

II.

Pursuant to California Financial Code sections 50307 and 50401, all licensees under the CRMLA are required to file an annual Report of Principal Amount of Loans and Aggregate Amount of Loans Serviced ("Activity Report") on or before March 1st of each year for the preceding 12-month period ended December 31.

On or about January 19, 2007, an Activity Report form was sent to all CRMLA licensees with a notice that the Activity Report was due on or before March 1, 2007. Innovative has yet to submit the Activity Report to the Commissioner despite the fact that the Commissioner has sent it numerous reminders.

On or about May 7, 2007, a letter was sent to Innovative demanding that the Activity Report be filed no later than May 17, 2007, and assessing Innovative a penalty of \$1,000.00, pursuant to California Financial Code section 50326. Innovative was notified in the letter that failure to file the Activity Report and/or pay the penalty by May 17, 2007 would result in an action to either suspend or revoke its license.

On or about June 27, 2007, a further letter was sent to Innovative demanding that it submit its Activity Report and pay the penalty assessed on May 7, 2007 no later than July 7, 2007 and again notifying Innovative that failure to file the Activity Report and/or pay the penalty by July 7, 2007 would result in an action to either suspend or revoke its license pursuant to California Financial Code section 50327.

Innovative has yet to submit the Activity Report or pay the penalty as required by California Financial Code sections 50307, 50326, and 50401.

III.

Pursuant to California Financial Code sections 50200, subdivision (a), Innovative was required to submit its audited financial statement for its fiscal year ended December 31, 2006 ("Audit Report") to the Commissioner on or before April 15, 2007, including a reconciliation of its trust accounts. In addition, pursuant to the California Code of Regulations, title 10, section 1950.200, Innovative was required to submit an Independent Auditor's Report on Internal Controls ("Report on Internal Controls") to the Commissioner on or before April 15, 2007. Innovative has yet to file its

1 Audit Report, trust account reconciliation, or Report on Internal Controls with the Commissioner
2 despite having been sent numerous reminder letters.

3 On or about December 11, 2006, the Complainant notified Innovative in writing that its Audit
4 Report, trust account reconciliation, and Report on Internal Controls were due on or before April 15,
5 2007. Innovative failed to submit the Audit Report, trust account reconciliation, Report on Internal
6 Controls by April 15, 2007.

7 On or about June 12, 2007, a further letter was sent to Innovative demanding that it file the
8 Audit Report, trust account reconciliation, and Report on Internal Controls no later than June 22,
9 2007. Innovative failed to submit the Audit Report, trust account reconciliation, and Report on
10 Internal Controls or respond to the letter.

11 On or about August 2, 2007, a final letter was sent to Innovative demanding that the Audit
12 Report, trust account reconciliation, and Report on Internal Controls be filed no later than August 12,
13 2007, and assessing Innovative a penalty of \$1,000.00 pursuant to California Financial Code section
14 50326. Innovative was notified in the letter that its failure to file the Audit Report, trust account
15 reconciliation, Report on Internal Controls and/or pay the penalty by August 12, 2007 would result in
16 an action to either suspend or revoke its license.

17 Innovative has yet to file its Audit Report, trust account reconciliation, Report on Internal
18 Controls, and pay the penalty as required by Financial Code sections 50200, subdivision (a), 50326,
19 and title 10, section 1950.200 of the California Code of Regulations.

20 IV.

21 Pursuant to California Financial Code section 50205, all CRMLA licensees are required to
22 maintain a surety bond in the minimum amount of \$50,000.00. Innovative's surety bond expired on
23 July 13, 2007 and no replacement was obtained.

24 On or about July 13, 2007, the Commissioner issued an Order to Discontinue Residential
25 Mortgage Lending and/or Servicing Activities to Innovative pursuant to California Financial Code
26 section 50319 for its failure to maintain the required surety bond. This Order was served on
27 Innovative on or about July 20, 2007.

28 Innovative has yet to obtain a replacement surety bond in violation of California Financial

1 Code section 50205.

2 **V.**

3 California Financial Code section 50123 requires that prior to surrendering a license, a
4 licensee must file a plan for approval by the Commissioner. The plan must contain the licensee's
5 detailed proposal for orderly closing out of the residential mortgage lending business. In addition, the
6 Commissioner must make a determination that there has been no violation of the CRMLA.

7 On or about April 4, 2007, Innovative notified the Commissioner by letter that it intended to
8 surrender its residential mortgage lender license. On or about April 23, 2007, the Commissioner sent
9 Innovative instructions concerning the manner in which it is required to surrender its license under
10 the CRMLA.

11 Innovative has yet to file its plan for approval by the Commissioner pursuant to California
12 Financial Code section 50123 and it is not considered to have surrendered its residential mortgage
13 lender license for purposes of the CRMLA.

14 **VI.**

15 California Financial Code section 50327 provides in pertinent part:

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

22 **VII.**

23 The Commissioner finds that, by reason of the foregoing, Innovative Mortgage Capital, LLC
24 has violated California Financial Code sections 50200, subdivision (a), 50205, 50307, 50326, 50401
25 and California Code of Regulations, title 10, section 1950.200 and based thereon, grounds exist to
26 revoke Innovative Mortgage Capital, LLC's residential mortgage lender license.

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1 WHEREFORE, IT IS PRAYED that the residential mortgage lender license of Innovative
2 Mortgage Capital, LLC be revoked and pursuant to California Financial Code section 50311,
3 Innovative Mortgage Capital, LLC be given a transition period of sixty (60) days within which to
4 complete any loans for which it had commitments.

5 DATED: September 7, 2007
6 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

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8 By _____
9 Blaine A. Noblett
10 Corporations Counsel
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