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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.: 413-0168
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) **ACCUSATION**
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Complainant,

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v.

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MORTGAGE LENDERS NETWORK USA,
17 INC.,

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Respondent.

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

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I.

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Respondent Mortgage Lenders Network USA, Inc. ("Mortgage Lenders Network") is a
24 residential mortgage lender and mortgage loan servicer licensed by the California Corporations
25 Commissioner ("Commissioner") pursuant to the California Residential Mortgage Lending Act
26 (California Financial Code, § 50000 et seq.) ("CRMLA"). Mortgage Lenders Network has its
27 principal place of business located at 213 Court Street, Suite 1100, Middletown, Connecticut 06457.

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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. Mortgage Lenders Network has yet to submit the Activity Report to the Commissioner despite the fact that the Commissioner has sent it numerous reminders.

On or about June 27, 2007, a follow-up letter was sent to Mortgage Lenders Network demanding that it submit its Activity Report no later than July 7, 2007 and notifying Mortgage Lenders Network that failure to file the Activity Report by July 7, 2007 would result in an action to either suspend or revoke its license pursuant to California Financial Code section 50327.

Mortgage Lenders Network has yet to submit the Activity Report as required by California Financial Code sections 50307 and 50401.

III.

Pursuant to California Financial Code sections 50200, subdivision (a), Mortgage Lenders Network 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, Mortgage Lenders Network 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. Mortgage Lenders Network has yet to file its Audit Report, trust account reconciliation, or Report on Internal Controls with the Commissioner despite having been sent numerous reminder letters.

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

1 On or about June 13, 2007, a further letter was sent to Mortgage Lenders Network demanding
2 that it file the Audit Report, trust account reconciliation, and Report on Internal Controls no later than
3 June 23, 2007. Mortgage Lenders Network failed to submit the Audit Report, trust account
4 reconciliation, and Report on Internal Controls or respond to the letter.

5 Mortgage Lenders Network has yet to file its Audit Report, trust account reconciliation, and
6 Report on Internal Controls as required by Financial Code section 50200, subdivision (a) and title 10,
7 section 1950.200 of the California Code of Regulations.

8 **IV.**

9 California Financial Code section 50123 requires that prior to surrendering a license, a
10 licensee must file a plan for approval by the Commissioner. The plan must contain the licensee's
11 detailed proposal for orderly closing out of the residential mortgage lending/mortgage loan servicing
12 business. In addition, the Commissioner must make a determination that there has been no violation
13 of the CRMLA.

14 On or about May 31, 2007, Mortgage Lenders Network notified the Commissioner by letter
15 that it intended to surrender its residential mortgage lender and mortgage loan servicer license. On or
16 about June 5, 2007, the Commissioner sent Mortgage Lenders Network instructions concerning the
17 manner in which it is required to surrender its license under the CRMLA.

18 Mortgage Lenders Network also notified the Commissioner that on or about February 6, 2007,
19 Mortgage Lenders Network filed for Chapter 11 bankruptcy protection in the United States
20 Bankruptcy Court, District of Delaware, Case Number 07-10146.

21 Mortgage Lenders Network has yet to file its plan for approval by the Commissioner
22 pursuant to California Financial Code section 50123 and it is not considered to have surrendered its
23 residential mortgage lender and mortgage loan servicer license for purposes of the CRMLA.

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V.

California Financial Code section 50327 provides in pertinent part:

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

VI.

The Commissioner finds that, by reason of the foregoing, Mortgage Lenders Network USA, Inc. has violated California Financial Code sections 50200, subdivision (a), 50307, 50401 and California Code of Regulations, title 10, section 1950.200 and based thereon, grounds exist to revoke the residential mortgage lender and mortgage loan servicer license of Mortgage Lenders Network USA, Inc.

WHEREFORE, IT IS PRAYED that the residential mortgage lender and mortgage loan servicer license of Mortgage Lenders Network USA, Inc., be revoked and pursuant to California Financial Code sections 50310 and 50311, Mortgage Lenders Network USA, Inc., be given a transition period of sixty (60) days within which to complete any loans for which it had commitments and to transfer servicing to an authorized mortgage loan servicer.

DATED: September 7, 2007
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Blaine A. Noblett
Corporations Counsel