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9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA
11

12 In the Matter of the Accusation/Statement of) File Nos.: 607-2658, 603-E966, 603-F011, 603-
13 Issues of THE CALIFORNIA) F200, 603-F413, 607-2888, and 607-2904
CORPORATIONS COMMISSIONER,)
14 Complainant,) ORDER DENYING FINANCE LENDER
15) LICENSE APPLICATIONS
16 vs.)
17 AAPEX DISCOUNT MORTGAGE,)
18 Respondent.)
19 _____)

20 The California Corporations Commissioner (“Commissioner”) finds that:

- 21 1. Aapex Discount Mortgage (“Aapex”) is, and at all relevant times, was a Florida
22 corporation duly qualified to do business in California. On October 10, 1997, the Commissioner
23 issued a license to Aapex under the California Finance Lenders Law (“CFL”) to engage in the
24 business of a finance lender and broker from its main office located at 213 W. Bloomingdale
25 Avenue, Brandon, Florida 33511 (license number 603-5584).
26 2. Commencing on February 27, 2006 and continuing through April 17, 2007, the
27 Commissioner issued 13 additional licenses to engage in the business of a finance lender and/or
28 broker under the CFL to Aapex as follows: license number 603-C671 located at 5315 Avenida

1 Encinas, Suite 234, Carlsbad, California 92008, license number 603-C872 located at 1 Orchard
2 Road, Suite 210, Lake Forest, California 92630; license number 603-C873 located at 7390 Lincoln
3 Way, Suite 200, Garden Grove, California 92841; license number 603-D825 located at 2400 Niles
4 Street, Bakersfield, California 93306; license number 603-D828 located at 850 2nd Street, Suite 207,
5 Santa Monica, California 90403; license number 603-E284 located at 50225 Harrison Street, Suite
6 103, Coachella, California 92236; license number 603-E489 located at 2315 N. Frederic Street, Suite
7 N, Burbank, California 91501; license number 603-E802 located at 9205 Archibald Avenue, Rancho
8 Cucamonga 91730; license number 603-E967 located at 17401 Irvine Boulevard, Orange, California
9 92780; license number 605-3418 located at 2480 Middlefield, #172R, Redwood City, California
10 94063; license number 605-3716 located at 101 Sand Creek Road, Suite 308, Brentwood, California
11 94513; license number 607-2564 located at 8150 Sierra College Boulevard, #250, Roseville,
12 California 95661; and license number 607-2630 located at 1900 Point West Way, Suite 204,
13 Sacramento, California 95815.

14 3. The short form finance lender license applications filed with the Commissioner by
15 Aapex pursuant to Financial Code section 22102 for the thirteen additional licenses described in
16 paragraph 2 above, stated that Aapex was the applicant and were signed under penalty of perjury by
17 the president of Aapex.

18 4. On September 28, 2006, February 21, 2007, February 26, 2007, April 2, 2007, May,
19 16, 2007, May 18, 2007, and June 15, 2007, Aapex filed with the Commissioner seven further
20 applications for finance lender licenses to be located respectively at 5777 Madison Avenue, Suite
21 990, Sacramento, California 95841 (file number 607-2658); 632 Estancia, Irvine, California 92602
22 (file number 603-E966); 5890 Stoneridge Drive #212 & 213, Pleasanton, California 94588 (file
23 number 603-F011); 610 S. Main Street, #241, Los Angeles, California 90014 (file number 603-
24 F200); 4034 Morell Street, San Diego, California 92109 (file number 603-F413); 1348 Milano
25 Drive, #1, West Sacramento, California 95691 (file number 607-2888); and 4268 Tuluiyani Drive,
26 Chico, California 95973 (file number 607-2904). The pending applications all identified Aapex as
27 the applicant and were signed under penalty of perjury by the president of Aapex.
28

1 5. Pursuant to Financial Code sections 22100 and 22152, any person engaged in the
2 business of a finance lender and/or broker must have a separate license for each location in which it
3 engages in finance lending and/or brokering activity.

4 6. On April 19, 2007, the Commissioner, through his staff, commenced a special
5 examination of Aapex based upon information received that Aapex was engaged in net branching,
6 i.e. renting its licenses to third parties. Net branching is prohibited under the CFLL pursuant to
7 Financial Code sections 22010 and 22151. Under the provisions of Financial Code section 22151,
8 licenses issued under the CFLL are not transferable or assignable. Moreover, Financial Code section
9 22010 requires persons employed at CFLL licensed locations to be actual employees of the licensee
10 or separately licensed.

