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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation/Statement of Issues of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. MEREDIAN FINANCIAL CORPORATION, PAUL A. FERRIS, and JAMES T. ASSALI, Respondents.	File No.: 413-0963 ACCUSATION/STATEMENT OF ISSUES

The Complainant is informed and believes, and based upon such information and belief, alleges and charges Respondents as follows:

I

INTRODUCTION

The proposed orders seek to revoke the residential mortgage lending license of Respondent Meredian Financial Corporation ("Meredian") pursuant to Section 50327 of the California Residential Mortgage Lending Act (California Financial Code §§ 50000 et. seq.)("CRMLA"), bar Respondents Paul A. Ferris ("Ferris") and James A. Assali ("Assali") from any position of employment, management or control of any residential mortgage lender and/or residential mortgage loan servicer pursuant to Financial Code section 50318, and to deny the mortgage loan originator

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license application of Respondent Ferris pursuant to Financial Code section 50513 in that Meredian, Ferris and Assali have committed numerous violations of the CRMLA and made false statements of material fact in its lender license application filed with the Commissioner.

II

RESPONDENTS

Meredian is a residential mortgage lender licensed by the California Corporations Commissioner ("Commissioner") pursuant to the CRMLA. Meredian has its principal place of business located at 3080 Bristol Street, Suite 430, Costa Mesa, California 92626. Meredian's CRMLA license was issued on July 3, 2008.

Ferris, according to the documents submitted to the Department of Corporations ("Department") is, and was at all times relevant herein, the president and sole shareholder of Meredian.

Assali, according to the information provided to the Department, is and was at all times relevant herein, an independent marketing campaign consultant for Meredian.

III

RESIDENTIAL MORTGAGE LENDING LICENSE

Financial Code section 50122 provides that an application for a CRMLA license shall be in the form and contain the information that the Commissioner may by rule require. Financial Code section 50122 and California Code of Regulations, title 10, section 1950.122 requires corporate applicants to disclose to the Commissioner in the application all officers, directors, any person owning or controlling, directly or indirectly, 10% or more of the applicant, and all person(s) who would be in charge of the business.

Financial Code section 50124 and California Code of Regulations, title 10, 1950.122, requires CRMLA licensees to amend their application(s) if there is any change in any of the persons required to be identified in the application(s).

On or about March 17, 2008, Meredian filed its application for a lender license with the Commissioner pursuant to Financial Code section 50122 (File 413-0963) (hereinafter the

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"application"). The application identified Ferris as the sole officer, director, shareholder and person in charge of Meredian. As required by California Code of Regulations, title 10, section 1950.122, the application included a Statement of Identity and Questionnaire ("SIQ") for Ferris. Section 1950.122 requires CRMLA applications to include an SIQ for all officers, directors, and any person owning or controlling, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the applicant. Ferris executed the application under penalty of perjury as president of Meredian.

During the licensing process, the Department received documents indicating that Michelle Cromer ("Cromer"), Meredian's registered agent for service of process, had been reported by Meredian as its secretary to the California Secretary of State. Thereafter, on or about May 28, 2008, Meredian submitted the required documents to the Department on Cromer. On or about on July 3, 2008, based upon all the information submitted with the application, the Commissioner issued a CRMLA license to Meredian. Meredian has not filed any application amendment with the Commissioner.

IV

FALSE STATEMENTS IN APPLICATION

In or about July 2010, the Department received information that Assali, who has never been reported to the Department, was the owner, president and manager of Meredian and that Ferris had only been acting as a front for Assali.

On or about November 8, 2010, the Commissioner commenced a special examination of the books and records of Meredian. The examination disclosed that Assali, not Ferris, was running Meredian, and documents filed in Florida revealed that Assali is, and was during the time of licensure, the president of Meredian.

Accordingly, Meredian's application for licensure under the CRMLA was false in violation of Financial Code section 50502 in that (i) Ferris was not the president, owner nor person responsible for the management and policies of Meredian, and (ii) Assali had not been listed as an officer, director, shareholder or a person responsible for the management and policies of Meredian.

