the CFL, CRMLA, and the rules  
2 and regulations promulgated in Title 10 of the California Code of Regulations.

3 2. In June of 2021, Loose applied for a mortgage loan originator (MLO) license with  
4 the Commissioner by filing a uniform application form (Form MU4) through the Nationwide  
5 Mortgage Licensing System & Registry (NMLS).

6 3. Under the provisions of Financial Code sections 22109.1, 22172, 50141, and 50513,  
7 the Commissioner brings this action to deny Loose’s pending MLO license application because:

8 (1) an investigation conducted by the Mortgage Testing and Education Board (MTEB),  
9 acting on behalf of the State Regulatory Registry, concluded that Loose was one of several  
10 employees of JFQ Lending, Inc. (JFQ) who violated the NMLS Rules of Conduct (ROC) in  
11 connection with a licensing test on May 26, 2021;

12 (2) the MTEB invalidated Loose’s “passing” licensing test result based on its findings of  
13 misconduct and Loose has not retaken and passed the test;

14 (3) although Loose listed JFQ as his employer and sponsor in his initial MLO license  
15 application, JFQ terminated Loose’s employment on or about August 25, 2021, and Loose  
16 has not secured another sponsor; and

17 (4) Loose has not updated his MLO application to note the findings of the investigation  
18 concluding that he violated the ROCs or his termination from JFQ.

19 For these reasons, Loose does not meet the minimum criteria to hold an MLO license.

20 **II.**

21 **Statement of Facts**

22 *MLO Application and Testing Background*

23 4. The Secure and Fair Enforcement for Mortgage Licensing Act, 12 U.S.C § 5101,  
24 et seq., and California law require that, among other things, applicants for a state-issued MLO  
25 license must complete pre-licensing education and pass a written test (the MLO Test). *See* Cal. Fin.  
26 Code §§ 22109.2, 22109.3, 50142, 50143. These tests are administered through NMLS.

27 ///

28 ///

1           5.       As part of the MLO application and testing process, all applicants are required to  
2 agree to the NMLS Rules of Conduct (ROC). These rules include:

3           ROC 8: I will not share the content of the test with anyone including but not  
4 limited to colleagues, course instructors, or anyone other than persons authorized  
5 by NMLS. I agree that I must not make test content or test information available  
6 to anyone. I must not allow any other person to record or memorialize any test  
7 content or information.

8           ...

9           ROC 10: I must not engage in any conduct that would be contrary to good  
10 character or reputation or engage in any behavior that would cause the public to  
11 believe that I would not operate in the mortgage loan business lawfully, honestly,  
12 or fairly.

13          ROC 11: I must not engage in any conduct that is dishonest or fraudulent or  
14 would adversely impact the integrity of the test or the test procedure.

15          *The MTEB Invalidated Loose’s Test Due to ROC Violations and He Is Terminated By JFQ*

16          6.       On May 26, 2021, Loose was one of several JFQ employees to take an MLO Test  
17 via Online-Proctored Testing from an office in the JFQ Headquarters. After another examinee  
18 completed the test, instead of exiting the testing software, the examinee picked up their laptop and  
19 walked to the JFQ training room, with the examination software still running and recording audio  
20 and video.

21          7.       Over the next forty minutes, the examination software recorded several JFQ  
22 employees, including Loose, discussing MLO Test content with other employees and the JFQ  
23 company trainer. Specifically, the video recorded Loose discussing test content in the JFQ training  
24 room for approximately ten minutes.

25          8.       Loose received a passing grade on the May 26, 2021, MLO Test.

26          9.       MTEB initiated an investigation of JFQ and the JFQ employees who were alleged to  
27 have discussed test materials and questions, in violation of the ROCs. That investigation concluded  
28 that Loose violated ROCs 8, 10, and 11, and as a result, his passing test result from May 26, 2021,

1 was invalidated and another examination would be required to meet state licensure requirements. The  
2 conclusions of that investigation became final on September 13, 2021.

3 10. JFQ conducted its own investigation of the alleged misconduct during the May 26,  
4 2021 test, and, as a result of that investigation, JFQ terminated Loose’s employment on or about  
5 August 25, 2021.

6 *Loose Failed to Update His Application to Note the Investigation, Invalidation of His Test, and*  
7 *Termination By JFQ*

8 11. Loose’s last amendment to his MLO application was submitted on or about  
9 August 12, 2021. October 1, 2021, the Commissioner placed a license item<sup>1</sup> on Loose’s NMLS  
10 account requiring him to disclose his testing violations as found by MTEB and to disclose his  
11 termination and discharge from JFQ in his MU4.

12 12. MU4 Regulation Action Disclosure Question (K)(2) asks the applicant:  
13 Has any state or federal regulatory agency or foreign financial regulatory  
14 authority or self-regulatory organization (SRO) ever . . . found you to have been  
15 involved in a violation of a financial services-related business regulation(s) or  
16 statute(s)?