11 7. The special examination disclosed that the Coachella, Orange and Redwood City
12 offices of Aapex were net branches in violation of Financial Code sections 22010 and 22151 in that
13 the “branch managers” were not employees of Aapex, the licensing costs for the offices were borne
14 by the “branch manager(s)”, the office lease is in the name of the “branch manager(s)”, and/or the
15 “branch managers” are responsible for all aspects of operating the office including all expenses
16 associated therewith.

17 8. The “branch managers” at the Coachella, Orange and Redwood City locations were
18 not separately licensed under the CFLL. As the “branch managers” were not separately licensed
19 under the CFLL, the Coachella, Orange and Redwood City locations also constituted unlicensed
20 locations in violation of Financial Code section 22100.

21 9. The Commissioner believes that the remaining branch locations in California are also
22 net branches in violation of the CFLL in that Aapex advertised net branching on its website located
23 at www.aapexmortgagenetbranch.com.

24 10. The special examination further revealed that Aapex (i) routinely split fees with its
25 “branch managers” in violation of California Code of Regulations, title 10, section 1451(c), which
26 rule prohibits the payment of any compensation to an unlicensed person or company except
27 employees, a licensed real estate broker or financial institution exempt from licensing under the
28 CFLL, (ii) brokered to a non-CFLL lender in violation of Financial Code section 22059 on at least

1 one occasion through the Orange branch and (iii) failed to give a borrower the broker statement
2 disclosing the name, address, license number and amounts to be paid to both the broker and lender in
3 connection with the loan as required under Financial Code section 22338 on at least one occasion
4 through the Orange branch.

5 11. The April 19, 2007 special examination disclosed that the “branch managers” of at
6 least the Coachella, Orange, and Redwood City locations were in fact the owners and operators of
7 those offices. Thus, representations of Aapex in the applications for Coachella, Orange and
8 Redwood City, if not for all the other additional locations, that Aapex was the applicant and
9 responsible entity for these locations were false.

10 12. On January 25, 2007, the Alabama State Banking Department issued an Order
11 revoking the Alabama Consumer Credit Act license of Aapex, and further ordering Aapex to cease
12 further operations in the State of Alabama.

13 13. On March 13, 2007, the Commissioner of Banks of the Commonwealth of
14 Massachusetts issued a Temporary Order to Cease and Desist ordering Aapex to cease lending
15 activities in Massachusetts.

16 14. On March 23, 2007, the Georgia Department of Banking and Finance issued an Order
17 to Cease and Desist ordering Aapex to cease engaging in unlicensed lending activity in the State of
18 Georgia.

19 15. On June 20, 2007, the Commissioner of Banks of the State of North Carolina issued
20 an Order of Suspension suspending Aapex’s license to engage in mortgage lending in the State of
21 North Carolina.

22 16. Pursuant to the license application requirements of Financial Code sections 22101
23 and 22102 and California Code of Regulations, title 10, sections 1422 and 1423, Aapex is required
24 to disclose whether it has been the subject of any administrative action of another state and attest to
25 not having engaged in any conduct that would be cause for denial.

26 17. Pursuant to Financial Code section 22705.1, any disciplinary action taken by another
27 state for an action substantially related to the activity regulated under the CFLL may be grounds for
28 disciplinary action by the Commissioner and a certified copy of the record of the disciplinary action

1 shall be conclusive evidence of the events related therein.

2 18. Pursuant to Financial Code section 22109, the Commissioner may deny a license
3 application(s) if the “applicant . . . has violated any provision of this division or the rules thereunder
4 or any similar regulatory scheme of the State of California or a foreign jurisdiction.”

5 19. Making false statement(s) of material fact in the application(s), violating Financial
6 Code sections 22010, 22059, 22100, 22151, 22152 and California Code of Regulations, title 10,
7 section 1451(c) and similar regulatory schemes of foreign jurisdictions are grounds under California
8 Financial Code section 22109 to deny license application(s) under the CFLL.

9 20. On July 26, 2007, the Commissioner issued a Notice of Intention to Issue Order
10 Revoking Finance Lenders Licenses and To Issue Order Denying Finance Lender License
11 Applications, Accusation/Statement of Issues, and accompanying documents against Aapex based
12 upon the above, and Aapex was served with those documents on July 26, 2007 via certified, return-
13 receipt mail at its licensed main office location on file with the California Department of
14 Corporations and on its registered agent for service of process in California. The Department has
15 received no request for a hearing from Aapex and the time to request a hearing has expired.

16 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the finance
17 lender license applications of Aapex described in paragraph 4 above are hereby denied. This order is
18 effective as of the date hereof.

19 Dated: August 22, 2007
20 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

21 By _____
22 Alan S. Weinger
23 Senior Corporations Counsel
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