1 2	CLOTHILDE V. HEWLETT Commissioner MARY ANN SMITH		
3	Deputy Commissioner AMY J. WINN		
4	Assistant Chief Counsel VANESSA T. LU (State Bar No. 295217)		
5	Senior Counsel Department of Financial Protection and Innovation		
6			
7 8	Telephone: (213) 703-9181 Facsimile: (619) 209-3612		
9	Attorneys for Complainant		
10	BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION		
11	OF THE STATE OF CALIFORNIA		
12	In the Matter of:)) NMLS ID: 2191655	
13	THE COMMISSIONER OF FINANCIAL	ý)	
14	PROTECTION AND INNOVATION,) STATEMENT OF ISSUES	
15	Complainant,)	
16	V.)	
17)	
18	INDEPENDENT MORTGAGE BROKERS LLC,)	
19)	
20	Respondent.)	
21	The Commissioner of Financial Protection and Innovation (Commissioner) is informed and		
22	believes, and based upon such information and belief, alleges and charges as follows:		
23		I.	
24	Introduction		
25	1. The Commissioner has jurisdiction	n over the licensing and regulation of persons and	
26	entities engaged in the business of finance lending or brokering under the California Financing Law		
27	(CFL) (Fin. Code, § 22000 et seq.).		
28	///		
	1		
	STATEMENT OF ISSUES		

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

2. The Commissioner seeks to deny the issuance of a finance broker license to Independent Mortgage Brokers LLC (IMBLLC) under Financial Code section 22109, subdivision (a)(1) and section 22151, subdivision (b), in that IMBLLC: (1) made material misrepresentations and omissions regarding its business plan in its CFL broker license application and (2) its business model intends to assign its license authority to unlicensed third-party persons and entities, commonly known as "net-branching" in violation of California law. Under Financial Code section 22151, subdivision (b), a license is not transferable or assignable, and therefore, net-branching is prohibited.

II.

Application

3. Independent Mortgage Brokers LLC (IMBLLC) is a limited liability company organized in the State of Colorado and has its principal place of business located at 6825 E Tennessee Ave., Suite 415, Denver, Colorado 80224.

4. On or around October 28, 2022, IMBLLC filed an application for a finance broker license with the Commissioner (File No. 60DBO-176354, hereinafter MU1 Application) pursuant to Financial Code section 22101. IMBLLC filed its MU1 Application on the Nationwide Multistate Licensing System and Registry (NMLS) under NMLS identification number 2191655.

5. California Code of Regulations, title 10, section 1422.5 requires CFL applicants to disclose to the Commissioner in the application all officers, directors, any persons owning or controlling, directly or indirectly, ten-percent or more of the applicant, and all person(s) who would be in charge of the business.

6. Ryan Joseph Davis (Davis), NMLS identification number 149797, is the majority
owner and managing member of IMBLLC. As an authorized individual, Davis signed the MU1
Application under penalty of perjury, attesting that "I have read the foregoing application, including
all Exhibits attached thereto, or filed therewith, and know of the contents thereof, and that
statements therein are true and correct."

27 7. Nathan Evan Jennison (Jennison), NMLS identification number 2122717, is a
28 co-owner and managing member of IMBLLC. As an authorized individual, Jennison verified the

20

1

2

3

MU1 Application under penalty of perjury and "that the information and statements contained herein, including exhibits attached hereto, and other information filed herewith, all of which are made a part of this application are current, true, accurate and complete[.]" The attestation contains the following admonition which Jennison acknowledged by signing the MU1 Application: "If an Applicant has knowingly made a false statement of material fact in this application or in any documentation provided to support the foregoing application, then the foregoing application may be denied."

8. Attached to the MU1 Application Davis signed and filed on NMLS is a "California Execution Section" that included the following statements:

- That the applicant agrees that a license pursuant to the CFL permits only employees to work under the license.
- That the applicant agrees that a license issued pursuant to the California Financing Law does not permit a licensee to authorize locations operated by persons other than employees of the licensee under some form of franchise or license agreement (e.g., net branching) (emphasis added).
- That the applicant agrees to obtain a new license issued pursuant to the CFL for each additional location.

