

1 MARY ANN SMITH
Deputy Commissioner
2 SEAN ROONEY
Assistant Chief Counsel
3 BLAINE A. NOBLETT (State Bar No. 235612)
Senior Counsel
4 MARLOU de LUNA (State Bar No. 162259)
Senior Counsel
5 Department of Business Oversight
6 320 W. 4th Street, Suite 750
7 Los Angeles, CA 90013-2344
8 (213) 576-1396 (213) 576-7181 (Fax)
9 Attorneys for Complainant

10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA
12

13	In the Matter of:)	OAH CASE NO.: 2018120497
14)	
15	THE COMMISSIONER OF BUSINESS)	CFL APPLICATION NO.: 60DBO 66865
16	OVERSIGHT,)	FIRST AMENDED STATEMENT OF ISSUES
17	Complainant,)	Hearing Date: June 10-13, 2019
18	v.)	Hearing Time: 9:00 a.m.
19	LENDEREDGE, LLC,)	Hearing Location: OAH, Los Angeles
20	Respondent.)	320 W. 4th Street, Suite 630
21)	Los Angeles, CA 90013
22)	Judge: Ji-Lan Zang
23)	
24)	

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

Jurisdiction and Venue

1. The Commissioner is authorized to pursue administrative actions and remedies against persons who engage in violations of the California Financing Law (Fin. Code, § 22000 et seq.) (CFL) and the California Deferred Deposit Transaction Law (Fin. Code, § 23000 et seq.) (CDDTL).

II.

Statement of Facts

2. 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 (Taub) is LenderEDGE's chief executive officer.

3. At all times relevant herein, LenderEDGE did not hold any license issued by the Commissioner under the authority of the CFL or CDDTL.

4. 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.

5. LenderEDGE operated a website at www.offeredge.com, 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.

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

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

8 7. On or about February 1, 2017, LenderEDGE applied to the Commissioner to obtain a
9 CFL broker license, application number 60DBO 66865.

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

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

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

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

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

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

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

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

16 20. LenderEDGE provided invoices for compensable leads on an approximately weekly
17 basis to the Finance Company, which set forth the number of leads sold, the amount of
18 compensation for each lead sold, and the total amount invoiced to the Finance Company for that
19 week. In one buyer report LenderEDGE provided to the Commissioner, LenderEDGE sold 126
20 leads to the Finance Company during the week of November 10, 2014 alone.

21 **Unlicensed Deferred Deposit Transaction Origination Activity**

22 21. According to its promotional video posted to YouTube, as described above,
23 LenderEDGE claimed to match leads for people looking for payday loans with the lenders that
24 provide them.

25 22. Beginning in or about March 2015, LenderEDGE engaged in the business of a
26 deferred deposit originator by arranging deferred deposit transactions for a deferred deposit
27 originator or assisting a deferred deposit originator in the origination of deferred deposit
28 transactions. The public commonly refers to deferred deposit transactions as "payday loans."

 23. For example, LenderEDGE and a Referral Partner, who was not licensed under the

1 CDDTL as a deferred deposit originator, entered a marketing insertion order dated March 17, 2015,
2 under which LenderEDGE agreed to purchase "Payday Real Time Leads" from the Referral Partner.
3 The parties' insertion order specified the terms and conditions for compensable "payday" leads by
4 LenderEDGE, which included a consumer's first and last name; address; state of residence; phone
5 number; social security number; date of birth; driver's license number and state of issuance;
6 employment information; frequency of pay; and bank account information.

7 24. From at least June 2015, in connection with deferred deposit transactions originated by
8 deferred deposit transaction originators, LenderEDGE paid fees to Referral Partners who were not
9 licensed under the CDDTL.

10 25. Beginning in at least February 2016 until at least February 2017, LenderEDGE
11 received fees from deferred deposit originators for providing them with leads for deferred deposit
12 transactions. LenderEDGE sold leads to at least three deferred deposit transaction originators who
13 hold or held licenses under the CDDTL. LenderEDGE received a fee for each lead it sold to deferred
14 deposit transaction originators.

15 26. In one example, on or about November 11, 2015, LenderEDGE entered into a "Lead
16 Purchase Agreement" with a licensed deferred deposit originator. The purchase agreement stated
17 LenderEDGE would receive compensation from the deferred deposit originator for providing it with
18 consumer leads for short-term loans. The purchase agreement described LenderEDGE as being in
19 the business of generating leads "by the placing of online advertisements, ad banners, hyperlinks,
20 text content, buttons, and/or other forms of advertisement[.]"

21 27. LenderEDGE and the licensed deferred deposit originator agreed to an "Insertion
22 Order" that specified the terms and conditions for compensable leads by the deferred deposit
23 originator, including specified minimum age; bank account information; employment status; income
24 frequency; minimum monthly income; employment length; military status; and desired loan
25 amount.

26 28. LenderEDGE provided invoices for compensable leads on an approximately weekly
27 basis to the deferred deposit originator, which set forth the number of leads sold, the amount of
28 compensation for each lead sold, and the total amount invoiced to the deferred deposit transaction

1 originator for that month. In one buyer report LenderEDGE provided to the Commissioner,
2 LenderEDGE sold 13 leads to the deferred deposit transaction originator during the week of
3 February 29, 2016.

4 **III.**

5 **Applicable Statutes**

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

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

11 31. Financial Code section 22109, provides in pertinent part:

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

15 (1) A false statement of material fact has been made in the application.

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

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

28 32. Financial Code section 23005, provides in relevant part:

(a) A person shall . . . arrange a deferred deposit transaction for a
deferred deposit originator . . . or assist a deferred deposit originator in
the origination of a deferred deposit transaction without first obtaining

1 a license from the commissioner and complying with the provisions of
2 the [CDDTL].

3 33. Title 10 of the California Code of Regulations, section 1451, subdivision (c):

4 No finance company shall pay any compensation to an unlicensed
5 person or company for soliciting or accepting applications for loans,
6 except for an employee regularly employed at a licensed place of
7 business of the finance company[.]

8 **IV.**

9 **Prayer**

10 The Commissioner finds that, by reason of the foregoing, LenderEDGE made a false
11 statement of material fact in its initial application when it failed to disclose certain entities or
12 registered service marks or trade names affiliated with the applicant, which operated from the
13 licensed location. LenderEDGE also engaged in the business of a finance broker without first
14 obtaining a license from the Commissioner in violation of Financial Code section 22100,
15 subdivision (a), and is not exempt from licensure under the CFL. Finally, LenderEDGE violated
16 Financial Code section 23005, subdivision (a), by assisting a deferred deposit originator in the
17 origination of a deferred deposit transaction without first obtaining a license from the
18 Commissioner.

19 Under Financial Code section 22109, subdivisions (a)(1) (false statement of material fact in
20 application) and (a)(3) (violations of the CFL and CDDTL), the Commissioner has grounds to deny
21 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: April 10, 2019
4 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

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

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