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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Statement of Issues of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. DOUGLAS ALAN RAUH, Respondent.	NMLS ID: 329647 **STATEMENT OF ISSUES IN SUPPORT OF DENIAL OF APPLICATION FOR MORTGAGE LOAN ORIGINATOR LICENSE**

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

I.

INTRODUCTION

The proposed order seeks to deny Respondent's application for a mortgage loan originator license, pursuant to Financial Code section 50141, in that Respondent has failed to demonstrate such financial responsibility, character, and general fitness as to command the confidence of the community and to warrant a determination that the mortgage loan originator will operate honestly, fairly, and efficiently. Respondent's actions have caused (1) him to be barred from associating

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with any member firm by the Financial Industry Regulatory Authority ("FINRA"), formerly known as the National Association of Securities Dealers ("NASD"), (2) the revocation of his license with the California Department of Real Estate ("DRE") and issuance of a restricted license, and (3) the revocation of his license by the California Department of Insurance ("DOI").

II.

THE APPLICATION

On or about August 11, 2011, Respondent filed an application for a mortgage loan originator license with the Department of Corporations. The application was submitted to the Commissioner by filing Form MU4 through the Nationwide Mortgage Licensing System ("NMLS").

Respondent had also filed an application for a mortgage loan originator license with the DRE. DRE filed its statement of issues in support of denial of Respondent's application for a mortgage loan originator license. The matter went to a hearing in or about January 2012. Respondent's application with the DRE is still pending.

III.

FINED AND BARRED BY FINRA

Respondent stated in the Form MU4 that he had been barred from association with FINRA, formerly known as NASD, members for failing to disclose a lawsuit by a client to FINRA, for trading without written authorization, and for making unsuitable trades for clients.

The documentation obtained by the Commissioner during the application process revealed that on November 9, 2005, after an administrative hearing before the NASD office, Respondent was fined $118,495 and barred from associating with any member firm in any capacity. NASD determined that Respondent (1) had willfully failed to disclose on his From U-4 material information that he had been accused of investment fraud by a former client; (2) had concealed the aforementioned accusation/lawsuit for years; (3) had exercised discretion without prior written authorization from clients; and (4) made unsuitable recommendations in a client's account.

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IV.

REVOCATION OF DRE LICENSE AND ISSUANCE OF RESTRICTED LICENSE

Respondent stated in the Form MU4 that his DRE salesperson's license was restricted because of the FINRA discipline and a pending DOI case. Respondent claimed that he withdrew his application for a broker's license with the DRE.

The documentation obtained by the Commissioner revealed that on or about March 29, 2009, Respondent stipulated to the issuance of an order by the DRE revoking all licenses and licensing rights and issuing him a restricted license, if Respondent makes application and pays the DRE the appropriate fee for the restricted license. Upon information and belief, the DRE subsequently issued a restricted real estate license to Respondent.

V.

REVOCATION OF DOI LICENSE

Respondent stated in the Form MU4 that his DOI license was "revoked as a result of aforementioned FINRA bar and a subsequent consumer complaint."

The documentation obtained by the Commissioner revealed that on or about January 13, 2010, after an administrative hearing, Respondent's license and licensing rights as an accident and health agent and a life only agent with authority to transact variable contracts were revoked. The Administrative Law Judge made the following findings and conclusions: (1) Respondent failed to notify the DOI about the NASD discipline within thirty (30) days of knowing of that discipline; (2) Respondent knowingly or willfully failed to disclose the NASD discipline on his 2006 insurance renewal application; (3) the NASD hearing panel's findings and conclusions established that Respondent conducted business in a dishonest manner between 1993 and 2000; (4) Respondent has demonstrated incompetence and untrustworthiness in the conduct of his actions as a DOI licensee; (5) Respondent provided no persuasive evidence of his honesty, integrity, or trustworthiness in his current professional dealings; and (6) it would be against the public interest to allow Respondent to continue licensure through the DOI.

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VI.

APPLICABLE LAW

Financial Code section 50141 provides in relevant part:

> (a) The commissioner shall deny an application for a mortgage loan originator license unless the commissioner makes, at a minimum, the following findings:
> (3) The applicant has demonstrated such financial responsibility, character, and general fitness as to command the confidence of the community and to warrant a determination that the mortgage loan originator will operate honestly, fairly, and efficiently within the purposes of this division.

VII.

CONCLUSION

Complainant finds, by reason of the foregoing, that Respondent has failed to demonstrate such financial responsibility, character, and general fitness as to command the confidence of the community and warrant a determination that he will operate honestly, fairly, and efficiently as a mortgage loan originator in light of his actions that resulted in regulatory actions by FINRA, DRE and DOI, under the meaning of Financial Code section 50141. Further, Complainant finds that denial of Respondent's application for a mortgage loan originator license is supported by Respondent's untrustworthiness.

THEREFORE, Complainant asserts that Financial Code section 50141 mandates that the Commissioner deny Respondent's application for a mortgage loan originator license.

WHEREFORE IT IS PRAYED that the determination of the Commissioner to deny Respondent's application for a mortgage loan originator license be upheld.

Dated: July 10, 2012

JAN LYNN OWEN
California Corporations Commissioner

By: _____
AFSANEH EGHBALDARI
Corporations Counsel