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7
8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Accusation of THE)
CALIFORNIA CORPORATIONS)
11 COMMISSIONER,)
12 Complainant,)
13 v.)
14 UNITED CALIFORNIA SYSTEMS)
INTERNATIONAL, INC. doing business as)
15 UNITED INTERNATIONAL MORTGAGE &)
16 INVESTMENT CO.,)
17 Respondent.)
18

OAH NO: UNASSIGNED
File No.: 413-0175

) **ACCUSATION IN SUPPORT OF**
) **REVOCAION OF CALIFORNIA**
) **RESIDENTIAL MORTGAGE LENDER**
) **AND RESIDENTIAL MORTGAGE LOAN**
) **SERVICER LICENSE**

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. Background**

23 Respondent United California Systems International, Inc. doing business as United
24 International Mortgage & Investment Co. ("United International") is a residential mortgage lender
25 and residential mortgage loan servicer licensed by the California Department of Corporations
26 ("Department") pursuant to the California Residential Mortgage Lending Act ("CRMLA")
27 (California Financial Code sections 50000 *et seq.*). United International last reported its principal
28 place of business is located at 2049 Century Park East, Suite 2550, Los Angeles, CA 90067.

1 On or about February 18, 1998, the Department first issued a CRMLA license to Respondent.
2 At the section marked "Exhibit M" of the CRMLA license application, Respondent averred under
3 penalty of perjury that it:

4
5 15. Hereby attests that the applicant has acted with due care and competence in
6 performing any act for which it is required to hold a license under the California
7 Residential Mortgage Lending Act.

8 16. Hereby attests that the applicant will comply with all applicable requirements
9 of California and federal law. . . when servicing residential mortgage loans.

10 On the Execution page, Respondent further agreed:

11 ...[In the event of any change of officers, directors, or any persons named in this application,
12 that a verified amendment to the application reflecting such change shall within fifteen
13 business days from the date of the change, be filed with the Commissioner of Corporations
14 setting forth the change, effective date of the change, the names of the persons involved in the
15 change, and a statement of the qualifications of each successor person.

16 **II. Respondent's History of Licensing Violations**

17 Despite the Respondent's sworn acknowledgment of the CRMLA licensing requirements,
18 Respondent has committed continuous violations of the CRMLA during its tenure of licensure. Not
19 more than one year after Respondent was issued its license, the Department was compelled to bring
20 an enforcement action for reporting violations; however, the Department agreed to dismiss the
21 action in 1999 due to Respondent's ultimate compliance.

22 In 2001, 2002, and 2008, Respondent was ordered to pay penalties after failing to timely pay
23 its annual assessment in violation of Financial Code section 50401. Additional and ongoing
24 violations to timely report under the provisions of the CRMLA further resulted in the imposition of
25 Financial Code section 50326 penalties in 2003 and 2004.

26 Respondent has failed to consistently maintain its surety bond, which resulted in cancellation
27 of its Great American Insurance Company bond in 2002. And, due to Respondent's failure to pay the
28 costs incurred as a result of its May 2006 regulatory examination, the Department was forced to file a

1 claim against Respondent's bond on January 18, 2007.

2 Pursuant to Financial Code section 50307 and section 1950.314.8 of Title 10 of the California
3 Code of Regulations, all licensees under the CRMLA are required to annually file a Report of
4 Principal Amount of Loans and Aggregate Amount of Loans Serviced for the preceding 12-month
5 period ended December 31 ("Activity Report") on or before March 1st of each year.

6 United International failed to timely submit its 2007 Activity Report to the Commissioner.
7 On May 15, 2008, the Commissioner assessed a penalty pursuant to Financial Code section 50326
8 against United International for failing to file the 2007 Activity Report. United International failed to
9 timely file its annual audit report required for the fiscal year ended December 31, 2007 and December
10 31, 2008, as required by Financial Code section 50200.

