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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

13	In the Matter of:)	CFL APPLICATION NO.: 60DBO 66865
14	THE COMMISSIONER OF BUSINESS)	STATEMENT OF ISSUES
15	OVERSIGHT,)	
16	Complainant,)	
17	v.)	
18	LENDEREDGE, LLC,)	
19	Respondent.)	
20)	
21)	

23 Jan Lynn Owen, the Commissioner of Business Oversight (Commissioner), is informed and
24 believes, and based on such information and belief, alleges and charges Respondent LenderEDGE,
25 LLC (LenderEDGE) as follows:

26 **I.**

27 **Jurisdiction and Venue**

28 1. The Commissioner has jurisdiction over the licensing and regulation of finance lenders

1 and brokers in this state under the California Financing Law (CFL) (Fin. Code, § 22000 et seq.).

2 2. The CFL is intended to ensure an adequate supply of credit to borrowers in California,
3 to simplify, clarify, and modernize the law governing loans made by finance lenders, to foster
4 competition among finance lenders, to protect borrowers against unfair practices by some lenders,
5 having due regard for the interests of legitimate and scrupulous lenders, to permit and encourage the
6 development of fair and economically sound lending practices, and to encourage and foster a sound
7 economic climate in this state. (Fin. Code, § 22001, subd. (a).)

8 **II.**

9 **Statement of Facts**

10 3. LenderEDGE is a limited liability company in good standing, duly formed and
11 existing under the laws of the State of California. LenderEDGE's principal place of business is 23
12 Corporate Plaza Drive, Suite 100, Newport Beach, California. Ethan Taub is LenderEDGE's chief
13 executive officer.

14 4. At all times relevant herein, LenderEDGE did not hold any license under the CFL.

15 5. OfferEDGE, Inc. (OfferEDGE) is a corporation in good standing, duly formed and
16 existing under the laws of the State of Delaware. OfferEDGE's principal place of business is 23
17 Corporate Plaza Drive, Suite 100, Newport Beach, California. OfferEDGE is the parent and manager
18 of LenderEDGE. Ethan Taub is the 100-percent shareholder and owner of OfferEDGE.

19 6. On or about February 1, 2017, LenderEDGE applied to the Commissioner to obtain a
20 CFL broker's license, application number 60DBO 66865.

21 7. Question 8. of the CFL broker application asks that the applicant disclose whether it
22 intends to conduct any other business at its proposed licensed place of business. If the applicant's
23 answer is yes, the Commissioner requires the applicant to disclose such business activities in detail.

24 8. LenderEDGE answered "yes" to question 8. and provided the following explanation:
25 "We have two additional organizations that we are applying for CFL licenses in parallel to this
26 application. One will generate small dollar loan leads (Cashry, LLC), the other will generate leads for
27 multiple loan types including auto, personal, student, and credit card loans with mortgage loans in the
28

1 future (Loanry, LLC). Regarding AccuRATE, LLC it is currently inactive and with no development
2 activities at this time."

3 9. At Exhibit M to LenderEDGE's February 1 application, LenderEDGE provided the
4 Commissioner with the company's organization chart. The organization chart disclosed
5 LenderEDGE's parent entity, OfferEDGE, and three sister limited liability companies: Loanry, LLC,
6 Cashry, LLC, and AccuRATE, LLC.

7 10. But a subsequent review of LenderEDGE's website disclosed additional entities or
8 registered service marks or trade names that appeared to operate from the proposed licensed location
9 or were affiliated with LenderEDGE. Those undisclosed entities included Creditry, EDGEtree, and
10 CoinEDGE. The Commissioner subsequently requested LenderEDGE amend its application and
11 provide an explanation as to why its February 1 application failed to disclose the additional entities
12 operating at the company's proposed licensed location.

13 11. On or about January 23, 2018, LenderEDGE filed an amended application. At
14 Addendum A, LenderEDGE provided an explanation concerning the undisclosed entities. In the
15 addendum, LenderEDGE explained that: "Additional names on the OfferEDGE and LenderEDGE
16 websites are concepts not fully developed or operationalized. Creditry, EDGEtree, and CoinEDGE
17 are domain names and branding concepts that are being conceptualized and tested. These are not
18 separate businesses operating from the same location."