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V

RESIDENTIAL MORTGAGE LENDING ACT VIOLATIONS

The special examination further disclosed that Respondents were routinely violating the CRMLA as follows:

1. Respondents failed to timely provide a Good Faith Estimate ("GFE") and/or failed to provide a new GFE after changed circumstances (interest rate locks) in 66.67% of the files reviewed (14 of 21files) in violation of Financial Code section 50505 and Section 3500.7 of the Real Estate Settlement Protection Act ("RESPA")(24 Code of Federal Regulations ("CFR") § 3500.7). In the alternative, if GFE's were timely provided, then Meredian failed to maintain such records in violation of Financial Code section 50314.

2. Respondents provided false GFE's in 52.38% of the files reviewed (11 of 21 files) in violation of Financial Code sections 50204(k) and 50505 and 24 CFR section 3500.7 in that the prospective borrowers had paid for interest rate locks and no such interest rate locks were disclosed and/or the GFE's failed to disclose the proper information regarding rate lock information dates.

3. Respondents failed to provide the settlement agent with the information necessary to accurately complete the settlement statement in 37.5% of the files reviewed in which the loans funded (3 of 8 files) in violation of Financial Code sections 505204(j) and 50505 and 24 CFR section 3500.8 in that figures given in the settlement statement for comparison to the figures given in the GFE did not match.

4. Respondents failed to provide the prospective borrower(s) with an Affiliated Business Arrangement Disclosure Statement disclosing the affiliation between Meredian and Fortis Title Solutions Corporation, the mandated settlement agent, in 100% of the files reviewed (21 of 21 files) in violation of Financial Code sections 50204, subsections (j) and (k) and 50505 and 24 CFR section 3500.15.

5. Respondents provided false Adverse Action Disclosures and/or failed to provide an Adverse Action Disclosure as required by Section 202.9 the Equal Credit Protection Act (12 C.F.R. § 202.9) in 84.6% of the files reviewed that did not fund (11 of 13 files) in violation of Financial Code sections 50204(k). The Adverse Action Disclosures were false in that the disclosures stated

that the rate locks had been forfeited and that Meredian had lost various amounts of income, which were written off as bad debt, when the rate lock fees had been retained in full by Meredian, or if the rate lock fee had been refunded to the prospective borrower, the loss shown on the Adverse Action Disclosure was greater than the rate lock fee charged.

6. Respondents failed to credit the upfront rate lock fee paid by the borrower(s) against closing costs in 87.5% of the files reviewed in which the loan funded (7 of 8 files) in violation of Financial Code section 50204, subsections (j) and (k).

7. Respondents failed to maintain proper books and records in violation of Financial Code section 50314 and California Code of Regulations, title 10, section 1950.314.4 in that (i) none of the files reviewed contained credit reports; (ii) seven of the twenty-one files reviewed contained undated applications; (iii) two of the twenty-one files reviewed contained no application; and (iv) three of the twenty-one files reviewed contained no rate lock agreement despite the prospective borrower being charged a rate lock fee.

8. Respondents violated Financial Code section 50002 by allowing unlicensed persons, to wit; non-employee, independent contractors, to engage in lending activities on behalf of Meredian.

9. Respondents violated Financial Code section 50002.5(a) in that Respondents failed to require that Ferris, Meredian's mortgage loan originator, obtain a mortgage loan originator license in the State of California.

10. Respondents, on at least seven occasions, violated Financial Code section 50204(p) by making a loan that was offered and/or negotiated by an unlicensed mortgage loan originator.

11. Respondents repeatedly failed to obtain privacy agreements from the independent contractors Meredian hired in violation of Civil Code section 1798.81.5, subsections (a) and (c).

VI

UNLAWFUL REMOVAL OF BUSINESS

On or about February 7, 2011, in attempting to obtain further information and documentation in order to complete the special examination, the Department learned that Meredian had removed its business from the licensed premises without notification in violation of Financial Code section

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50124(a)(10) and California Code of Regulations, title 10, section 1950.314.3.

