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**FILED**

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DEPARTMENT OF REAL ESTATE  
BY: 

BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

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In the Matter of the Accusation of )  
 )  
AUTHORITY LENDING CORPORATION; and, ) No. H-38569 LA  
 )  
DERRICK ANTHONY JONES, individually and as )  
designated officer of Authority Lending Corporation; ) ACCUSATION  
 )  
Respondents. )

The Complainant, Anthony Vo, a Deputy Real Estate Commissioner of the State  
of California, for cause of Accusation against AUTHORITY LENDING CORPORATION;  
DERRICK ANTHONY JONES, individually and as designated officer of Direct Mortgage  
Fundors Inc., alleges as follows:

1.

The Complainant, Anthony Vo, acting in her official capacity as a Deputy Real  
Estate Commissioner of the State of California, makes this Accusation.

2.

All references to the "Code" are to the California Business and Professions Code  
and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

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3.

License Status

A. AUTHORITY LENDING CORPORATION ("ALC"). At all times mentioned, Respondent ALC was licensed or had license rights issued by the Department of Real Estate (Department) as a real estate broker. On March 3, 2006, ALC was originally licensed as a corporate real estate broker. Respondent ALC is authorized to act by and through Respondent DERRICK ANTHONY JONES as ALC's designated broker pursuant to Business and Professions Code (hereinafter "Code") Sections 10159.2 and 10211 to be responsible for ensuring compliance with the Real Estate Law.

B. DERRICK ANTHONY JONES ("JONES"). At all times mentioned, Respondent JONES was licensed or had license rights issued by the Department as a real estate salesperson. On July 9, 2002, JONES was originally licensed as a real estate broker. Since its inception on March 3, 2006, JONES became the designated officer of ALC.

D. DERRICK ANTHONY JONES is ALC's president, director, treasurer, secretary, designated officer and sole shareholder.

Brokerage

4.

At all times mentioned, in the City of Chino, County of Los Angeles, ALC and JONES acted as real estate brokers conducting licensed activities within the meaning of:

A. Code Section 10131(d). Respondents engaged in activities with the public wherein lenders and borrowers were solicited for loans secured directly or collaterally by liens on real property, wherein such loans were arranged, negotiated, processed and consummated on behalf of others for compensation or in expectation of compensation and for fees often collected in advance.

B. Code Section 10131(d) and 10131.2. Respondents advertised, solicited and offered to provide loss mitigation and loan modification services to economically distressed homeowners seeking adjustments to the terms and conditions of their home loans including, but

1 not limited to, repayment plans, forbearance plans, partial claims, and reduction in principal or  
2 interest, extenuations, foreclosure prevention and short sales.

3 D. At no time was Steven Rivera, Allen Carl, Omar Diaz, Avionne James or  
4 Broom Kurt, licensed by the Department in any capacity.

5 FIRST CAUSE OF ACCUSATION  
6 (Audit Examination)

7 5.

8 On September 27, 2012, the Department completed an audit examination of the  
9 books and records of ALC limited to the mortgage loan brokerage/loan modification activities  
10 only, as described in Paragraph 4, which require a real estate license. The audit examination  
11 covered a period of time beginning on June 1, 2009 and ending on May 31, 2012. The audit  
12 examination revealed violations of the Code and the Regulations as set forth in the following  
13 paragraphs, and more fully discussed in Audit Report LA 110175 and the exhibits and work  
14 papers attached to said audit report.

15 Trust Account

16 6.

17  
18 At all times mentioned, in connection with the activities described in Paragraph 5,  
19 above, ALC accepted or received funds including funds in trust ("trust funds") from or on behalf  
20 of actual or prospective parties to transactions including buyers, sellers, lenders and borrowers  
21 and loan modification applicants handled by ALC and thereafter made deposits and or  
22 disbursements of such funds. From time to time herein mentioned, during the audit period, said  
23 trust funds were deposited and/or maintained by ALC in the bank accounts as follows:

24 "Authority Lending Corporation ("B/A 1")  
25 \*\*\*\*\*1187"  
26 Pacific Western Bank  
27 Chino Hills, California  
(Advance Fee collections and disbursements from Loan Modification applicants  
and general account for ALC)

1 "Authority Lending Corporation ("B/A 2")  
2 \*\*\*\*\*1195"

3 Pacific Western Bank  
4 Chino Hills, California  
5 (Mortgage loan fees and Advance Fee collections and disbursements  
6 from Loan Modification applicants  
7 and general account for ALC)

8 "Authority Lending Corporation ("B/A 3")  
9 \*\*\*\*\*8054"

10 US Bank  
11 St. Paul, Minnesota  
12 (General Account)

13 Audit Violations

14 7.

