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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA
12

13	In the Matter of THE COMMISSIONER OF) 1)	DESIST AND REFRAIN ORDER
14	BUSINESS OVERSIGHT,)	PURSUANT TO CALIFORNIA
15	Complainant,)	FINANCIAL CODE SECTION
16	v.) 2)	23050; AND
17	INHEE CHA an individual doing business as)	ORDER VOIDING DEFERRED
18	DOWNTOWN JEWELRY & LOANS,)	DEPOSIT TRANSACTIONS
19	Respondent.)	PURSUANT TO CALIFORNIA
20)	FINANCIAL CODE SECTION
21)	23060

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I.

FACTUAL BACKGROUND

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3 1. INHEE CHA an individual doing business as DOWNTOWN JEWELRY & LOANS
4 (hereinafter referred to as “DJ&L”) is, and was at all relevant times herein, a lender with its
5 principal place of business located at 314 West 4th Street, Santa Ana, California 92701.

6 2. DJ&L engaged in the business of originating, or offering to originate deferred
7 deposit transactions (commonly referred to as “payday loans”) at its principal place of business
8 named above.

9 3. A deferred deposit transaction (hereinafter referred to as “DDT”) is a written
10 transaction whereby one person gives funds to another person upon receipt of a personal check, and
11 it is agreed that the personal check would not be deposited until a later date.

12 4. On or about January 27, 2006, DJ&L was first issued a license by the Commissioner
13 of Business Oversight (“Commissioner”) to engage in DDTs. On or about October 12, 2012, DJ&L
14 wrote to the Commissioner indicating that as of January 1, 2012 it was no longer engaging in the
15 business of DDTs.

16 5. On or about December 14, 2012, the Commissioner, by and through staff,
17 commenced a regulatory examination of DJ&L. A review of DJ&L’s 2011 and 2012 annual
18 reports disclosed that a total of sixty-six (66) DDTs were originated. Of the sixty-six (66) DDTs,
19 fifty-three (53) transactions disclosed the collection of extension fees which includes other charges,
20 late fees, not sufficient funds (NSF), etc. For transactions with extension fees, DJ&L collected the
21 finance fee portion of the transactions that were due from the consumer and in exchange originated
22 new DDTs with extended due dates.

23 6. On or about March 18, 2013, the examination was expanded and DJ&L’s transaction
24 reports for all files since June 25, 2009 (date of DJ&L’s last regulatory examination) were
25 requested. The requested transaction reports represented that the amount collected was equal to the
26 face amount of the checks. However, the “Notes” column on the reports showed the payment made
27 by customers were equal to the finance fee of the transaction. To verify the findings, additional
28 supporting documents on ten (10) transaction files selected from the 2009 and 2010 reports were

1 subsequently requested. A review of the payment receipts disclosed that DJ&L had collected
2 extension fees for seven (7) out of those ten (10) transactions. Additionally, the reports showed that
3 the extension fees collected agreed with the "Notes" column portion of the 2009-1010 reports but
4 disagreed with the "Actual Amount Paid" column. Accordingly, DJ&L was charging customers to
5 extend their DDT transactions.

6 7. Additional supporting documents demonstrated that two (2) out of fourteen (14)
7 DDT files had been collected, in cash, for the face value of the check on the due date of the written
8 agreement when in fact the checks had been returned for NSF and still outstanding. Furthermore,
9 four (4) out of those fourteen (14) files disclosed written notations that disagreed with the actual
10 payment date of the transactions.

11 8. The examination concluded that DJ&L charged a total of \$2,340 in extension fees, a
12 repeat violation of Financial Code Section 23036(b), previously cited in their August 29, 2007
13 regulatory examination. DJ&L has also violated Financial Code Section 23024 for not maintaining
14 adequate records that properly record customers' DDTs.

15 9. The examination also concluded that DJ&L had collected late fees, totaling \$261, in
16 violation of Financial Code Section 23036(e). The transaction files showed that these late fees were
17 collected between, approximately February 2, 2012 through August 4, 2012.

18 10. On or about November 15, 2013, the Commissioner requested in writing that DJ&L
19 provide refunds of all extension fees and late fees collected. In a response letter, dated December
20 17, 2013, DJ&L disagreed with the Commissioner's findings and disregarded the Commissioner's
21 request to issue customer refunds.

22 11. A review of the most recent March 31, 2013 quarterly balance sheets also showed
23 DJ&L to be in violation of Financial Code Section 23007 for not maintaining a Net Worth
24 requirement of at least \$25,000 at all times. Furthermore, DJ&L is in violation of California Code
25 of Regulations Section 2025(b) for not maintaining quarterly balance sheets as of March 31, 2012
26 and June 30, 2012.

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II.

DESIST AND REFRAIN ORDER

The Commissioner is statutorily authorized to enforce all provisions of the California Deferred Deposit Transaction Law (“CDDTL”), including the regulation of deferred deposit transactions, and to order any person to desist and refrain from engaging in violations of the CDDTL. (California Financial Code § 23000 et seq.)

California Financial Code section 23050 provides:

Whenever, in the opinion of the commissioner, any person is engaged in the business of deferred deposit transactions, as defined in this division, without a license from the commissioner, or any licensee is violating any provision of this division, the commissioner may order that person or licensee to desist and to refrain from engaging in the business or further violating this division. If within 30 days, after the order is served, a written request for a hearing is filed and no hearing is held within 30 days thereafter, the order is rescinded.

Pursuant to Financial Code section 23050, INHEE CHA an individual doing business as DOWNTOWN JEWELRY & LOANS, are hereby ordered to desist and refrain from violating Financial Code sections 23036(b), 23036(e), 23024, 23007, and California Code of Regulations, title 10, section 2025(b). The issuance of a Desist and Refrain Order is necessary for the protection of consumers and is consistent with the purposes, policies, and provisions of the CDDTL. This order shall remain in full force and effect until further order of the Commissioner.

III.

ORDER VOIDING CALIFORNIA DEFERRED DEPOSIT TRANSACTIONS

California Financial Code section 23060 provides in pertinent part:

(a) If any amount other than, or in excess of, the charges or fees permitted by this division is willfully charged, contracted for, or received, a deferred deposit transaction contract shall be void, and no person shall have any right to collect or receive the principal amount provided in the deferred deposit transaction, any charges, or fees in connection with the transaction.

1 INHEE CHA an individual doing business as DOWNTOWN JEWELRY & LOANS,
2 willfully violated Financial Code sections 23036(b) and 23036(e) by charging extension fees
3 totaling \$2340 and by charging late fees totaling \$261.

4 Pursuant to California Financial Code section 23060, INHEE CHA an individual doing
5 business as DOWNTOWN JEWELRY & LOANS, are hereby ordered to immediately cease
6 collecting all principal amounts, and refund extension fees totaling \$2,340 and late fees totaling
7 \$261 back to its customers.

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9 Dated: May 14, 2014
10 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

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13 By _____
14 MARY ANN SMITH
15 Deputy Commissioner
16 Enforcement Division
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