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

14 In the Matter of:) NMLS ID 339382
15 THE COMMISSIONER OF BUSINESS)
OVERSIGHT,) ACCUSATION IN SUPPORT OF NOTICES
16) OF INTENTION TO REVOKE MLO LICENSE
17 Complainant,) AND TO BAR FROM EMPLOYMENT
18 v.)
19 MATTHEW R. HODLIN,)
20 Respondent.)

21 The Commissioner of Business Oversight (“Commissioner” or “Complainant”) is informed
22 and believes, and based upon such information and belief, alleges and charges the Respondent
23 Matthew R. Hodlin (“Respondent”) as follows:

24 I
25 INTRODUCTION

26 The proposed order seeks to revoke the issuance of a mortgage loan originator license to
27 Respondent pursuant to Financial Code section 50513 in that Respondent fails to demonstrate the
28 financial responsibility, character, and general fitness required to maintain his license, and because

1 he has been criminally convicted of conspiracy to commit wire fraud, a felony, in violation of 18
2 United States Code section 371. In addition, pursuant to Financial Code section 50318, Complainant
3 seeks to bar Respondent from any position of employment, management, or control that participates
4 in any business activity of a licensed residential mortgage loan lender and/or servicer or mortgage
5 loan originator due to his criminal conviction.

6 II

7 APPLICATION FOR RENEWAL

8 1. On December 8, 2015, Respondent filed an application with Complainant for the renewal
9 of his mortgage loan originator license pursuant to the California Residential Mortgage Lending
10 Act (“CRMLA”) (Fin. Code § 50000 et. seq.). Respondent was originally licensed by the
11 Commissioner on September 22, 2010. At the time of his filing for renewal, Respondent was
12 working for “Lenders Marketing Silutions [*sic*]” according to his application, which is not a
13 licensed mortgage lender or servicer, located at 1022 N Stage Coach Lane, Fallbrook, California.
14 The application was submitted to the Commissioner by filing a Form MU4 through the
15 Nationwide Mortgage Licensing System (“NMLS”)

16 2. In submitting his application, Respondent answered “yes” to the following disclosure
17 questions on the Form MU4:

18 a. (A)(3): “Have you been the subject of a foreclosure action within the last 10 years?”

19 b. (F)(1) : “Have you ever been convicted or pled guilty or nolo contendere (“no contest”) in
20 a domestic, foreign, or military court to any felony?”

21 b. (J)(1)(b): “Has any domestic or foreign court ever: found that you were involved in a
22 violation of any financial services-related statute(s) or regulation(s)?”

23 c. (Q)(2): “Have you ever voluntarily resigned, been discharged, or permitted to resign after
24 allegations were made that accused you of...fraud, dishonesty, theft, or the wrongful taking or
25 property?”

26 3. Respondent’s license was renewed on December 24, 2015. Supporting documentation
27 provided by Respondent of his conviction however shows that on July 10, 2015 in United States of
28 America v. Matthew Hodlin, case number 11CR3486-JAH in the United States District court for the

1 Southern District of California, judgment was entered based on his guilty plea to Count 1 of the
2 Indictment, Conspiracy to Commit Wire Fraud, in violation of 18 United States Code section 371.

3 4. In submitting his application, Respondent signed the Form MU4 swearing that the answers
4 were true and complete to the best of Respondent’s knowledge.

5 III

6 FELONY CRIMINAL CONVICTION

7 5. Information obtained by the Commissioner during the application process revealed that in or
8 about October and November 2006 while working for Summit Lending Solutions, Inc., a home
9 mortgage lending business, Respondent agreed with coconspirators and others to make material
10 misrepresentations in the refinance mortgage loan applications for a borrower in order to obtain
11 fraudulent mortgage loans totaling \$342,000 for the borrower. Respondent communicated with
12 employees of Terra Finance, Inc., a mortgage brokerage business, as to whether the fraudulent data
13 they presented would fit the lender’s guidelines. Based on such false statements, the fraudulent loan
14 application was approved and the loan was funded via interstate wire. After default and foreclosure,
15 an estimated loss of approximately \$157,000 resulted from the transaction.

16 6. On March 5, 2015, Respondent entered a Plea Agreement, which was adopted by the
17 criminal court on April 28, 2015 and resulted in the judgment on July 10, 2015. Respondent pled
18 guilty to Count 1 of the Indictment for conspiracy to commit wire fraud, a felony crime in violation
19 of 18 United States Code section 371.

