

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.: 413-0657
12 CALIFORNIA CORPORATIONS)
COMMISSIONER,)
13) **ACCUSATION**
Complainant,)
14)
15 v.)
16 Sallie Mae Home Loans, 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 Sallie Mae Home Loans, Inc., ("Sallie Mae") is a residential mortgage lender and
24 mortgage loan servicer licensed by the Commissioner pursuant to the California Residential
25 Mortgage Lending Act (California Financial Code, § 50000 *et seq.*) ("CRMLA"). Sallie Mae has its
26 principal place of business located at 28175 Cabot Drive, Suite 100, Novi, Michigan 48377.

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 Sallie Mae, with a notice stating that these
10 reports were due on or before March 1, 2008. The Commissioner assessed a penalty of one thousand
11 dollars (\$1,000.00), pursuant to California Financial Code section 50326, for the failure to submit
12 these reports on or about May 15, 2008. To date, Sallie Mae has not submitted the Activity Report,
13 the Non-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 ("Audited Report"), an Independent Auditor's Report on
17 Internal Controls ("Report on Internal Controls"), and its Uniform Single Attestation Program for
18 Mortgage Bankers ("USAP"), or its reconciliation of trust accounts, annually with the Commissioner.
19 Sallie Mae was required to submit its Audited Report, Report of Internal Controls, and USAP for its
20 fiscal year ending December 31, 2007 to the Commissioner on or before April 15, 2008. Sallie Mae
21 did not file these reports.

22 On or about August 1, 2008, the Department assessed a penalty of one thousand dollars
23 (\$1,000.00) pursuant to California Financial Code section 50326 for failure to file these reports.
24 Sallie Mae was notified that failure to pay the fine might result revocation of Sallie Mae's license
25 pursuant to Financial Code section 50326 and 50327. To date, Sallie Mae has yet to file these reports
26 or pay any of the assessed penalties.

27 IV.

28 The Department was notified that Sallie Mae's bond with Washington International Insurance

1 Company had expired, effective October 11, 2008, and no replacement bond has been obtained.
2 Section 50205 of the California Financial Code requires all CRMLA licensees to maintain a surety
3 bond. On October 14, 2008, an Order to Discontinue Residential Mortgage Lending and/or Servicing
4 Activities Pursuant to Section 50319, California Financial Code was issued. To date, Sallie Mae has
5 not reinstated or replaced the bond, and the order remains in effect.

6 **V.**

7 On or about October 16, 2007, Sallie Mae sent a letter to the Department, which stated that it
8 intended to surrender its lending license. Section 50123 of the California Financial Code requires a
9 plan of surrender to be filed the Department, with specific information provided to the Department.
10 On or about October 23, 2007, the Department sent a letter to Sallie Mae that provided instructions
11 for the information necessary to complete surrender of Sallie Mae's license. To date, Sallie Mae has
12 not submitted the required information. Pursuant to section 50123 of the CRMLA, a license remains
13 in effect until it has been surrendered, suspended or revoked.

14 **VI.**

15 California Financial Code section 50327 provides in pertinent part:

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

21 **VII.**

22 The Commissioner finds that, by reason of the foregoing, Sallie Mae has violated California
23 Financial Code sections 50200, 50205, 50307, 50326, 50401 and California Code of Regulations,
24 title 10, section 1950.314.8, and based thereon, grounds exist to revoke Sallie Mae's license as a
25 residential mortgage lender and mortgage loan servicer.

26 WHEREFORE, IT IS PRAYED that the residential mortgage lender and mortgage loan
27 servicer license of Sallie Mae Home Loans, Inc. be revoked and, pursuant to Financial Code section
28 50311, Sallie Mae Home Loans, Inc. be given a transition period of sixty (60) days within which to

1 complete any loans for which it had prior commitments.

2 DATED: October 17, 2008
3 Sacramento, CA

4 PRESTON DuFAUCHARD
5 California Corporations Commissioner

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7 By _____
8 Joanne Ross
9 Corporations Counsel

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