

FILED

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DEPT. OF REAL ESTATE

By- 

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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation Against)
) DRE No. H-42725 LA
GREAT WALL REALTY, INC; and)
HONGHUA SHANG, individually and as)
Designated Officer of Great Wall Realty, Inc.,) ACCUSATION
)
Respondents.)

The Complainant, Jason Parson, a Supervising Special Investigator of the State of California, for cause of Accusation against GREAT WALL REALTY, INC (GWRI) and HONGHUA SHANG (SHANG), individually and as Designated Officer of Great Wall Realty, Inc. (sometimes referred to collectively as "Respondents") alleges as follows:

1.

The Complainant, Jason Parson, a Supervising Special Investigator of the State of California, makes this Accusation in his official capacity.

2.

All references to the "Code" are to the Real Estate Law, Part 1 of Division 4 of the California Business and Professions Code and all references to "Regulations" are to Title 10, Chapter 6 of the California Code of Regulations.

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LICENSE HISTORY

(GREAT WALL REALTY, INC)

3.

a. Respondent GWRI is presently licensed and/or has license rights under the Code as a corporate real estate broker with Department of Real Estate (“Department”) license ID 02024473.

b. The Department originally issued GWRI a broker license on or about February 17, 2017. GWRI’s license is set to expire on February 16, 2025, unless renewed.

c. GWRI’s designated officer is Respondent SHANG. Currently, GWRI employs one broker-associate and twenty-three salespersons.

d. GWRI maintains the fictitious business name “Echain Escrow A Non-Independent Broker Escrow” with the Department.

(HONGHUA SHANG)

4.

a. Respondent SHANG is presently licensed and/or has license rights under the Code as a real estate broker with Department license ID 01833183.

b. The Department originally issued SHANG a broker license on or about March 29, 2012. SHANG’s license is set to expire on April 2, 2024, unless renewed.

c. SHANG currently holds an individual Mortgage Loan Originator (“MLO”) license endorsement with the Department with National Mortgage Licensing System (“NMLS”) ID 335194.

d. Since on or about February 17, 2021, SHANG has been the designated officer for GWRI. As designated officer, SHANG is responsible for the supervision of the activities conducted on behalf of GWRI by its officers, agents, real estate licensees, and employees pursuant to Section 10159.2 of the Code. SHANG is the CEO and holds 100% shares of GWRI.

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1 (PRIOR LICENSE DISCIPLINE)

2 5.

3 On or about August 27, 2020, in Case Number H-41723 LA, the Complainant
4 Maria Suarez, in her official capacity as a Supervising Special Investigator of the State of
5 California, issued a First Amended Accusation against Respondents. The First Amended
6 Accusation alleged violations of the Code and Regulations relating to Respondents' property
7 management activities and broker-controlled escrows (Audit Number LA180128) through
8 GWRI under the exemption set forth in California Financial Code section 17006(a)(4) for real
9 estate brokers performing escrows incidental to a real estate transaction where the broker is a
10 party and where the broker is performing acts for which a real estate license is required. On or
11 about April 12, 2021, the Real Estate Commissioner issued an Order, effective May 19, 2021,
12 suspending the real estate licenses of Respondents for sixty (60) days with a monetary penalty
13 to stay the initial thirty (30) days of the suspension, with the remaining thirty (30) days stayed
14 if Respondents obey the Real Estate Law and Regulations. SHANG's MLO license
15 endorsement was revoked, provided, however, SHANG may apply for a restricted MLO license
16 endorsement for two (2) year term, under certain terms and conditions.

17 REAL ESTATE ACTIVITY

18 6.

19 At all times relevant herein GWRI engaged in the business of, acted in the
20 capacity of, advertised or assumed to act as a real estate broker for or in expectation of
21 compensation, within the meaning of Code section 10131(b), by leasing or renting or offering
22 to lease or rent, or placing for rent, or soliciting listings of places for rent, or soliciting for
23 prospective tenants, or negotiating the sale, purchase or exchanges of leases on real property, or
24 on a business opportunity, or collecting rents from real property, or improvements thereon, or
25 from business opportunities ("property management").

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1 CAUSE FOR ACCUSATION

2 (AUDIT NO. LA220105)

3 7.

4 On or about July 28, 2023, the Department completed an audit examination of
5 the books and records of GWRI pertaining to its property management activities described in
6 Paragraph 6, above. The audit examination covered the period of time from March 1, 2021, to
7 May 31, 2023 (“audit period”). The audit examination revealed violations of the Code and the
8 Regulations as set forth in the following paragraphs, and more fully discussed in Audit Report
9 No. LA220105 and the exhibits and work papers attached to said audit report.

10 8.