17 Loose has failed to update his application to answer this question in the affirmative since  
18 the MTEB concluded its investigation in September 2021.

19 13. MU4 Regulatory Action Disclosure Questions (Q)(1) and (2) ask the applicant:  
20 Have you ever voluntarily resigned, been discharged, or permitted to resign after  
21 allegations were made that accused you of: (1) violating statute(s), regulation(s),  
22 rule(s), or industry standards of conduct? (2) fraud, dishonesty, theft, or the  
23 wrongful taking of property?

24 ///

25  
26 \_\_\_\_\_  
27 <sup>1</sup> A “license item” is a request from a regulator such as DFPI on the NMLS website to a licensee or  
28 applicant to respond to a question or take an action. The NMLS website automatically generates an email to the licensee or applicant directing the person to check the NMLS website for the license item

1 Loose has failed to update his application to answer these questions in the affirmative since the  
2 MTEB concluded its investigation in September 2021.

3 14. Indeed, to date, Loose has not updated his application or provided any response to  
4 the October 1, 2021 licensing deficiency item.

5 **III.**

6 **Failure to Meet Minimum Criteria for Licensure –Testing Requirement**

7 15. The Commissioner may deny an application for an MLO license if the applicant fails  
8 at any time to meet the requirements of Financial Code sections 22109.1 or 50141. Cal. Fin. Code  
9 §§ 22172(a)(2), 50513(a)(2).

10 16. MLO license applicants must “pass a qualified written test developed or otherwise  
11 deemed acceptable by the Nationwide Mortgage Licensing System and Registry and administered  
12 by a test provider approved by the Nationwide Mortgage Licensing System and Registry.” Cal. Fin.  
13 Code §§ 22109.3, 50143.

14 17. The Commissioner must deny an MLO license application unless the “applicant has  
15 passed a written test that meets the requirement” set forth in California law. Cal. Fin. Code  
16 §§ 22109.1(a)(5), 50141(a)(5).

17 18. As noted above, although Loose initially received a passing grade on the May 26,  
18 2021 MLO test, the MTEB invalidated that passing grade as a result of its finding that Loose had  
19 improperly discussed test materials with fellow JFQ employees, in violation of ROCs 8, 10, and 11.

20 19. Since the time that Loose’s May 26, 2021, test result was invalidated, Loose has not  
21 taken and passed the MLO test.

22 20. For this reason, Loose does not meet the minimum criteria for licensure under the  
23 CFL and CRMLA, and the Commissioner must deny Loose’s application for an MLO license.

24 **IV.**

25 **Failure to Meet Minimum Criteria for Licensure –No Sponsor**

26 21. MLO license applicants must be employed by, and subject to the supervision of a  
27 finance lender or broker, or a residential mortgage lender or servicer that has obtained a license from  
28 the Commissioner. Cal. Fin. Code §§ 22109.1(a)(6), 50141(a)(6).



1 28. For this reason, Loose does not meet the minimum criteria for licensure under the  
2 CFL and CRMLA, and the Commissioner must deny Loose’s application for an MLO license.

3 **VI.**

4 **Withheld Information**

5 29. The Commissioner may deny an MLO license application if the applicant withholds  
6 information or makes a material misstatement in an application for a license or license renewal.  
7 Cal. Fin. Code §§ 22172(a)(2), 50513(a)(2).

8 30. As described in paragraphs 11-14, above, Loose has failed to update his answers to  
9 the Regulatory Action Disclosure Questions in his MU4 to truthfully disclose the circumstances  
10 surrounding the MTEB investigation, the MTEB’s conclusion that Loose violated ROCs 8, 10,  
11 and 11, and his subsequent termination by JFQ. The Commissioner noted that these responses may  
12 be inaccurate and requested further information from Loose regarding those questions through a  
13 licensing deficiency item placed on his NMLS account on October 1, 2021. To date, Loose has not  
14 updated his MU4 or provided the requested information in response to that licensing deficiency  
15 item.

16 31. For this reason, the Commissioner is authorized to deny Loose’s application for an  
17 MLO license.

18 **VII.**

19 **Prayer**

20 For the reasons set forth above, pursuant to Financial Code sections 22109.1, 22172, 50141,  
21 and 50513, the Commissioner finds that Kaelin Michael Loose fails to meet the minimum criteria  
22 for licensure.

23 ///  
24 ///  
25 ///  
26 ///  
27 ///  
28 ///

1           WHEREFORE IT IS PRAYED that the mortgage loan originator license application filed  
2 by Kaelin Michael Loose be denied.

3 Dated: April 5, 2022  
4           Los Angeles, CA

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

5 By \_\_\_\_\_  
6           Taylor Steinbacher  
7           Senior Counsel  
8           Enforcement Division

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28