

1 PRESTON DUFAUCHARD
California Corporations Commissioner
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8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Accusation of THE) File No.: 413-0580
11 CALIFORNIA CORPORATIONS)
12 COMMISSIONER,) **ACCUSATION**
13 Complainant,)
14 v.)
15 SPECTRUM FINANCIAL GROUP, INC.,)
16 Respondent.)
17)
18)
19)

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

22 **I**

23 Respondent Spectrum Financial Group, Inc. ("Spectrum Financial") is a residential mortgage
24 lender and loan servicer licensed by the California Corporations Commissioner ("Commissioner")
25 pursuant to the California Residential Mortgage Lending Act (California Financial Code, § 50000 et
26 seq.) ("CRMLA"). Spectrum Financial has principal places of business located at 7047 East
27 Greenway Parkway, Suite 400, Scottsdale, Arizona 85254, and also located at 6991 East Camelback
28 Road, Scottsdale, Arizona 85251.

II

Pursuant to California Financial Code sections 50307 and 50401 and California Code of Regulations, title 10, section 1950.314.8, all licensees under the CRMLA are required to file an annual (1) Report of Principal Amount of Loans and Aggregate Amount of Loans Serviced ("Activity Report"), (2) Report on Non-traditional, Adjustable Rate and Mortgage Loan Products ("Non-traditional Report"), and (3) Non-traditional, Adjustable Rate and Mortgage Loan Survey ("Survey") on or before March 1st of each year for the preceding 12-month period ended December 31.

On or about February 1, 2008, an Activity Report form, Non-traditional Report form and Survey were sent to all CRMLA licensees with a notice that they were due on or before March 1, 2008. Spectrum Financial has not yet submitted the Activity Report, the Non-traditional Report or the Survey to the Commissioner.

III

Pursuant to California Financial Code section 50200, Spectrum Financial was required to submit its audited financial statement for its fiscal year ended December 31, 2007 ("Audit Report") to the Commissioner on or before April 15, 2008, including a reconciliation of its trust accounts and an Independent Auditor's Report on Internal Controls ("Report on Internal Controls") pursuant to the California Code of Regulations, title 10, section 1950.200. Spectrum Financial has yet to file its Audit Report with the Commissioner despite having been sent numerous reminder letters.

On or about December 17, 2007, the Department notified Spectrum Financial in writing that its Audit Report, trust account reconciliation, and Report on Internal Controls must be filed no later than April 15, 2008. Spectrum Financial was advised in the letter that failure to file these reports might "result in fines in accordance with Financial Code section 50326, an immediate examination by the Commissioner in accordance with Financial Code section 50307, and/or revocation of the license."

On or about June 2, 2008, a further letter was sent to Spectrum Financial demanding that it file the Audit Report, trust account reconciliation, and Report on Internal Controls "within ten (10)

1 days of the date of this letter.” Spectrum Financial failed to submit the Audit Report, trust account
2 reconciliation, and Report on Internal Controls or respond to the letter.

3 Spectrum Financial has yet to file its Audit Report, trust account reconciliation, or Report on
4 Internal Controls as required by Financial Code sections 50200, 50326, and title 10, California Code
5 of Regulations, Title 10, section 1950.200.

6
7 **IV**

8 California Financial Code section 50205(a) states that “[a] licensee shall maintain a surety
9 bond in accordance with this subdivision.” Spectrum Financial has failed to maintain its surety bond
10 as required by that section. On February 20, 2008, the Department received a Notice of Cancellation
11 of Spectrum Financial’s surety bond from Fidelity and Deposit Company of Maryland. The date of
12 cancellation stated on the Notice of Cancellation was “ten (10) days from receipt of this letter.”

13 California Financial Code section 50319 provides in pertinent part:

14 (a) If the commissioner, as a result of any examination or from any report made to him or
15 her, shall find that any person subject to this division.... has failed to comply with the
16 bonding requirements of Section 50205, the commissioner may, by an order addressed to
17 and served by registered or certified mail, or by personal service on that person...., direct
18 discontinuance of the disbursement, in whole or in part, of trust funds held by the
19 licensee and order the establishment of a separate trust account for all subsequent trust
20 funds received by the licensee.

21 On March 21, 2008, an Order was issued pursuant to section 50319. To date, the surety bond
22 has not been reinstated or replaced, and the order remains in effect.

23 **V**

24 California Financial Code section 50327 provides in pertinent part:

25 (a) The commissioner may, after notice and a reasonable opportunity to be
26 heard, suspend or revoke any license if the commissioner finds that: (1) the
27 licensee has violated any provision of this division or any rule or order of the
28 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.

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VI

The Commissioner finds that, by reason of the foregoing, Spectrum Financial Group, Inc. has violated California Financial Code sections 50200, 50307, 50326, and California Code of Regulations, title 10, section 1950.200 and based thereon, grounds exist to revoke the residential mortgage lender and loan servicer licenses of Spectrum Financial Group, Inc.

WHEREFORE, IT IS PRAYED that the residential mortgage lender and loan servicer licenses of Spectrum Financial Group, Inc. be revoked and pursuant to California Financial Code section 50311, Spectrum Financial Group, Inc. be given a transition period of sixty (60) days within which to complete any loans for which it had commitments.

DATED: September 23, 2008
Sacramento, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Brent S.B. Lindgren
Senior Corporations Counsel