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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, v. NORTHSTAR ALLIANCE MORTGAGE, INC. Respondent.	File No.: 413-0446 ACCUSATION

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

I.

Respondent NorthStar Alliance Mortgage, Inc. ("Respondent" or "NorthStar Alliance Mortgage") is a residential mortgage lender licensed since December 5, 2002 by the Commissioner pursuant to the California Residential Mortgage Lending Act (Fin. Code, § 50000 et seq.). Respondent's principal place of business is located at 333 Queen Street, 7th Floor, Honolulu, Hawaii 96813.

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Respondent's license was originally issued under the name of Summit Lending of Hawaii LLC ("Summit Lending"). On May 3, 2004, the Commissioner approved and issued the Order Approving Effectiveness Of Post-License Amendment To Change Name of Summit Lending to Summit Lending of Hawaii LLC, doing business as NorthStar Alliance ("NorthStar Alliance"). On January 11, 2010, the Commissioner issued another Order Approving Effectiveness Of Post-License Amendment To Change Name of NorthStar Alliance to its current name of NorthStar Alliance Mortgage. NorthStar Alliance Mortgage is an assumed name used by NorthStar Alliance in the State of California.

II.

Financial Code section 50205, subdivision (a) requires a residential mortgage lender licensee to maintain a bond in the minimum amount of $50,000.00.

On August 30, 2011, Bond No. 69336370 issued by Western Surety Company in favor of Respondent expired and no replacement bond has been obtained.

In light of the cancellation of the surety bond the Commissioner issued the Order To Discontinue Residential Mortgage Lending And/Or Servicing Activities Pursuant To Section 50319, California Financial Code ("Order").

III.

Financial Code section 50200, in relevant parts, provides:

> (a) At the end of the licensee's fiscal year . . . each licensed residential mortgage lender or service shall cause its books and accounts to be audited by an independent certified public accountant . . . .
>
> (d) The audit report shall be filed with the commissioner within 105 days of the end of the licensee's fiscal year. The report filed with the commissioner shall be certified by the certified public accountant conducting the audit . . . .
>
> (e) [T]he commissioner may summarily revoke the license of a licensee who fails to file a certified financial statement prepared by an independent certified public accountant as required by this division or at the request of the commissioner.

Respondent's fiscal year end is December 31, 2010. Accordingly, Respondent was required to file its audited financial statement on or before April 15, 2011, pursuant to section 50200, subdivision (d). Respondent failed to file its audited financial statements in violation of section

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50200. On May 31, 2011, NorthStar was notified in writing that the Commissioner had not received the audited financial statements. To date the audited financial statements have not been received.

IV.

Financial Code section 50307, in relevant parts, provides:

> (a) Each residential mortgage lender or servicer licensee shall file a report with the commissioner annually, on or before the first day of March, giving the relevant information that the commissioner reasonably requires to make the calculation required by subdivision (a) of Section 50401. . . .
>
> (b) A licensee shall make any other special reports to the commissioner that the commissioner may, from time to time, require.

Financial Code section 50326, provides:

> If any licensee fails to do any of the following, the licensee shall forfeit to the people of the state a sum of up to one hundred dollars ($100) for every day up to the 10th Day: (a) to make any report required by law or by the commissioner within 10 days from the day designated for the making of the report, or within any extension of time granted by the commissioner, or (b) fails to include therein any matter required by law or by the commissioner. Thereafter, any failure shall constitute grounds for the suspension or revocation of the license held by the residential mortgage lender or residential mortgage loan servicer.

California Code of Regulations, title 10, section 1950.314.8, in relevant parts, provides:

> (a) Best Practices. Every licensee shall implement best practices to manage loan product risk on a continuous basis . . . For purposes of this section, "best practices" shall mean lawful processes, policies, and procedures to manage risks associated with use of nontraditional mortgage products and adjustable rate mortgage products as defined and prescribed by the Guidance.
>
> (b) Written Compliance Report. In a separate written document, submitted as an addendum to its annual financial report and report of condition required under Section 50307 of the financial Code, every licensee shall state whether it made or arranged nontraditional mortgage products and adjustable rate mortgage products, as defined by the Guidance, during the reporting period covered by the annual report . . . .

On January 27, 2011, the Report of Principal Amount of Loans Originated and Aggregate Amount of Loans Serviced for the 12 Month Period ended December 31, 2010 ("Report"), the Report on Non-Traditional Adjustable Rate and Mortgage Loan Products ("Non-Traditional Report") and Non-Traditional, Adjustable Rate and Mortgage Loan Survey ("Survey") (collectively the "Reports") for the 12 month period ending December 31, 2010 were sent to Respondent.

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The Reports were preprinted with the licensee's name, address and file number on the front and its name and file number on the back. The instructions for completing the Reports were also included in the package sent to Respondent. The completed Reports from Respondent were due on March 1, 2011. Respondent failed to file the Reports as required by section 50307 and California Code of Regulations, title 10, section 1950.314.8.

On June 17, 2011, Respondent was notified in writing that a penalty in the amount of $1,000.00 was assessed pursuant to section 50326 due to its failure to file the Reports. To date the Reports have not been received and the penalty has not been paid.

V.

Financial Code section 50401 requires each residential mortgage lender licensee to pay to the Commissioner its pro rata share of all costs and expenses that the "commissioner reasonably expects to incur in the current fiscal year in the administration" of the California Residential Mortgage Lending Act. "In order for the commissioner to calculate the assessment under this section, each licensee shall file an annual report for the calendar year just ended containing the information required by the commissioner on or before March 1 of the year in which the assessment is to be calculated."

The Commissioner's June 27, 2011 correspondence also stated that Respondent was required to report the California loans originated, serviced, processed and underwritten and brokered in order for the Commissioner to calculate Respondent's annual assessment for the fiscal year July 1, 2011 through June 12, 2012 as provided by Financial Code section 50401.

Respondent failed to report the California loans originated, serviced, processed and underwritten and brokered in violation of Financial Code section 50401.

VI.

Financial Code section 50327, in relevant part, provides:

> (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 . . . .

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Complainant finds that, by reason of the foregoing, NorthStar Alliance Mortgage has violated Financial Code sections 50205, subdivision (a), 50200, 50307, 50326, 50401, and California Code of Regulations, title 10, section 1950.314.8, and based thereon, grounds exist to revoke the residential mortgage lender license of NorthStar Alliance Mortgage.

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

Dated: September 14, 2011
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
MARLOU de LUNA
Sr. Corporations Counsel
Enforcement Division

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