

1 MARY ANN SMITH
Deputy Commissioner
2 SEAN M. ROONEY
Assistant Chief Counsel
3 JUDY L. HARTLEY (State Bar No. 110628)
Senior Counsel
4 Department of Business Oversight
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-7604
6 Facsimile: (213) 576-7181

7 Attorneys for Complainant

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

10
11 In the Matter of:) CRMLA License No.: 413-0571
)
12 THE COMMISSIONER OF BUSINESS) ACCUSATION
13 OVERSIGHT,)
)
14 Complainant,)
)
15 vs.)
)
16 UNITED MORTGAGE CORP. authorized to do)
17 business in California as UMC MORTGAGE)
18 COMPANY,)
)
19 Respondent.)

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. United Mortgage Corp. authorized to do business in California as UMC Mortgage
25 Company ("UMC") is licensed by the Commissioner of Business Oversight ("Commissioner" or
26 "Complainant") as a residential mortgage lender pursuant to the California Residential Mortgage
27 Lending Act ("CRMLA") (Fin. Code §50000 et seq.). UMC has its principal place of business
28 located at 25 Melville Park Road, Suite 100, Melville, New York 11747. UMC currently has 7

1 branch office locations under its CRMLA license located in California and elsewhere. UMC
2 employs mortgage loan originators in its CRMLA business.

3 **II**

4 **Unlicensed Servicing**

5 3. On or about March 1, 2011, UMC filed its Report of Principal Amount of Loans
6 Originated and Aggregate Amount of Loans Serviced (“Loan Report”) for the 12 month period
7 ended December 31, 2010. The Loan Report disclosed that UMC was engaged in loan servicing.

8 4. On or about June 1, 2011, the Department of Business Oversight (“Department”)
9 notified UMC through the Nationwide Mortgage Licensing System (“NMLS”) by posting a license
10 item that “The Report of Principal Amount of Loans Originated and Aggregate Amount of Loans
11 Serviced for the 12 Month Period Ended December 31, 2010 reflect servicing activities. However,
12 the license issued on February 25, 2004 is for lending only. Please provide evidence of authority to
13 conduct servicing activities or an amended report with an appropriate explanation. If you would like
14 to add servicing to your license authority, please submit an Amendment Checklist for Change of
15 License Authority.” UMC did not respond to this notice.

16 5. On or about July 20, 2012, the Department informed UMC through NMLS by posting
17 a license item that “As of date, the Department has not received a response or Amendment for a
18 Change of License Authority to add mortgage loan servicer authority to your existing license. Your
19 2010 and 2011 annual report disclosed servicing activity but the license issued on 02/25/2004 is for
20 lending only. If you would like to add servicing authority to your license, please complete
21 Amendment Checklist for Change of License Authority or provide an appropriate explanation
22 including an amended report/evidence of authority to conduct servicing.” UMC did not respond to
23 this notice either.

24 6. On or about August 6, 2013, the Department notified UMC through NMLS by
25 posting a license item that “included in the company’s audited financial statements is an account
26 called ‘Mortgage Servicing Rights’ which indicate the company may be engaged in servicing
27 activity in the state. Since the company is currently licensed as a lender, you will have to contact our
28 licensing unit . . . in order to update the license status of the company.” Thereafter, on or about

1 September 23, 2013, UMC applied to add residential mortgage loan servicing authority to its
2 CRMLA license by submitting a California Residential Mortgage Lending Act Amendment to the
3 Commissioner. The Commissioner has not yet approved the residential mortgage loan servicing
4 application of UMC.

5 7. On or about July 7, 2014, the Commissioner, by and through staff, commenced a
6 regulatory examination of the books and records of UMC under the CRMLA (“2014 regulatory
7 examination”). The 2014 regulatory examination disclosed that UMC was engaged in loan servicing
8 activity without a license in violation Financial Code section 50002.

9 8. The regulatory examination disclosed a subservicing agreement entered into between
10 UMC and Dovenmuehle Mortgage, Inc. (“Dovenmuehle”) on March 1, 2012 wherein Dovenmuehle
11 would service mortgage loans for UMC in which UMC was either the owner of the mortgage loans
12 or the owner of the servicing rights to the mortgage loans. A review of UMC’s Loan Reports filed
13 with the Commissioner along with its Mortgage Call Reports (MCR”) filed with NMLS discloses
14 continuous servicing activity in California in 2012, 2013, 2014 and 2015.

15 9. While the Loan Reports only disclose aggregate dollar amount of loans serviced in
16 California, a yearly average number of loans serviced can be approximated by dividing the total
17 dollar amount of loans originated for the year by the number of loans originated (“average loan
18 amount”) and then dividing the average loan amount into the average monthly dollar amount of
19 loans serviced. Using this equation, UMC was servicing an average of 61 loans in 2012, 432 in
20 2013, and 93 in 2014. UMC has not filed it Loan Report for 2015 with the Commissioner despite
21 that it was due on or before March 1, 2016. However, the MCR’s disclosed UMC was allegedly
22 servicing an average of 83 loans in California in 2012, 461 in 2013, 390 in 2014, and 484 in 2015.

23 III

24 Penalty Statute

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

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

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

(b) The commissioner may impose a civil penalty on a mortgage loan originator or any residential mortgage lender or servicer licensee employing a mortgage loan originator, if the commissioner finds, on the record after notice and opportunity for hearing, that the mortgage loan originator or any residential 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.

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

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

IV

Conclusion

10. The Commissioner finds that, by reason of the foregoing, UMC has violated Financial Code sections 50002, and based thereon, grounds exist to assess penalties against UMC 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 UMC for at least 1,418 violations of Financial Code section 50002, engaging in unlicensed servicing activities, according to proof, but in an amount of at least \$75.00 per violation.

Dated: May 4, 2016
Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
Judy L. Hartley
Senior Counsel
Enforcement Division