

1 PRESTON DUFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Acting Deputy Commissioner
3 JOANNE J. ROSS (CA BAR NO. 202338)
Corporations Counsel
4 Department of Corporations
5 1515 K Street, Ste. 200
6 Sacramento, California 95814
Telephone: (916) 324-9687
7 Facsimile: (916) 445-6985
8 Attorneys for Complainant

9
10 BEFORE THE DEPARTMENT OF CORPORATIONS
OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE) File No.: 413-0424
12 CALIFORNIA CORPORATIONS)
COMMISSIONER,)
13) **ACCUSATION**
Complainant,)
14)
15 v.)
16 The Lending Connection, Inc.,)
17 Respondent.)
18)
19)

20 The Complainant, California Corporations Commissioner ("Commissioner"), is informed and
21 believes, and based upon such information and belief, alleges and charges Respondent as follows:

22 **I.**

23 Respondent The Lending Connection, Inc. ("Lending ") is a residential mortgage lender
24 licensed by the Commissioner pursuant to the California Residential Mortgage Lending Act
25 (California Financial Code, § 50000 *et seq.*) ("CRMLA"). Lending has its principal place of business
26 located at 949 South Coast Drive, Suite 200, Costa Mesa, California 92626.

27 **II.**

28 Pursuant to California Financial Code sections 50307 and 50401 and California Code of

1 Regulations, title 10, section 1950.314.8, all licensees under the CRMLA are required to file the
2 following annual reports with the Commissioner: (1) Report of Principal Amount of Loans and
3 Aggregate Amount of Loans Serviced ("Activity Report"); (2) Report on Non-traditional, Adjustable
4 Rate and Mortgage Loan Products ("Non-traditional Report"); and (3) Non-traditional, Adjustable
5 Rate and Mortgage Loan Survey ("Survey"). The Activity Report, Non-traditional Report, and
6 Survey must be filed with the Commissioner on or before March 1st of each year for the preceding
7 twelve (12) month period ending December 31.

8 On or about February 1, 2008, an Activity Report form, Non-traditional Report form and
9 Survey were sent to all CRMLA licensees, including Lending, with a notice stating that these reports
10 were due on or before March 1, 2008. The Commissioner assessed a penalty of one thousand dollars
11 (\$1,000.00), pursuant to California Financial Code section 50326, for the failure to submit these
12 reports on or about May 15, 2008. To date, Lending has not submitted the Activity Report, the Non-
13 traditional Report or the Survey to the Commissioner or paid the assessed penalty.

14 III.

15 Pursuant to California Financial Code section 50200, all licensees under the CRMLA are
16 required to file audited financial statements and related information ("Audit") annually with the
17 Commissioner. Lending was required to submit its Audit for its fiscal year ended December 31, 2007
18 to the Commissioner on or before April 15, 2008.

19 On or about December 17, 2007, a notice was issued to Lending, reminding Lending that the
20 Audit was due to be filed with the Commissioner on or before April 15, 2008. Lending did not
21 submit the Audit despite this reminder notice.

22 On or about June 4, 2008, a letter was sent to Lending demanding that it file the Audit within
23 ten (10) days, and notifying Lending that failure to file the Audit would result in the referral to the
24 Special Administrator for administrative action that may result in a fine, pursuant to Financial Code
25 section 50326. On or about August 1, 2008, another letter was sent to Lending, assessing a penalty
26 of one thousand dollars (\$1,000.00) for failure to file the Audit when required, pursuant to California
27 Financial Code section 50326, and notifying Lending that failure to remit the penalty would result in
28 an action to suspend or revoke its CRMLA license pursuant to section 50327. To date, Lending has

1 yet to file the Audit or pay the assessed penalties.

2 **IV.**

3 On January 2, 2008, the Department received a Notice of Cancellation/Non-Renewal from
4 Hartford Fire Insurance Company, canceling Lending's surety bond effective February 6, 2008.
5 Section 50205 of the California Financial Code requires all CRMLA licensees to maintain a surety
6 bond. On February 14, 2008, an Order to Discontinue Residential Mortgage Lending and/or
7 Servicing Activities Pursuant to Section 50319, California Financial Code was issued. To date,
8 Lending has not reinstated or replaced the bond, and the order remains in effect.

9 **V.**

10 On December 31, 2007, Lending sent a letter to the Department, which stated that it intended
11 to surrender its lending license. Section 50123 of the California Financial Code requires a plan of
12 surrender to be filed the Department, with specific information provided to the Department. On
13 January 28, 2008, the Department sent a letter to Lending that provided instructions for the
14 information necessary to complete surrender of Lending's license. To date, Lending has not
15 submitted the required information. Pursuant to section 50123 of the CRMLA, a license remains in
16 effect until it has been surrendered, suspended or revoked.

17 **VI.**

18 California Financial Code section 50327 provides in pertinent part:

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

24 **VII.**

25 The Commissioner finds that, by reason of the foregoing, Lending has violated California
26 Financial Code sections 50200, 50205, 50307, 50326, 50401 and California Code of Regulations,
27 title 10, section 1950.314.8, and based thereon, grounds exist to revoke Lending's license as a
28 residential mortgage lender.

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WHEREFORE, IT IS PRAYED that the residential mortgage lender license of The Lending Connection, Inc. be revoked and, pursuant to Financial Code section 50311, The Lending Connection, Inc. be given a transition period of sixty (60) days within which to complete any loans for which it had prior commitments.

DATED: October 10, 2008
 Sacramento, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Joanne Ross
Corporations Counsel