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8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of:) CRMLA License No.: 417-0047
)
12 THE COMMISSIONER OF BUSINESS) ACCUSATION
OVERSIGHT,)
13)
14 Complainant,)
)
15 vs.)
)
16 PARAMOUNT EQUITY MORTGAGE, LLC,)
17)
18 Respondent.)
19)

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

22 I

23 **Introduction**

24 1. Paramount Equity Mortgage, LLC (“Paramount”) is licensed by the Commissioner of
25 Business Oversight ("Commissioner" or "Complainant") as a residential mortgage lender pursuant to
26 the California Residential Mortgage Lending Act ("CRMLA") (Fin. Code §50000 et seq.).
27 Paramount has its principal place of business located at 8781 Sierra College Boulevard, Roseville,
28 California 95661. Paramount currently has 11 branch office locations under its CRMLA license

1 located in California and elsewhere. Paramount employs mortgage loan originators in its CRMLA
2 business.

3 **II**

4 **Unlicensed Servicing**

5 2. Pursuant to Financial Code section 50002 of the CRMLA, it is illegal to engage in the
6 business of servicing residential mortgage loans without first obtaining a license from the
7 Commissioner. Servicing is defined in Financial Code section 50003, subdivision (x) as “receiving
8 more than three instalment payments of principal, interest, or other amounts held in escrow, pursuant
9 to the terms of a mortgage loan and performing services by a licensee relating to that receipt or the
10 enforcement of its receipt, on behalf of the holder of the note evidencing the loan.”

11 3. On or about May 20, 2013, the Commissioner, by and through staff, commenced a
12 regulatory examination of the books and records of Paramount under the CRMLA (“2014 regulatory
13 examination”). The 2014 regulatory examination disclosed that Paramount was engaged in loan
14 servicing activity without a license in violation Financial Code section 50002.

15 4. The regulatory examination disclosed a subservicing agreement entered into between
16 Paramount and Provident Funding (“Provident”) on March 21, 2012 wherein Provident would
17 service mortgage loans in which Paramount was the owner of the servicing rights.

18 5. On or about June 6, 2013, the Department of Business Oversight (“Department”)
19 notified Paramount through the Nationwide Mortgage Licensing System (“NMLS”) that it was
20 engaging in residential mortgage loan servicing without a license by posting two separate license
21 items. The license items notified Paramount that it needed to apply for servicing authority by
22 completing and submitting an amendment checklist for change of licensing authority.

23 6. On or about July 31, 2013, Paramount applied to add residential mortgage loan
24 servicing authority to its CRMLA license by submitting a California Residential Mortgage Lending
25 Act Amendment to the Commissioner.

26 7. The residential mortgage loan application of Paramount was incomplete, so on or
27 about February 20, 2014, Paramount was notified through NMLS by posting a license item that
28 submission of the loss mitigation policy was necessary to complete the application process. Despite

1 numerous communications between the parties since February 2014 via email and NMLS and the
2 submission of various documents, Paramount has yet to provide the Commissioner with a loss
3 mitigation policy that meets the requirements of Assembly Bill 278 (2012) better known as the
4 California Homeowners Bill of Rights. Accordingly, the Commissioner has not yet approved the
5 residential mortgage loan servicing application of Paramount.

6 8. A review of the Report of Principal Amount of Loans Originated and Aggregate
7 Amount of Loans Serviced (“Loan Report”) filed by Paramount with the Commissioner disclose
8 continuous servicing activity in 2013, 2014 and 2015. While the Loan Reports only disclose
9 aggregate dollar amount of loans serviced in California, a yearly average number of loans serviced
10 can be approximated by dividing the total dollar amount of loans originated for the year by the
11 number of loans originated (“average loan amount”) and then dividing the average loan amount into
12 the average monthly dollar amount of loans serviced. Using this equation, Paramount was servicing
13 an average of 1,630 loans in 2013, 1,064 in 2014, and 2,473 in 2015.

14 III

15 Penalty Statute

16 9. Financial Code section 50513 provides in pertinent part:

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

18 (4) Impose fines on a mortgage loan originator or any residential mortgage
19 lender or servicer licensee employing a mortgage loan originator pursuant
20 to subdivisions (b), (c), and (d).

21 (b) The commissioner may impose a civil penalty on a mortgage loan originator
22 or any residential mortgage lender or servicer licensee employing a mortgage
23 loan originator, if the commissioner finds, on the record after notice and
24 opportunity for hearing, that the mortgage loan originator or any residential
25 mortgage lender or servicer licensee employing a mortgage loan originator
has violated or failed to comply with any requirement of this division or any
regulation prescribed by the commissioner under this division or order issued
under authority of this division.

26 (c) The maximum amount of penalty for each act or omission described in
27 subdivision (b) shall be twenty-five thousand dollars (\$25,000).

28 (d) Each violation or failure to comply with any directive or order of the
commissioner is a separate and distinct violation or failure.

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IV

Conclusion

10. The Commissioner finds that, by reason of the foregoing, Paramount has violated Financial Code section 50002, and based thereon, grounds exist to assess penalties against Paramount pursuant to Financial Code section 50513, subdivision (b).

V

Prayer

WHEREFORE, IT IS PRAYED that:

Pursuant to the Financial Code section 50513, subdivision (b), penalties be levied against Paramount for at least 5,167 violations of Financial Code section 50002, engaging in unlicensed servicing activities, according to proof, but in an amount of at least \$500.00 per violation.

Dated: May 11, 2016
Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
Judy L. Hartley
Senior Counsel
Enforcement Division