20 7. Count 1 of the Indictment charged Respondent and other coconspirators as having knowingly
21 conspired and agreed with each other to commit wire fraud in violation of 18 United States Code,
22 section 1343 “by devising, intending to devise, and carrying out a material scheme to defraud and to
23 obtain money by means of materially false and fraudulent pretenses and representations, and
24 omissions of material facts, and for the purpose of executing this fraudulent scheme, to knowingly
25 use, and cause to be used, interstate wire communications. The principal goal of the conspiracy was
26 to deceive lenders into loaning millions of dollars to borrowers who did not honestly qualify for such
27 mortgage and home-equity loans.”

28 8. Respondent’s sentence includes, but is not limited to, five years of probation with restriction

1 to his residence unless otherwise approved, six months of monitoring using location monitoring
2 technology, residing in a half-way house for 30 days, 100 hours of community service, providing
3 complete disclosure of personal and business financial records to the probation officer as requested,
4 prohibition from opening checking accounts or incurring new credit charges or opening additional
5 lines of credit without approval of the probation officer, and restitution in the amount of \$157,000
6 for which Respondent is jointly and severally liable.

7 IV

8 REVOCATION FOR CRIMINAL CONVICTION AND CHARACTER OF RESPONDENT

9 9. The Commissioner may revoke a mortgage loan originator license pursuant to Financial
10 Code section 50513, which provides in relevant part:

11 (a) The commissioner may do one or more of the following:

12 ...

13 (2) Deny, suspend, revoke, condition, or decline to renew a
14 mortgage loan originator license if an applicant or licensee fails at
15 any time to meet the requirements of Section 50141 or 50144, or
withholds information or makes a material misstatement in an
application for a license or license renewal.

16 ...

17 10. Financial Code section 50141 provides in relevant part:

18 (a) The commissioner shall deny an application for a mortgage loan
19 originator license unless the commissioner makes at a minimum the
following findings:

20 ...

21 (2)(A) The applicant has not been convicted of, or pled guilty or nolo
22 contendere to, a felony in a domestic, foreign, or military court
during the seven-year period preceding the date of the application
23 for licensing and registration, or at any time preceding the date of
application, if such felony involved an act of fraud, dishonesty, a
24 breach of trust, or money laundering. Whether a particular crime is
classified as a felony shall be determined by the law of the jurisdiction
in which an individual is convicted.

25 ...

26 (3) The applicant has demonstrated such financial responsibility,
27 character, and general fitness as to command the confidence of the
community and to warrant a determination that the mortgage loan
28 originator will operate honestly, fairly, and efficiently within the
purposes of this division.

1 11. Respondent’s conviction for conspiracy to commit wire fraud is grounds under Financial
2 Code section 50141, subdivision (a)(2)(A), to revoke his mortgage loan originator license pursuant
3 to Financial Code section 50513 because conspiracy to commit wire fraud in violation of 18 United
4 States Code section 371 is a felony involving an act of fraud, dishonesty, and/or breach of trust. In
5 addition, Respondent was convicted within the last seven-year period preceding the date of his
6 application on July 10, 2015.

7 12. In addition, by having been convicted of conspiracy to commit wire fraud and by the
8 information obtained during Respondent’s application for renewal, Respondent has failed to
9 demonstrate such financial responsibility, character and general fitness as to command the
10 confidence of the community and to warrant a determination that he will operate honestly, fairly and
11 efficiently as a mortgage loan originator. Respondent agreed with coconspirators and others to make
12 material misrepresentations in mortgage loan applications in order to obtain fraudulent mortgage
13 loans for a borrower which ultimately resulted in a loss of approximately \$157,000 for which he has
14 been ordered to make restitution. The court in that criminal case has also ordered Respondent to
15 provide complete disclosure of personal and business financial records to the probation officer as
16 requested, and has prohibited him from opening checking accounts or incurring new credit charges
17 or opening additional lines of credit without approval of the probation officer. In addition, according
18 to Respondent’s application, he has been the subject of a foreclosure action within the last ten years
19 and has voluntarily resigned, been discharged, or was permitted to resign after allegations against
20 him had been made of fraud, dishonesty, theft or wrongful taking of property.