11 **III. The 2008 Enforcement Action**

12 In 2008, Respondent failed to electronically file loan application and servicing reports with
13 the Department in violation of Financial Code sections 50302 and 50314(b). When the
14 Commissioner's examiner went to Respondent's licensed location of record, the examiner discovered
15 that Respondent had relocated its business operations without providing prior notification to the
16 Department in violation of Financial Code section 50306. When the Commissioner's examiner
17 subsequently attempted to visit the licensee's new location, United Financial denied the examiner
18 access and failed to provide the requested reports and examination documentation in violation of
19 sections 50302 and 50314(b).

20 Also in 2008, the Department received information that on September 17, 2007, Sandra Kay
21 McBeth ("McBeth") pleaded nolo contendere to a charge of unlawful taking of vehicle in violation of
22 Vehicle Code section 10851. At the time of entry of the plea, McBeth was the president and primary
23 stockholder of United International.

24 Financial Code section 50317 prohibits any person who within the past 10 years has been
25 convicted of, or pleaded nolo contendere to, or within the past seven years has been held liable in any
26 civil action by final judgment or any administrative judgment by any public agency for, any of the
27 violations set forth in subdivision (b) of that section from holding the position of an officer, director,
28 partner, shareholder controlling 10% or more of ownership interest, trustee, or employee of a

1 CRMLA licensee. Subdivision (b) violations include any criminal convictions, or pleas of nolo
2 contendere to, offenses involving robbery, burglary, theft, embezzlement, fraud, fraudulent
3 conversion or misappropriation of property, forgery, or receiving stolen property.

4 On June 9, 2008, the Department sent a letter to United International informing that McBeth,
5 due to her violation, was prohibited from serving as an officer, director, partner, shareholder
6 controlling 10% or more of ownership interest, trustee, or employee of United International. The
7 letter also informed United International that it was in violation of section 50317 for any period
8 during which McBeth held a prohibited position with the licensee. The Department further requested
9 confirmation that McBeth had been removed from all positions and relinquished control of ownership
10 interest of 10% or more.

11 On June 24, 2008, the licensee provided the Department copies of minutes from a June 18,
12 2008 special meeting of the board of directors of United International. The minutes reflected that
13 McBeth resigned as president and relinquished control of ownership interest of 10% or more in
14 United International. The minutes further stated that Dori Sanford (“Sanford”) had been appointed
15 vice president in charge of United International’s daily affairs. The minutes were signed by Bill
16 Shack (“Shack”) and Timothy Woods (“Woods”), both of whom were identified as directors of
17 United International. However, the licensee failed to file with the Department an Application for
18 Change of Control for new ownership interests of 10% or more as required by section 50306 or a
19 Post-License Amendment reporting Sanford, Shack and Woods as new officers and directors
20 pursuant to section 50317.

21 Further, in the course of its investigation, the Department has discovered that on December
22 12, 2002, McBeth was convicted in Los Angeles of theft of property in violation of Penal Code
23 section 484(a). On January 29, 2004, McBeth was convicted of petty theft with a prior jail term in
24 violation of Penal Code section 666. Thus, in addition to failing to inform the Department of the fact
25 that Sanford, Shack, Woods, and others were serving as officers of the licensee, United International
26 failed to disclose McBeth’s 2002 and 2004 criminal convictions in its initial application or as part of
27 a post-license amendment as required by Financial Code section 50124(a)(6).

28 Due to these serious and ongoing violations of the CRMLA, the Commissioner commenced

1 enforcement action on October 21, 2008, and the matter proceeded to administrative hearing on
2 December 2, 2009.

3 **IV. Respondent's Breach of the 2009 Settlement Agreement and Ongoing Violations**

4 After extensive discussions with Respondent's counsel at the Los Angeles administrative hearing, the
5 Commissioner entered into a settlement agreement on December 3, 2009, whereby Respondent
6 stipulated to pay accrued penalties to the Department, issue refunds to overcharged consumers, and
7 comply with a list of other specific terms. As a condition of the December 2009 settlement
8 agreement, and subject to automatic license revocation, Respondent expressly agreed to provide the
9 Commissioner with several items (which were itemized in "Exhibit 3" of the settlement).

