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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 ) ORDER DENYING MORTGAGE LOAN  
PROTECTION AND INNOVATION, ) ORIGINATOR LICENSE APPLICATION  
14 )  
Complainant, )  
15 v. )  
16 KAE LIN MICHAEL LOOSE, )  
17 Respondent. )

18  
19 The Commissioner of Financial Protection and Innovation (Commissioner) finds:

- 20 1. The Commissioner has jurisdiction over the licensing and regulation of persons and  
21 entities engaged in the business of making, brokering or servicing residential mortgage loans,  
22 including mortgage loan originators, under the California Financing Law (CFL) (Cal. Fin.  
23 Code § 22000, et seq.) and California Residential Mortgage Lending Act (CRMLA) (Cal. Fin.  
24 Code§ 50000 et seq.). The Commissioner is authorized to administer the CFL, CRMLA, and the  
25 rules and regulations promulgated in Title 10 of the California Code of Regulations.  
26 2. In June of 2021, Respondent Kaelin Michael Loose applied for a mortgage loan  
27 originator (MLO) license with the Commissioner by filing a uniform application form (Form MU4)  
28 through the Nationwide Mortgage Licensing System & Registry (NMLS).

1           3.       Under the provisions of Financial Code sections 22109.1, 22172, 50141, and 50513,  
2 the Commissioner brought an action to deny Loose’s pending MLO license application because:

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

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

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

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

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

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

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

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

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

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

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

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

17 9. MTEB initiated an investigation of JFQ and the JFQ employees who were alleged to  
18 have discussed test materials and questions, in violation of the ROCs. That investigation concluded  
19 that Loose violated ROCs 8, 10, and 11, and as a result, his passing test result from May 26, 2021  
20 was invalidated and another examination would be required to meet state licensure requirements. The  
21 conclusions of that investigation became final on September 13, 2021.

22 10. JFQ conducted its own investigation of the alleged misconduct during the May 26,  
23 2021 test, and, as a result of that investigation, JFQ terminated Loose’s employment on or about  
24 August 25, 2021.

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

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

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

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

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

19           14.     The Commissioner may deny an application for an MLO license if the applicant fails  
20 at any time to meet the requirements of Financial Code sections 22109.1 or 50141. Cal. Fin. Code  
21 §§ 22172(a)(2), 50513(a)(2).

22           15.     MLO license applicants must “pass a qualified written test developed or otherwise  
23 deemed acceptable by the Nationwide Mortgage Licensing System and Registry and administered  
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26 <sup>1</sup> A “license item” is a request from a regulator such as DFPI on the NMLS website to a licensee or  
27 applicant to respond to a question or take an action. The NMLS website automatically generates an  
28 email to the licensee or applicant directing the person to check the NMLS website for the license  
item

1 by a test provider approved by the Nationwide Mortgage Licensing System and Registry.” Cal. Fin.  
2 Code §§ 22109.3, 50143.

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

6 17. As noted above, although Loose initially received a passing grade on the May 26,  
7 2021 MLO test, the MTEB invalidated that passing grade as a result of its finding that Loose had  
8 improperly discussed test materials with fellow JFQ employees, in violation of ROCs 8, 10, and 11.

9 18. Since the time that Loose’s May 26, 2021 test result was invalidated, Loose has not  
10 taken and passed the MLO test.

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

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

16 21. As noted above, JFQ terminated Loose’s employment on or about August 25, 2021,  
17 as a result of the MTEB investigation and JFQ’s internal investigation into its employees  
18 improperly discussing test materials.

19 22. To date, Loose has not secured employment with either a finance lender or broker, or  
20 a residential mortgage lender or servicer, that has obtained a license from the Commissioner.

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

23 24. The Commissioner must deny an application for an MLO license if the application  
24 fails to demonstrate such financial responsibility, character, and general fitness as to command the  
25 confidence of the community and to warrant a determination that the mortgage loan originator will  
26 operate honestly, fairly, and efficiently within the purposes of this division. Cal. Fin. Code,  
27 §§ 22109.1(a)(3), 22172(a)(2), 50141(a)(3), 50513(a)(2).

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1           25.     As described above, Loose was one of several JFQ employees that the MTEB found  
2 had improperly discussed discussing test MLO Test content in violation of the ROCs. The MTEB  
3 found that Loose’s conduct had violated ROC 10 in which the applicant acknowledges that he or  
4 she must “not engage in any conduct that would be contrary to good character or reputation or  
5 engage in any behavior that would cause the public to believe that I would not operate in the  
6 mortgage loan business lawfully, honestly, or fairly” and ROC 11 in which the applicant  
7 acknowledges that he or she must “not engage in any conduct that is dishonest or fraudulent or  
8 would adversely impact the integrity of the test or the test procedure.”

9           26.     The Commissioner agreed with the MTEB’s conclusions and found that Loose’s  
10 conduct described herein shows that Loose lacks the necessary character and general fitness to  
11 operate honestly and truthfully, as required by Financial Code sections 22109.1(a)(3) and  
12 50141(a)(3).

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

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

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

26           30.     For this reason, the Commissioner is authorized to deny Loose’s application for an  
27 MLO license.

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1           31.     On April 5, 2022, the Commissioner issued a Notice of Intention to Issue Order  
2 Denying MLO Application, a Statement of Issues, and other supporting pleadings (together,  
3 Statement of Issues) to Loose.

4           32.     On April 21, 2022, the Commissioner sent, by certified mail, the Statement of Issues  
5 to Loose at the address he provided in his MLO Application.

6           33.     Loose did not submit a notice of defense to the Commissioner within the time  
7 required and the time to file a hearing request concerning the Statement of Issues has now expired.

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

11           NOW GOOD CAUSE APPEARING THEREFORE, IT IS HEREBY ORDERED that the  
12 application for an MLO license of Kaelin Michael Loose is denied. This order is effective  
13 immediately.

14 Dated: May 20, 2022  
15 Sacramento, California



CLOTHILDE V. HEWLETT  
Commissioner  
Department of Financial Protection and Innovation

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