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MAR 07 2014

BUREAU OF REAL ESTATE

By *J. L. Leno*

BEFORE THE BUREAU OF REAL ESTATE

STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of

No. H-38569 LA

AUTHORITY LENDING CORPORATION; and

DERRICK ANTHONY JONES,
individually and as designated officer
of Authority Lending Corporation,

Respondents,

DECISION

This Decision is being issued in accordance with the provisions of Section 11520 of the Government Code, on evidence of compliance with Section 11505 of the Government Code and pursuant to the Order of Default filed on July 22, 2013, and the findings of fact set forth herein are based on one or more of the following: (1) Respondents AUTHORITY LENDING CORPORATION and DERRICK ANTHONY JONES, individually and as designated officer of Authority Lending Corporation; express admissions; (2) affidavits; (3) Investigative Case Analysis and (4) Bureau Audit Report LA 110175; and (5) other evidence.

FACTUAL FINDINGS

1.

On November 21, 2012, Anthony Vo made the Accusation in his official capacity as a Deputy Real Estate Commissioner of the State of California. The Accusation, Statement to Respondent, and Notice of Defense were mailed by certified mail, to Respondents' last known mailing addresses on file with the Bureau on November 21, 2012 by certified mail.

2.

On July 22, 2013, no Notice of Defense having been filed herein within the time prescribed by Section 11506 of the Government Code, Respondents AUTHORITY LENDING CORPORATION and DERRICK ANTHONY JONES default was entered herein. 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.

3.

License Status

A. AUTHORITY LENDING CORPORATION ("ALC"). At all times mentioned, Respondent ALC was licensed or had license rights issued by the Bureau of Real Estate (Bureau) 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 Bureau as a real estate broker. 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.

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

C. At no time was Steven Rivera, Allen Carl, Omar Diaz, Avionne James or Broom Kurt, licensed by the Bureau in any capacity.

5.

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

Trust Account

6.

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

"Authority Lending Corporation

("B/A 1")

*****1187"

Pacific Western Bank

Chino Hills, California

(Advance Fee collections and disbursements from Loan Modification applicants and general account for ALC)

"Authority Lending Corporation

("B/A 2")

*****1195"

Pacific Western Bank

Chino Hills, California

(Mortgage loan fees and Advance Fee collections and disbursements from Loan Modification applicants and general account for ALC)

“Authority Lending Corporation
*****8054”

(“B/A 3”)

US Bank
St. Paul, Minnesota
(General Account)

Audit Violations

7.

In the course of activities described in Findings 4 and 6, above, and during the examination period described in Finding 5, Respondents ALC and JONES, acted in violation of the Code and the Regulations in which Respondents:

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

B/A 1 \$ 48,536.69

B/A 2 \$415,615.11

\$464,151.80

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

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

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

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

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

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

(h) Collected advance fees within the meaning of Code Section 10026 from homeowners seeking loan modification services wherein ALC failed to provide loan modification applicants with a pre-approved advance fee agreement from the Bureau in the form of a no objection letter, in violation of Code Section 10085 and Regulation 2970. The Bureau issued a No Objection letter dated April 3, 2009 for use as an Advance Fee Agreement. However, the Advance Fee Agreement used by ALC for its loan modification activity including collecting of advance fees was not the same as the agreement approved by the Bureau.

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

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

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

(l) Used the fictitious names of "Authority Lending" and "authoritylending.com", to conduct licensed activities including a loan modification and advanced fee brokerage, without first obtaining from the Bureau a license bearing said fictitious business name, in violation of Code Section 10159.5 and Regulation 2731.

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

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

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

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

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

8.

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.

9.

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.

10.

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 Bureau 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:

Table: Advance Fees for Loan Modification included in Audit Report LA: 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.	07/08/201 1	\$1530	No	Yes	
14	Ronald W.	10/27/201 0	\$1850	No	Yes	
15	Norberto M.	Unknown	Unknown	unknown	Unknown	
		Total:	\$22,730			

11.

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

12.

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

13.

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).

DETERMINATION OF ISSUES

1.

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

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

The foregoing violations constitute cause for discipline of the real estate license and license rights of Respondents ALC and JONES, 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.

2.

The conduct of Respondents ALC and JONES, described in Findings 8 through 10, above, violated the Code and the Regulations as set forth below.

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

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

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

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

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

3.

The conduct of Respondents AUTHORITY LENDING CORPORATION and DERRICK ANTHONY JONES individually and as designated officer of Authority Lending Corporation as described in Finding 11, is in violation of Code Section 10177(g) and is cause for disciplinary action pursuant to Code Section 10177(g).

4.

The conduct of Respondents AUTHORITY LENDING CORPORATION and DERRICK ANTHONY JONES individually and as designated officer of Authority Lending Corporation as described in Finding 12, is in violation of Code Section 10177(g) and is cause for disciplinary action pursuant to Code Section 10177(g).

5.

The conduct of Respondents AUTHORITY LENDING CORPORATION and DERRICK ANTHONY JONES individually and as designated officer of Authority Lending Corporation as described in Finding 13, is in violation of Code Section 10177(g) and is cause for disciplinary action pursuant to Code Section 10177(g).

6.

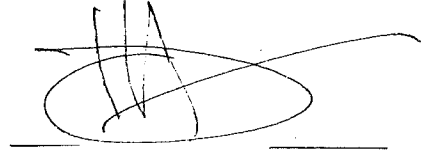
The standard of proof applied was clear and convincing proof to a reasonable certainty.

ORDER

The real estate license and license rights of Respondents AUTHORITY LENDING CORPORATION and DERRICK ANTHONY JONES individually and as designated officer of Authority Lending Corporation under the provisions of Part I of Division 4 of the Business and Professions Code are revoked.

This Decision shall become effective at 12 o'clock noon on MAR 28 2014
DATED: FEBRUARY 18, 2014

Real Estate Commissioner

A handwritten signature in black ink, appearing to be 'JEFFREY MASON', written over a horizontal line.

By: **JEFFREY MASON**
Chief Deputy Commissioner

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JUL 22 2013

DEPARTMENT OF REAL ESTATE
BY: 

Bureau of Real Estate
320 West 4th Street, Ste. 350
Los Angeles, California 90013-1105
(213) 576-6982

BEFORE THE BUREAU OF REAL ESTATE
STATE OF CALIFORNIA

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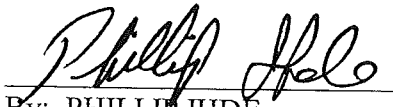
In the Matter of the Accusation of)
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)
DERRICK ANTHONY JONES,)
)
individually and as designated officer)
)
of Authority Lending Corporation,)
)
Respondents.)

DEFAULT ORDER

Respondents AUTHORITY LENDING CORPORATION and DERRICK
ANTHONY JONES having failed to file a Notice of Defense within the time required by Section
11506 of the Government Code are now in default. It is, therefore, ordered that a default be
entered on the record in this matter.

IT IS SO ORDERED

JULY 22, 2013
Real Estate Commissioner


By: PHILLIP IHDE
Regional Manager