11 At all times mentioned herein, and in connection with the property management
12 activities described in Paragraph 6, above, GWRI managed approximately eight (8) properties
13 with fifteen (15) units for six (6) owners during the audit period. GWRI accepted or received
14 funds, including funds in trust (“trust funds”) from or on behalf of the owners of the properties
15 managed by GWRI, and thereafter made deposits and/or disbursements of such funds. GWRI
16 originally maintained one bank account at Chase Bank with Account No. xxx8653 (“BA1”) to
17 hold and collect trust funds for multiple beneficiaries during the audit period. On May 24,
18 2023, GWRI opened and transferred trust funds from BA1 to East West Bank with Account
19 No. xxx8554 (“TA2”).

20 Violations of the Real Estate Law

21 9.

22 The audit examination revealed violations of the Code and the Regulations, as
23 set forth in the following paragraphs, and more fully discussed in Audit Report No. LA220105
24 and the exhibits and work papers attached to the audit reports:

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1 **(a) Handling of Trust Funds/Trust Fund Handling for Multiple Beneficiaries (Code**
2 **section 10145(a); Regulations section 2832.1).**

3 As of April 28, 2023, BA1 had a trust fund shortage of \$10,552.09, which
4 included unidentified funds of \$1,277.44. The shortage was caused by negative balances for
5 beneficiaries.

6 SHANG did not provide any evidence that the owners of the trust funds had
7 given their written consent to allow GWRI to reduce the balance of funds in BA1, to an amount
8 less than the existing aggregate trust fund liabilities.

9 On or about May 4, 2023, GWRI closed BA1 and SHANG deposited funds from
10 GWRI's general fund into TA1 to cure the shortage found in BA1.

11 **(b) Trust Fund Handling (Code sections 10145; Regulations section 2832).**

12 BA1 was not designated as a trust account in the name of "Great Wall Realty,
13 Inc" or its fictitious business name as trustee. According to SHANG, BA1 was a general
14 account. According to the books and records of BA1, however, BA1 held trust funds. The
15 Department auditor was unable to verify the signatories on BA1 since SHANG did not provide
16 a copy of the bank signature card and/or account verification letter for BA1 after several
17 requests.

18 **(c) Handling of Trust Funds; Separate Records for Each Beneficiary or Transaction**
19 **(Code section 10145; Regulations section 2831.1).**

20 As of April 28, 2023, GWRI did not maintain a separate record for the
21 unidentified funds of \$1,277.44 in BA1. As of May 31, 2023, GWRI did not maintain a
22 separate record for the unidentified funds of \$452.80 in TA2.

23 **(d) Handling of Trust Funds/Trust Account Reconciliation (Code section 10145;**
24 **Regulations section 2831.2).**

25 During the audit period, GWRI did not maintain monthly trust account
26 reconciliations for BA1 and TA2, to compare the balance of all separate records to the record
27 of all trust funds received and disbursed.

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1 **(e) Responsibility of Corporate Officer in Charge/Broker Supervision (Code sections**
2 **10159.2; Regulations section 2725).**

3 Based on the findings above, SHANG failed to exercise adequate supervision
4 and control over the activities conducted by GWRI's licensees and/or employees as necessary
5 to secure full compliance with the Real Estate Law in violation of 10159.2. Respondents failed
6 to establish policies, rules, procedures, and/or systems to review, oversee, inspect, and manage
7 and the handling of trust funds in violation of the Commissioner's Regulations section 2725.

8 10.

9 Each of the foregoing violations in Paragraph 9(a)-(e) above constitute cause for
10 the suspension or revocation of the real estate license and/or license rights of Respondents
11 GWRI and SHANG under the provisions of Sections 10177(d), 10177(g), and/or 10177(h).

12 **COSTS**

13 **(AUDIT COSTS)**

14 11.

15 Section 10148(b) of the Code, provides, in pertinent part, that the Real Estate
16 Commissioner shall charge a real estate broker for the costs of any audit if the Commissioner
17 has found in a final decision, following a disciplinary hearing, that the broker has violated
18 Section 10145 of the Code or a regulation or rule of the Commissioner interpreting said Code
19 section.

20 **(INVESTIGATION AND ENFORCEMENT COSTS)**

21 12.

22 Section 10106 of the Code, provides, in pertinent part, that in any order issued in
23 resolution of a disciplinary proceeding before the Department, the Commissioner may request
24 the administrative law judge to direct a licensee found to have committed a violation of this
25 part to pay a sum not to exceed the reasonable costs of investigation and enforcement of the
26 case.

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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 all the licenses and/or license rights of Respondents GREAT WALL REALTY, INC and HONGHUA SHANG, individually and as Designated Officer of Great Wall Realty, Inc, under the Real Estate Law, for the costs of investigation, the audit, and enforcement as permitted by law, and for such other and further relief as may be proper under other applicable provisions of law.

Dated at Los Angeles, California this 12th day of October, 2023.



Jason Parson
Supervising Special Investigator

cc: GREAT WALL REALTY, INC.
HONGHUA SHANG
Jason Parson
Sacto.
Audits – Mandeep Sidhu