15 In the course of activities described in Paragraphs 4 and 6, above, and during the  
16 examination period described in Paragraph 5, Respondents ALC and JONES, acted in violation  
17 of the Code and the Regulations in which Respondents:

18 (a) Permitted, allowed or caused the disbursement of trust funds from the bank  
19 accounts below where the disbursement of funds reduced the total of aggregate funds to an  
20 amount which, on May 31, 2012, less than the existing aggregate trust fund liability to every  
21 principal who was an owner of said funds, without first obtaining the prior written consent of the  
22 owners of said funds, in violation of Code Section 10145 and Regulation 2832.1:

- 23 • B/A 1 \$ 48,536.69
- 24 • B/A 2 \$415,615.11
- 25 \$464,151.80

1 (b) B/A 1 -3 were not in the name of the broker as trustee at a bank or other  
2 financial institution, nor designated as a trust account, in violation of Code Section 10145 of the  
3 Code and Regulation 2832(a).

4 (c) Failed to maintain a control record in chronological order for each beneficiary  
5 or transaction, thereby failing to account for advance fees collected for loan modification  
6 services, in violation of Code Section 10145 and Regulation 2831.

7 (d) Failed to maintain a separate record for each beneficiary or transaction,  
8 thereby failing to account for all advance fees collected for loan modification services, in  
9 violation of Code Section 10145 and Regulation 2831.1.

10 (e) Failed to perform a monthly reconciliation of the balance of all separate  
11 beneficiary or transaction records maintained pursuant to Regulation 2831.1 with the record of all  
12 trust funds received and disbursed by the bank accounts that contain trust funds for advance fees  
13 collected for loan modification services, in violation of Code Section 10145 and Regulation  
14 2831.2.

15 (f) Mixed, commingled and converted trust funds and ALC's funds by depositing  
16 advance fees received for loan modification service fees into ALC's general operating accounts,  
17 in violation of Code Sections 10145 and 10176(e) and Regulation 2832.

18 (g) Converted trust funds by depositing trust funds in the form of advance fees  
19 solicited from homeowner-borrowers for loan modification services into ALC's general  
20 operating account. ALC next reduced the amount in ALC's general account to an amount less  
21 than the amount of the trust funds deposited constituting conversion, in violation of Code  
22 Sections 10145 and 10176(i) and/or 10177(j).

23 (h) Collected advance fees within the meaning of Code Section 10026 from  
24 homeowners seeking loan modification services wherein ALC failed to provide loan  
25 modification applicants with a pre-approved advance fee agreement from the Department in the  
26 form of a no objection letter, in violation of Code Section 10085 and Regulation 2970. The  
27

1 Department issued a No Objection letter dated April 3, 2009 for use as an Advance Fee  
2 Agreement. However, the Advance Fee Agreement used by ALC for its loan modification  
3 activity including collecting of advance fees was not the same as the agreement approved by the  
4 Department.

5 (i) With reference to the lack of an advance fee agreement, ALC failed to provide  
6 a complete description of services to be rendered provided to each homeowner-borrower in 10  
7 point type font and, an allocation and disbursement of the amount collected as the advance fee  
8 for each loan modification, in violation of Code Section 10146 and Regulation 2972.

10 (j) Claimed, charged and collected advance fees after October 11, 2009, the SAFE  
11 ACT Initiation Date, for negotiating, arranging and/or offering to broker mortgage loans and loan  
12 modifications and other forms of mortgage loan forbearance for fees paid by the borrowers after  
13 October 10, 2009. Respondents received and collected advance fees totaling \$57,850.00 from  
14 homeowners before MRSI had fully performed each and every service for which MRSI had  
15 contracted to perform or represented that would be performed during the period of October 11,  
16 2009 to January 31, 2011, in violation of Code Sections 10085.5 and 10085.6.

18 (k) Employed and compensated Steven G. Rivera, Carl Allen IV, Omar Diaz,  
19 Avionne James and Kurt S. Broom, as loan and loss mitigations agents who JONES knew were  
20 not licensed by the Department as a real estate broker or as a real estate salesperson employed by  
21 a real estate broker, for performing acts for which a real estate license is required, including  
22 soliciting mortgage loans, in violation of Code Section 10137.