21 V

22 BAR FROM EMPLOYMENT FOR CRIMINAL CONVICTION

23 13. Under Financial Code section 50318, subdivision (a)(2), the Commissioner may bar from any
24 position of employment, management or control any mortgage loan originator if the Commission
25 finds:

26 That the person...has been convicted of or pleaded nolo contendere to
27 any crime...if that crime...involved...any...offense reasonably related
28 to the qualifications, functions, or duties of a person engaged in the
business in accordance with the provisions of this division.

1 14. Persons barred under Financial Code section 50318 are prohibited from participating in any
2 business activity of a licensed residential mortgage lender, residential mortgage loan servicer, or
3 mortgage loan originator and from engaging in any business activity on the premises where such
4 lender, servicer or originator conducts its business. (Fin. Code, § 50318, subd. (d).)

5 15. Respondent's felony conviction for conspiracy wire fraud involving fraudulent mortgage
6 loans is a crime reasonably related to the qualifications, functions or duties of person engaged in the
7 mortgage loan industry regulated under the CRMLA. A mortgage loan originator is an individual
8 who, for compensation or gain, takes a residential mortgage loan application, or offers or negotiates
9 terms of a residential mortgage loan (Fin. Code, § 50003.5.) Every loan made or brokered by a
10 residential mortgage lender or service must be negotiated by or applied for through a licensed
11 mortgage loan originator. (Fin. Code, § 50002.5.) To qualify for licensure as a mortgage loan
12 originator, the person must meet the requirements found in Financial Code section 50141 set forth
13 above. Those requirements prohibit having any prior felony conviction either within the last seven
14 years of applying or involving acts of fraud, dishonesty and/or breach of trust, and impose standards
15 of financial responsibility, character and fitness that the individual will confidently operate honestly
16 and fairly under the CRMLA. (Fin. Code, § 50141, subd. (a)(2), (a)(3).) Mortgage loan originators
17 must also meet annual education requirements including three hours of ethics on fraud, consumer
18 protection, and fair lending issues. (Fin. Code, § 50142, subd. (a)(2).)

19 16. Mortgage loan originators serve in important and entrusted positions of employment within
20 mortgage lender or servicer businesses since every loan made or brokered by that business must be
21 negotiated by or applied for through a mortgage loan originator. Here, Respondent abused the
22 functions of his role as a mortgage loan originator to carry out his crime. Respondent's felony
23 conviction involved obtaining fraudulent mortgage loans based on communications he made in the
24 course of his employment regarding fraudulent data. Respondent's conduct violates the duties and
25 qualification standards of a licensed mortgage loan originator trained in the ethics on fraud,
26 consumer protection and fair lending. His crime disqualifies him from licensure since it is a felony
27 based on fraud, dishonesty and/or breach of trust, and demonstrates a lack of financial responsibility,
28 character and fitness to operate honestly within the purposes of the CRMLA.

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VI

CONCLUSION

Complainant finds, by reason of the foregoing, that Respondent has been convicted of conspiracy to commit wire fraud in violation of 18 United States Code section 371, a felony involving an act of fraud, dishonesty, and/or breach of trust, and which he committed within the last seven years preceding the date of his application.

Complainant further finds, by reason of the foregoing, that Respondent has failed to demonstrate the necessary financial responsibility, character and general fitness as to command the confidence of the community and to warrant a determination that he will operate honestly, fairly, and efficiently as a mortgage loan originator.

In addition, Complainant finds that Respondent has been convicted of or pleaded nolo contendere to a crime reasonably related to the qualifications, functions, or duties of a person engaged in the business in accordance with the provisions of this division.

THEREFORE, pursuant to Financial Code section 50513, grounds exist under Financial Code section 50141 to revoke the mortgage loan originator license of Respondent. Further, pursuant to Financial Code section 50318, grounds exist to bar Respondent and to prohibit him from participating in any business activity of a licensed residential mortgage lender and/or servicer, or mortgage loan originator and from any business activity on the premises where such lender, servicer or originator is conducting its business.

WHEREFORE IT IS PRAYED that:

- A) Respondent’s mortgage loan originator license be revoked; and
- B) Respondent be barred from any position of employment, management or control that participates in any business activity of a licensed residential mortgage lender and/or servicer, or mortgage loan originator.

Dated: October 19, 2016
Sacramento, CA

JAN LYNN OWEN
Commissioner of Business Oversight

By LINDSAY B. HERRICK
Counsel