10 Over one year after the date of settlement, Respondent had still not provided the
11 Commissioner with all of the agreed documents. On March 15, 2011, the Commissioner's counsel
12 sent a letter to Respondent demanding production of documents set forth in "Exhibit 3" of the
13 December settlement agreement, including: (1) an Application for Change of Control for new
14 ownership interests of 10% or more as required by section 50306; (2) a Post-License Amendment
15 reporting new officers and directors pursuant to section 50317; and, (3) a written report of all known
16 disciplinary actions taken against Respondent by other jurisdictions, whether final or pending, in
17 compliance with Financial Code section 50316.

18 In response to the March 15, 2011 demand letter, Respondent filed documents with the
19 Commissioner on March 25, 2011, reporting that self-identified "vice president" Sanford was the
20 licensee's sole owner and only officer/director.

21 Respondent's representation to the Commissioner is contrary to information obtained during
22 the Commissioner's investigation, which disclosed that McBeth continues to act, and publically
23 represent herself, as a de facto officer of Respondent.

24 On July 16, 2010, McBeth filed a General Denial and fee-waiver request "in pro per" on
25 behalf of Respondent in Los Angeles Superior Court, answering a Complaint for Money Due on
26 Unpaid Business Tax Assessments in the sum of \$62,883.01 filed by the Los Angeles City Attorney
27 on January 14, 2010. Additionally, Sanford signed McBeth's attached proof of service and attested
28 under penalty of perjury that she was not a party to the action.

1 McBeth's July 2010 representation to the Los Angeles Superior Court that she has standing to
2 defend Respondent as its officer or owner, as well as Sanford's attestation to the court that she is in
3 fact not a party related to Respondent, is contrary to information the Respondent provided the
4 Commissioner on June 24, 2008, which reflected that McBeth resigned as president and relinquished
5 control of ownership interest of 10% or more in the company.

6 Additionally, Respondent has failed to provide a written report fully disclosing disciplinary
7 actions taken against it by other jurisdictions, as specifically required by the December 2009
8 settlement agreement and statutorily required by section 50316 of the CRMLA.

9 In a letter to the Commissioner dated March 25, 2011, Respondent falsely stated that "no
10 other disciplinary actions have been taken against UCSI by other jurisdictions."

11 On April 21, 2011, the Commissioner sent a second demand to Respondent, reiterating that
12 "[a]ny suspension or revocation order, penalty order, or cease and desist order issued by any
13 jurisdiction would be a 'disciplinary action' under Financial Code section 50316."

14 On April 26, 2011, Respondent sent a reply letter to the Commissioner stating that it was
15 "only aware of one suspension, which was New York in 2009."

16 The fact of the matter, however, is that disciplinary actions have been taken against
17 Respondent by multiple jurisdictions for violations of state and federal mortgage lending laws,
18 including the following:

- 19 1) On May 27, 2005, Respondent stipulated to a Consent Order with the State of
20 Michigan and paid fines of \$1,500.00 pursuant to a settlement agreement.
- 21 2) On June 9, 2006, the Commonwealth of Virginia issued an Order Revoking
22 Respondent's mortgage lender license.
- 23 3) On May 13, 2008, the State of Georgia issued an Order to Cease and Desist,
24 resulting in subsequent cancellation of the Respondent's lender license.
- 25 4) On October 26, 2009, the State of New York Banking Department revoked
26 Respondent's mortgage banker license.¹

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28 ¹ Respondent falsely informed the Commissioner that the New York action was only a "suspension."

1 5) On October 27, 2009, the United States Department of Housing and Urban
2 Development issued a Notice of Violation against Respondent withdrawing
3 HUD/FHA approval for a period of one year.

