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BEFORE THE DEPARTMENT OF CORPORATIONS

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OF THE STATE OF CALIFORNIA

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In the Matter of the Accusation of THE  
12 CALIFORNIA CORPORATIONS  
COMMISSIONER,

) File No.: 413-0765

13

Complainant,

) **ORDER REVOKING RESIDENTIAL  
MORTGAGE LENDER LICENSE**

14

15

v.

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INNOVATIVE MORTGAGE CAPITAL, LLC,

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Respondent.

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The California Corporations Commissioner finds:

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1. Respondent Innovative Mortgage Capital, LLC ("Innovative") is a residential  
22 mortgage lender licensed by the California Corporations Commissioner ("Commissioner") pursuant  
23 to the California Residential Mortgage Lending Act (California Financial Code, § 50000 et seq.)  
24 ("CRMLA"). Innovative has its principal place of business located at 121 Innovation Drive, Suite  
25 200, Irvine, California 92617.

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2. Pursuant to California Financial Code sections 50307 and 50401, Innovative is  
27 required to file an annual Report of Principal Amount of Loans and Aggregate Amount of Loans  
28 Serviced ("Activity Report") on or before March 1st of each year for the preceding 12-month period

1 ended December 31st.

2 3. On January 19, 2007, an Activity Report form was sent to Innovative with a notice  
3 that the Report was due on or before March 1, 2007. Innovative failed to submit the Activity Report  
4 by March 1, 2007.

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

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

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

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

22 8. On December 11, 2006, the Complainant notified Innovative in writing that its Audit  
23 Report, trust account reconciliation, and Report on Internal Controls were due on or before April 15,  
24 2007. Innovative failed to submit the Audit Report, trust account reconciliation, and Report on  
25 Internal Controls by April 15, 2007.

26 9. On June 12, 2007, a further letter was sent to Innovative demanding that it file the  
27 Audit Report, trust account reconciliation, and Report on Internal Controls no later than June 22,  
28 2007. Innovative failed to submit the Audit Report, trust account reconciliation, and Report on

1 Internal Controls.

2 10. On August 2, 2007, a final letter was sent to Innovative demanding that it file the  
3 Audit Report, trust account reconciliation, and Report on Internal Controls no later than August 12,  
4 2007, and assessing Innovative a penalty of \$1,000.00 pursuant to California Financial Code section  
5 50326. Innovative was notified in the letter that failure to file the Audit Report, trust account  
6 reconciliation, Report on Internal Controls and/or pay the penalty by August 12, 2006 would result in  
7 an action to either suspend or revoke its license.

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

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

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

18 14. Innovative has yet to obtain a replacement surety bond in violation of California  
19 Financial Code section 50205.

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

24 16. On April 4, 2007, Innovative notified the Commissioner by letter that it intended to  
25 surrender its residential mortgage lender license. On April 23, 2007, the Commissioner sent  
26 Innovative instructions concerning the manner in which it is required to surrender its license under  
27 the CRMLA.

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

4 18. Failure to file an activity report, audit report, trust account reconciliation, report on  
5 internal controls, maintain a surety bond, and/or pay assessed penalties are grounds under California  
6 Financial Code section 50327 for the revocation of a license issued under the CRMLA.

7 19. On September 7, 2007, the Commissioner issued a Notice of Intention to Issue Order  
8 Revoking Residential Mortgage Lender License, Accusation and accompanying documents against  
9 Innovative based upon the above, and Innovative was served with those documents on September 10,  
10 2007 via certified mail, return receipt requested, at its licensed location on file with the California  
11 Department of Corporations. The Department has received no request for a hearing from Innovative  
12 and the time to request a hearing has expired.

13 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the residential  
14 mortgage lender license issued by the Commissioner to Innovative Mortgage Capital, LLC is hereby  
15 revoked. This order is effective as of the date hereof. Pursuant to California Financial Code section  
16 50311, Innovative Mortgage Capital, LLC has sixty (60) days within which to complete any loans for  
17 which it had commitments.

18 DATED: September 27, 2007  
19 Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

21 By \_\_\_\_\_  
22 Alan S. Weinger  
23 Lead Corporations Counsel  
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