Since on or about February 7, 2011, Meredian has failed to provide the Department with access to its books and records so that the Department could obtain the remaining information and documentation necessary to complete the special examination in violation of Financial Code section 50314.

VII

MORTGAGE LOAN ORIGINATION LICENSE APPLICATION

In 2008, Congress enacted the Secure and Fair Enforcement Mortgage Licensing Act of 2008 (the "SAFE Act"), which required all states to enact laws requiring the licensing of all mortgage loan originators. The mortgage loan originator licensing provisions under the RMLA (Financial Code §§ 50140 et seq.) became effective October 11, 2009, which required all mortgage loan originators to be licensed on or before July 31, 2010 in order to continue to engage in mortgage loan origination activities in the State of California. The new mortgage loan originator provisions of the CRMLA also provided that no CRMLA licensee could make or broker a loan that was not negotiated by or applied for through a licensed mortgage loan originator. See Financial Code section 50002.5(c).

On or about January 11, 2011, Ferris filed a mortgage loan originator license application with the Commissioner under the CRMLA, in particular, Financial Code section 50140, showing Meredian as the employing CRMLA licensee. The application was submitted to the Commissioner by filing Form MU4 through the Nationwide Mortgage Licensing System ("NMLS").

VIII

CONCLUSION

Complainant finds, by reason of the foregoing, that:

(1) Meredian, Ferris and Assali have committed numerous violations of the CRMLA, including repeated violations of Financial Code sections 50002, 50122, 50124, 50204, subsections (j), (k) and (p), 50314, 50502 and 50505, Civil Code section 1798.81.5, and California Code of Regulations, title 10, sections 1950.122, 1950.314.3, and 1950.314.4.

(2) Meredian, Ferris and Assali have made false statements of material fact in Meredian's licensing application.

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(3) Meredian, Ferris and Assali are incapable of operating a business in compliance with the CRMLA as demonstrated by their flagrant and continuous pattern of violations.

(4) It is in the best interests of the public to revoke the residential mortgage lender license of Meredian, bar Ferris and Assali from any position of employment, management or control of any residential mortgage lender and/or residential mortgage loan servicer, and to deny the mortgage loan originator license application of Ferris.

California Financial Code section 50318 provides in pertinent part:

> (a) The commissioner may, after appropriate notice and opportunity for hearing, by order, . . . bar from any position of employment, management, or control any residential mortgage lender or residential mortgage loan servicer, mortgage loan originator, or any other person, if the commissioner finds either of the following:
>
> (1) That the . . . bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, and (A) the violation was either known or should have been known by the person committing or causing it, or (b) the violation has caused material damage to the residential mortgage lender, residential mortgage loan servicer, mortgage loan originator or to the public.

California Financial Code section 50327 provides in pertinent part:

> (a) The commissioner may, after notice and a reasonable opportunity to be heard, suspend or revoke any license if the commissioner finds that: (1) the licensee has violated any provision of this division or rule or order of the commissioner thereunder; or (2) any fact or condition exists that, if it had existed at the time of the original application for license, reasonably would have warranted the commissioner in refusing to issue the license originally.

California Financial Code section 50513 provides in pertinent part:

> (a) The commissioner may do one or more of the following:
>
> (1) Deny, . . .a mortgage loan originator license for a violation of this division, or any rules or regulations adopted thereunder.

THEREFORE, Complainant asserts that he is justified under Financial Code sections 50318, 50327 and 50513 in revoking the CRMLA license of Meredian Financial Corporation, barring Paul A. Ferris and James T. Assali from any position of employment, management or control of any residential mortgage lender and/or residential mortgage loan servicer, and denying the mortgage loan

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originator license application of Paul A. Ferris.

WHEREFORE, the Commissioner prays that the CRMLA license of Meredian Financial Corporation is revoked, Paul A. Ferris and James T. Assali are barred from any position of employment, management or control of any residential mortgage lender and/or residential mortgage loan servicer, and the mortgage loan originator license application of Paul A. Ferris is denied.

Dated: March 14, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
Judy L. Hartley
Senior Corporations Counsel

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