19 12. As part of the routine application process, Department staff reviewed LenderEDGE's
20 financial statements, which LenderEDGE had submitted with its application. A review of the
21 company's financial statements disclosed LenderEDGE had earned gross income of approximately
22 \$1,928,870.00 during the period March to December 2016. The Commissioner requested
23 LenderEDGE submit additional supporting documentation concerning its earnings.

24 13. A further review of LenderEDGE's supporting documentation, showed that from at
25 least 2014 through at least December 2016, LenderEDGE engaged in the business of a finance broker
26 or solicited or accepted applications for loans while not regularly employed at a licensed place of
27 business of a CFL-licensed finance lender or broker (Finance Company or Companies).

28 14. From at least 2014 to at least December 2016, LenderEDGE paid fees to independent

1 sales organizations, referral partners, lead generators, and finders (collectively, Referral Partners),
2 which were not licensed as brokers under the CFL, in connection with loans originated by Finance
3 Companies.

4 15. From 2014 to at least December 2016, LenderEDGE received fees from Finance
5 Companies for providing them with contact information about specific borrower applicants, such
6 consumer contact information is commonly referred to as a "referral" or "lead." But LenderEDGE
7 went a step further, providing Finance Companies with information it had obtained from Referral
8 Partners concerning applicants for the purpose of evaluating and recommending loan options for each
9 applicant, such as social security number, contact information (address, phone number, e-mail
10 address), and monthly income.

11 16. LenderEDGE received a fee for each referral or lead it sold to Finance Companies.

12 17. In one example, on February 18, 2014, LenderEDGE entered into a "Marketing
13 Agreement" with a Finance Company. The marketing agreement provided that LenderEDGE would
14 receive compensation from the Finance Company for providing valid qualified submissions or
15 leads, which the parties defined as:

16 [A] lead or submission that includes the information for an individual
17 person that . . . is not a computer[-]generated user . . . and has
18 submitted information that meets all of [the Finance Company's]
19 criteria as provided to [LenderEDGE] and all necessary data to use the
20 lead in the manner as set forth herein or in the [insertion order].

21 18. On October 17, 2014, LenderEDGE and the Finance Company agreed to a
22 "Marketing Insertion Order" that specified the terms and conditions for compensable leads by the
23 Finance Company, including specified minimum age; state of residency; and completion of all
24 required fields in the application form (including the applicant's first and last name, e-mail, phone
25 number, social security number, address, and monthly income).

26 19. LenderEDGE provided invoices for compensable leads on an approximately weekly
27 basis to the Finance Company, which set forth the number of leads sold, the amount of
28 compensation for each lead sold, and the total amount invoiced to the Finance Company for that
week. In one buyer report LenderEDGE provided to the Commissioner, LenderEDGE sold 126

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(3) The applicant or an officer, director, general partner, person responsible for the applicant's lending activities in this state, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

(c) The commissioner shall, within 60 days from the filing of a full and complete application for a license with the fees, either issue a license or file a statement of issues prepared in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

- 25. Title 10 of the California Code of Regulations, section 1451, subdivision (c):
No finance company shall pay any compensation to an unlicensed person or company for soliciting or accepting applications for loans, except for an employee regularly employed at a licensed place of business of the finance company[.]

IV.

Prayer

The Commissioner finds that, by reason of the foregoing, LenderEDGE made a false statement of material fact in its initial application when it failed to disclose certain entities or registered service marks or trade names affiliated with the applicant, which operated at the licensed location. LenderEDGE also engaged in the business of a finance broker without first obtaining a license from the Commissioner in violation of Financial Code section 22100, subdivision (a), and is not exempt from licensure under the CFL. Under Financial Code section 22109, subdivisions (a)(1) (false statement of material fact in application) and (a)(3) (violation of the CFL), the Commissioner has grounds to deny LenderEDGE’s application for a finance broker license.

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1 WHEREFORE IT IS PRAYED the broker license application filed by LenderEDGE be
2 denied.

3 Dated: November 20, 2018
4 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

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6
7 By: _____
8 Blaine A. Noblett
9 Senior Counsel
10 Enforcement Division
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