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

I.  Jurisdiction and Venue

1.  The Commissioner has jurisdiction over the licensing and regulation of finance lenders
and brokers in this state under the California Financing Law (CFL) (Fin. Code, § 22000 et seq.).

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

II.

Statement of Facts

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

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

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

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

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

8. LenderEDGE answered "yes" to question 8. and provided the following explanation: "We have two additional organizations that we are applying for CFL licenses in parallel to this application. One will generate small dollar loan leads (Cashry, LLC), the other will generate leads for multiple loan types including auto, personal, student, and credit card loans with mortgage loans in the
future (Loanry, LLC). Regarding AccuRATE, LLC it is currently inactive and with no development activities at this time."

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

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

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

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

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

14. From at least 2014 to at least December 2016, LenderEDGE paid fees to independent
sales organizations, referral partners, lead generators, and finders (collectively, Referral Partners),
which were not licensed as brokers under the CFL, in connection with loans originated by Finance
Companies.

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

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

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

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

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

19. LenderEDGE provided invoices for compensable leads on an approximately weekly
basis to the Finance Company, which set forth the number of leads sold, the amount of
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
leads to the Finance Company during the week of November 10, 2014 alone.

20. LenderEDGE operated a website at www.offeredge.com/lenderedge.html, which advertised LenderEDGE by stating:

We match people to Lenders in the Loanry Store using innovative marketing.

Using both traditional and cutting EDGE techniques, LenderEDGE supports a revenue-centric approach to lead generation. Each Lender relationship is personalized to meet specific goals. . . . LenderEDGE’s, unique lead generation platform helps Lenders control and purchase leads in the “tree”. Backed by a network of affiliates and an in-house team with years of experience in lending, credit, and marketing industries, LenderEDGE is focused on quality of leads it delivers to its buyers.

21. In a promotional video posted to YouTube on September 6, 2017, LenderEDGE chief operating officer Randy Brown described LenderEDGE as:

[A] very unique lead generation company that matches leads—for people looking for personal loans, business loans, payday loans—with the lenders that provide them. Our cutting-edge systems allows us to measure the quality of both the leads and back it in with the actual funding of the loans which gives optimum performance on both sides.

III.

Applicable Statutes

22. Financial Code section 22004 provides, “‘Broker’ includes any person who is engaged in the business of negotiating or performing any act as broker in connection with loans made by a finance lender.”

23. Financial Code section 22100, subdivision (a), states, “No person shall engage in the business of a finance . . . broker without obtaining a license from the commissioner.”

24. Financial Code section 22109, provides in pertinent part:

(a) Upon reasonable notice and opportunity to be heard, the commissioner may deny the application for a finance lender or broker license for any of the following reasons:

(1) A false statement of material fact has been made in the application.
(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.
WHEREFORE IT IS PRAYED the broker license application filed by LenderEDGE be denied.

Dated: November 20, 2018
Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

By: __________________________

Blaine A. Noblett
Senior Counsel
Enforcement Division