9. On or around October 19, 2023, Davis uploaded a signed "Letter of Explanation for Remote MLOs" and filed it with the MU1 Application. Davis made the following representations to the Commissioner:

21 All individuals will only represent the business located at 6825 E Tennesse [sic] 22 Suite 415 Denver CO 80224. 23 All individuals will only engage in business under the name of Independent 24 Mortgage Brokers LLC. 25 All individuals will only provide letterhead, phone numbers, electronic e-mail 26 addresses or other forms of communication that are in the name of, under the control 27 of, and provided by IMBLLC. 28 /// 3 STATEMENT OF ISSUES

State of California - Department of Financial Protection and Innovation

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

19

20

21

23

25

All individuals will only engage in activities and transactions related to the making of loans subject to the supervision and oversight of Independent Mortgage Brokers LLC.

10. IMBLLC submitted a "Plan of Business" with its MU1 Application which describes "how the applicant plans to conduct business under this license." The "Plan of Business" informed the Commissioner how IMBLLC planned to market the loans, any products or services offered or required in connection with the loans, and any cobranding or joint agreements with other organizations related to the making of the loans.

The "Business Plan" filed on NMLS discussed "Future Growth Plans" for IMBLLC. 11. Davis and Jennison stated they want to continue to grow their presence in other states and that "IMB is continuing to provide opportunities to other MLO's who want to run their own business."

12. As part of IMBLLC's Business Plan, Davis filed a signed "California Specific Statement" on NMLS. Davis represented that IMBLLC is a one-person operation and "[i]n the absence of Ryan Davis, who is the person in charge, the office will be closed and no CFL activities will take place until his/her return." Davis also stated that "Independent Mortgage Brokers LLC assures that there will be no other business conducted other than performing any act as a broker under the authority of our CFLL License."

18 13. Davis and Jennison also filed a "CA Specific Business Plan Addendum" with the MU1 Application. For its business location, IMBLLC represented to the Commissioner that it "does not share office space with any other entity." IMBLLC indicated in the Addendum that it intends to market and offer various loans such as Conventional, FHA, VA, Rural Development 22 Loans, Fannie Maie, Frannie Mae Home Ready, Freddie Mac, Freddie Mac Home Possible, and Jumbo Loans. Lastly, IMBLLC represented that "[n]o other activities other than performing any act as a broker under the authority of a CA Financing Law License will be performed." 24

26

///

///

///

27

28 ///

III.					
	Applicable Statutes				
14.	Financial Code section 22109, provides in pertinent part:				
	(a) Upon reasonable notice and opportunity to be heard, the commissioner may deny the application for a finance lender, broker, or program administrator license for any of the following reasons:				
	(1) A false statement of material fact has been made in the application.				
15.	Financial Code section 22151, provides in pertinent part:				
	(b) A license is not transferable or assignable. A license issued to a partnership or a limited partnership is not transferred or assigned, within the meaning of this section by the death, withdrawal, or admission of a partner, general partner, or limited partner, unless the death, withdrawal, or admission dissolves the partnership to which the license was issued.				
IV.					
Material Misrepresentations and Omissions in the Application					
16.	The Commissioner may deny an application for a CFL license if a false statement of				
material fact has been made in the application. (Fin. Code, § 22109, subd. (a)(1).)					
17.	The Commissioner conducted an independent investigation and found that IMBLLC				
made materia	Il misrepresentations and omissions in its MU1 Application. In NMLS, Davis and				
Jennison present a business plan where IMBLLC is the only entity that will conduct mortgage					
brokering activities under its CFL license. However, the Commissioner found that IMBLLC's					
business plan disclosed in its MU1 Application contains false statements of material fact when					
compared to the business plan that IMBLLC markets and advertises to the public online.					
18.	IMBLLC's website, https://independentmortgagebrokers.com/, advertises features				
and benefits such as branding your own company name or using IMBLLC's entity name. The					
website states	s:				
	You can brand your own company name or use the Independent Mortgage Brokers name. i.e Ryan Davis brands himself and team as "Integrity Mortgage, powered by IMB." Gives you the ability to uniquely brand yourself with the same company name, website, & email no matter what brokerage company you work under. Your realtors and clients would never know if you switched companies in the future.				