24 (l) Used the fictitious names of "Authority Lending" and "authoritylending.com",  
25 to conduct licensed activities including a loan modification and advanced fee brokerage, without  
26 first obtaining from the Department a license bearing said fictitious business name, in violation  
27

1 of Code Section 10159.5 and Regulation 2731.

2 (m) Failed to disclose ALC's real estate license identification number of ALC and  
3 and/or ALCS' s representatives license numbers of Mortgage Loan Applications for borrowers  
4 Willie Ray J., Ernest G. G Jr., Patricia A. M, and Nancy S., in violation of Code Section  
5 10140.6(b).

6 (n) Failed to display the ALC's license number on the on the Mortgage Loan  
7 Disclosure Statements for borrowers Willie Ray J., Ernest G. G Jr., and Patricia A. M., in  
8 violation of Code Section 10236.4.

10 (o) From May 2, 2011 to January 27, 2012, ALC's corporate status was suspended  
11 by the California Franchise Tax Board, yet ALC continued to conduct operations to date in  
12 particular engaging in loan modification activity with respect to the Jose Francisco V. loan  
13 modification on July 8, 2011, collecting \$1,530 in advance fees on that date, in violations of  
14 Code Section 10177(f) and Regulation 2742(c).

16 (p) Failed to retain all records of ALC's activity during the audit period requiring  
17 a real estate broker license, including but not limited to, the loan modification file for Norberto  
18 M., B/A 3 signature card, and credit report invoice and payment records for the Gustafson  
19 mortgage loan files, in violation of Code Section 10148.

21 (j) JONES failed to exercise reasonable control and supervision over the activity  
22 of ALC to secure full compliance with the Real Estate Law, in violation of Code Sections  
23 10159.2, 10177(h) and Regulation 2725.

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Discipline Statutes and Regulations

8.

The conduct of Respondents ALC and JONES, described in Paragraph 7, above, violated the Code and the Regulations as set forth below:

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
7(a)	Code Section 10145 and Regulation 2832.1
7(b)	Code Sections 10145 and Regulation 2832(a)
7(c)	Code Section 10145 and Regulation 2831
7(d)	Code Section 10145 and Regulation 2831.1
7(e)	Code Section 10145 and Regulation 2831.2
7(f)	Code Sections 10145 and 10176(e) and Regulation 2832
7(g)	Code Sections 10145 and 10176(i) and/or/10177(j)
7(h)	Code Section 10085 and Regulation 2970
7(i)	Code Section 10146 and Regulation 2972
7(j)	Code Sections 10085.5 and 10085.6
7(k)	Code Section 10137
7(l)	Code Section 10159.5 and Regulation 2731
7(m)	Code Section 10140.6
7(n)	Code Section 10236.4
7(o)	Code Section 10177(f) and Regulation 2742
7(p)	Code Section 10148
7(q)	Code Sections 10159.2 and 10177(h) and Regulation 2725 (JONES)

The foregoing violations constitute cause for discipline of the real estate license and license rights of Respondents ALC and JONES, as the case may be, under the provisions of Code Sections 10176(e), 10176(i), 10177(d) and/or 10177(g) and 10177(j), and 10177(h) for Respondent JONES.

SECOND CAUSE OF ACCUSATION  
(Loan Modification Services)

9.

At all times mentioned herein, Respondents ALC and JONES, engaged in the business of providing loan modification services and an advance fee brokerage requiring a real estate license to operate, within the definition of Code Sections 10131(d) and 10131.2.

General Allegations

10.

During the audit period and continuing thereafter to date, ALC and JONES, solicited economically distressed homeowners facing foreclosure and eviction from their homes, offered loss mitigation and loan modification services, charged, claimed and collected advance fees for services not rendered, for fees not refunded, and for loan modifications not obtained.

Specific Allegations

11.