4 None of the disciplinary actions enumerated above were disclosed in Respondent's March 25,
5 2011 report to the Commissioner. Any one of the above disciplinary actions taken by the financing
6 and banking authorities of the other jurisdictions, or the failure to report the existence thereof,
7 constitute grounds for the Commissioner to take disciplinary action against Respondent under the
8 authority of Financial Code 50316. And, had evidence of the above disciplinary actions by foreign
9 jurisdictions existed at the time Respondent applied for its CRMLA license, such would have
10 reasonably constituted grounds for refusal to issue the license.

11 The Commissioner finds that Respondent's failure to fully and accurately disclose all
12 disciplinary actions in compliance with section 50316 is both a breach of the December 2, 2009
13 settlement agreement and a violation of Financial Code section 50124, which constitutes grounds
14 under Financial Code section 50327 for the Commissioner to revoke Respondent's CRMLA license.

15 **V. Multiple Grounds Exist to Support Revocation of Respondent's CRMLA License**

16 Pursuant to Financial Code section 50124, a CRMLA applicant is required, as a condition of
17 receiving a license, to agree in writing to, among other things, comply with the provisions of the
18 CRMLA and any rule or order of the Commissioner, file with the Commissioner all reports required
19 under law or by rule or order of the Commissioner, and submit to periodic examination by the
20 Commissioner. Failure to comply with the provisions of Financial Code section 50124 constitutes
21 grounds under Financial Code section 50125 for the Commissioner to refuse to issue a license.

22 Pursuant to Financial Code section 50327, the Commissioner can revoke a CRMLA license if
23 a fact or condition now exists, that if it existed at the time of original licensure, would reasonably
24 have warranted the Commissioner in refusing to issue the license originally. Financial Code section
25 50327 provides in pertinent part:

- 26 (a) The commissioner may, after notice and a reasonable opportunity to be
27 heard, suspend or revoke any license if the commissioner finds that: (1) the
28 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

1 had existed at the time of the original application for license, reasonably
2 would have warranted the commissioner in refusing to issue the license
3 originally.

4 Had the facts and conditions alleged herein existed at the time Respondent applied for its
5 residential mortgage lender license and residential mortgage loan servicer license, the Commissioner
6 would have been warranted in refusing to issue such licenses. Further, the facts and conditions set
7 forth herein present sufficient grounds for the revocation of the residential mortgage lender license and
8 residential mortgage loan servicer license of Respondent pursuant to Financial Code section 50327.

9 The Commissioner finds that, by reason of the foregoing, United International Mortgage &
10 Investment Co. is presently in violation of Financial Code sections 50124, 50206, 50314(b), 50316,
11 and 50317, and based thereon grounds exist to revoke its residential mortgage lender and residential
12 mortgage loan servicer license.

13 Further, in addition to the most recent Financial Code violations that form the basis of the
14 instant enforcement action, the facts alleged herein highlight that Respondent has an 11-year
15 regulatory record that is replete with ongoing and serious violations of the CRMLA. Respondent's
16 history of regulatory noncompliance evidences a systematic failure to competently comply with the
17 CRMLA, which ultimately poses grave risk to the consumers who rely upon the Commissioner to
18 protect them from financial harm.

19 **WHEREFORE, IT IS PRAYED** that the residential mortgage lender license and the
20 residential mortgage loan servicer license of United California Systems International, Inc. doing
21 business as United International Mortgage & Investment Co. be revoked and, pursuant to Financial
22 Code section 50311, United California Systems International, Inc. doing business as United
23 International Mortgage & Investment Co. be given a transition period of sixty (60) days within which

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1 to complete any loans for which it had prior commitments.

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3 DATED: May 24, 2011
4 Sacramento, CA

PRESTON DUFAUCHARD
California Corporations Commissioner

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By _____
Miranda LeKander
Senior Corporations Counsel

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