19. IMBLLC markets itself online as "a turnkey solution for loan officers who want to start their own business and not worry about the headaches of compliance, payroll, or reports."
IMBLLC describes its lending portal as "[y]our complete resource for everything mortgage.
Everything you need to navigate the broker world in one spot."

20. In the "Contact Us" section of IMBLLC's website, the business address identified online is the same as that listed in the MU1 Application. The website shows a map of the jurisdictions where IMBLLC is licensed and shows California as "coming soon." Popular resources such as articles titled "How to Become an Independent Mortgage Broker" are highlighted and provide guidance to loan officers on how to operate an independent mortgage broker business using the license authority of IMBLLC.

21. "Net branching" occurs when a licensed mortgage broker company allows unlicensed entities to conduct illegal mortgage broker activity by "using the license" held by the mortgage broker licensee. "Net branching," also known as "rent a license" or "affiliate-branching," of the mortgage business license causes confusion for consumers because they are unable to determine whether the entity or branch they are working with is connected with a licensed company.

22. The Commissioner found that IMBLLC's business plan on its website allows unlicensed entities to conduct unlicensed brokering activity by branding themselves under IMBLLC or by marketing the entities' affiliation as "powered by IMBLLC" and allowing their entity to share the same office location and IMBLLC's unique NMLS identification number. In essence, IMBLLC's business plan as marketed and advertised online is a form of "net-branching."

23. IMBLLC's Business Plan filed with its MU1 Application and the supplemental documents filed on NMLS, such as the "California Specific Statement" and "CA Specific Business Plan Addendum," fail to disclose that IMBLLC solicits and markets its business to the public allowing loan officers to "brand your own company name or use the Independent Mortgage Brokers name." Furthermore, IMBLLC failed to disclose to the Commissioner that its business model involves "net-branching" that makes it easy for loan officers to "start their own business" so that "clients would never know if you switched companies in the future."

STATEMENT OF ISSUES 24. In addition, the Commissioner must deny IMBLLC's CFL broker license application because "net-branching" is prohibited under Financial Code section 22151, subdivision (b).
Financial Code section 22151, subdivision (b), states that a license is not transferable or assignable.
Each legal entity must have its own mortgage license.

25. Under Financial Code sections 22100 and 22152, any person engaged in the business of a finance lender and/or broker must have a separate license for each location in which it engages in finance lending and/or brokering activity. Therefore, "net-branching" or renting out a CFL license to a third party is impermissible under the Financial Code.

26. Here, IMBLLC made false statements of material fact in its MU1 Application in violation of Financial Code section 22109, subdivision (a)(1), which also provides grounds to deny its CFL broker license application.

V.

Prayer

For the foregoing reasons, the Commissioner finds that a false statement of material fact was made in the MU1 Application of Independent Mortgage Brokers LLC within the meaning of Financial Code section 22109, subdivision (a)(1).

Accordingly, the Commissioner has grounds to deny the MU1 Application of Independent Mortgage Brokers LLC for a CFL finance broker license.

WHEREFORE, it is prayed that the MU1 Application of Independent Mortgage Brokers LLC for a finance broker license is denied.

20	LLC for a finance broker license is denied.		
21			
22	Dated: February 2, 2024	CLOTHILDE V. HEWLETT	
23	San Diego, CA	Commissioner of Financial Protection and Innovation	
24		By	
25		Vanessa T. Lu	
26		Senior Counsel Enforcement Division	
27			
28			
	7		
	STATEMENT OF ISSUES		