Respondents ALC and JONES, offered loss mitigation and loan modification services to homeowner-applicants seeking pre-foreclosure work-outs' or downward adjustments or payment extenuations to their home mortgages. Respondents collected advanced fees directly from said homeowner- applicants through the instrumentality of unlicensed agents including Steven G. Rivera, Carl Allen IV, Omar Diaz, Avionne James and Kurt S. Broom, while possessing a pre-approved advance fee agreement from the Department but using an unapproved altered version of said agreement. Thereafter, Respondents ALC and JONES failed to obtain the loan modification services sought, nor fully refund the advance fees collected as tabled below:

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Table: Advance Fees for Loan Modification included in Audit Report LA110175: Issue Two

#	Name	Date of Transaction	Advance Fee Paid	LM Approved?	After SB 94	Notes
1	Fausto G.	04/03/2009	\$1850	Not by ALC	No	Refund of \$1500 issued
2	Frederik H.	05/23/2009	\$1850	Yes	No	
3	Barbara P.	06/16/2009	\$989	No	No	
4	Jerry and Sandra R.	09/09/2009	\$2876	No	No	Refund of \$746 issued; (H-37080 LA)
5	Richard S.	1/12/2009	\$1560	No	No	Refund of \$1560 issued
6	Moises and Romberto M.	Unknown	Unknown	Yes	No	
7	Ricardo and Authumn D.S.	12/11/2009	\$1750	No	Yes	Refund of \$400 issued
8	Luis G.	12/03/2010	\$1850	No	Yes	Settlement pending (H-37080 LA)
9	James F.	11/17/2010	\$925	No	Yes	Settlement pending (H-37080 LA)
10	Jeffrey and Jolyn H.	12/04/2010	\$1850	No	Yes	Respondents to pay \$2060 in civil settlement (H-37080 LA)
11	Salvador M.	07/09/2010	\$2000	Yes?	Yes	\$146.40 Refund pending
12	Richardo R.	11/03/2010	\$1850	No	Yes	\$466 Refund pending
13	Jose V. and Laura L.	07/08/2011	\$1530	No	Yes	
14	Ronald W.	10/27/2010	\$1850	No	Yes	
15	Norberto M.	Unknown	Unknown	unknown	Unknown	
		Total:	\$22,730			

1                   Loan Modification Violations and Disciplinary Statutes

2   12.

3                   The conduct of Respondents ALC and JONES violated the Code and the  
4 Regulations as set forth below.

5   13.

6                   13(a) Code Section 10176(a) for substantial misrepresentation of loan  
7 modification/short sale services contracted for but not provided or refunded.

8                   13(b) Code Section 10176(b) for making false promises of a character likely to  
9 influence, persuade or induce the tabled homeowner-applicants to pay advance fees for loan  
10 modification services contracted for but not provided (ALC and JONES).

11                   13(c) Code Section 10085 and Regulation 2970 (ALC and JONES).

12                   13(d) Code Section 10177(d) for violation of the Real Estate Law.

13                   13(e) Code Section 10177(g) for negligence.

14   THIRD CAUSE OF ACCUSATION  
15   (Negligence)

16   14.

17                   The overall conduct of Respondents ALC and JONES constitutes negligence and  
18 is cause for discipline of the real estate license and license rights of said Respondents pursuant to  
19 the provisions of Code Section 10177(g).

20   FOURTH CAUSE OF ACCUSATION  
21   (Fiduciary Duty)

22   15.

23                   The overall conduct of Respondents ALC and JONES constitute a breach of their  
24 fiduciary duty of good faith, trust, confidence and candor, within the scope of their brokerage  
25 relationship, which is owed to the parties of ALC's brokered transactions beneficiaries, in  
26 violation of Code Section 10177(g), and constitutes cause for discipline of the real estate license  
27 and license rights of said Respondents pursuant to said section.

FIFTH CAUSE OF ACCUSATION  
(Supervision and Compliance)


16.

The overall conduct of Respondent JONES constitutes a failure on said Respondent's part, as officer designated by a corporate broker licensee, to exercise the reasonable supervision and control over the licensed activities of ALC as required by Code Section 10159.2 and Regulation 2725, and to keep ALC in compliance with the Real Estate Law, and is cause for discipline of the real estate license and license rights of Respondent JONES pursuant to the provisions of Code Sections 10177(d), 10177(g) and 10177(h).

WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against the license and license rights of Respondents AUTHORITY LENDING CORPORATION, DERRICK ANTHONY JONES, under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) and for such other and further relief as may be proper under other applicable provisions of law including but not limited to, (1) restoral of the trust fund shortage of \$464,151.80, (2) restitution, (3) costs of audit pursuant to Code Section 10148; and (4) costs of investigation and enforcement pursuant to Code Section 10106.

Dated at Los Angeles, California

this

  
Deputy Real Estate Commissioner

cc: Authority Lending Corporation  
c/o Derrick Anthony Jones D.O.  
Anthony Vo  
Sacto  
Enforcement - William Pak  
Audits - Anna Hartoonian