

1 Department of Real Estate
2 320 West Fourth Street, #350
3 Los Angeles, California 90013

4 (213) 576-6982

FILED
FEB - 1 2010
DEPARTMENT OF REAL ESTATE

By C. [Signature]

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8 BEFORE THE DEPARTMENT OF REAL ESTATE
9 STATE OF CALIFORNIA

10 * * * *

11 In the Matter of the Accusation of)
12 GRAND MASTERS LENDING INC., a)
13 corporate real estate broker;)
14 MELESIO MORALES CORTES,)
15 individually and as former designated)
16 officer of Grand Masters Lending Inc.;)
17 and ANTONIO ZEPEDA, individually)
18 and as designated officer of Grand)
19 Masters Lending Inc.,)
20 Respondents.)

No. H-35904 LA
L-2009060746

STIPULATION AND AGREEMENT

21 It is hereby stipulated by and between MELESIO MORALES CORTES
22 (sometimes referred to herein as "Respondent"), representing himself in this matter, and the
23 Complainant, acting by and through Martha J. Rosett, Counsel for the Department of Real
24 Estate, as follows for the purpose of settling and disposing of the Accusation filed on
25 April 23, 2009 in this matter:

- 26 1. All issues which were to be contested and all evidence which was to be
27 presented by Complainant and Respondent at a formal hearing on the Accusation, which
hearing was to be held in accordance with the provisions of the Administrative Procedure Act

1 (APA), shall instead and in place thereof be submitted solely on the basis of the provisions of
2 this Stipulation and Agreement.

3 2. Respondent has received, read and understands the Statement to Respondent,
4 the Discovery Provisions of the APA and the Accusation filed by the Department of Real
5 Estate in this proceeding.

6 3. On April 29, 2009, Respondent filed a Notice of Defense pursuant to Section
7 11506 of the Government Code for the purpose of requesting a hearing on the allegations in the
8 Accusation. In order to effectuate this settlement, Respondent hereby freely and voluntarily
9 withdraws said Notice of Defense. Respondent acknowledges that he understands that by
10 withdrawing said Notice of Defense, he will thereby waive his right to require the
11 Commissioner to prove the allegations in the Accusation at a contested hearing held in
12 accordance with the provisions of the APA and that he will waive other rights afforded to him
13 in connection with the hearing such as the right to present evidence in defense of the
14 allegations in the Accusation and the right to cross-examine witnesses.

15 4. Respondent, pursuant to the limitations set forth below, although not
16 admitting or denying the truth of the allegations, will not contest the factual allegations
17 contained in the Accusation filed in this proceeding and the Real Estate Commissioner shall
18 not be required to provide further evidence of such allegations.

19 5. It is understood by the parties that the Real Estate Commissioner may adopt
20 the Stipulation and Agreement as his Decision in this matter, thereby imposing the penalty and
21 sanctions on Respondent's real estate license and license rights as set forth in the below
22 "Order". In the event that the Commissioner in his discretion does not adopt the Stipulation
23 and Agreement, it shall be void and of no effect, and Respondent shall retain the right to a
24 hearing and proceeding on the Accusation under all the provisions of the APA and shall not be
25 bound by any stipulation or waiver made herein.

26 6. The Order or any subsequent Order of the Real Estate Commissioner made
27 pursuant to this Stipulation and Agreement shall not constitute an estoppel, merger or bar to

1 any further administrative proceedings by the Department of Real Estate with respect to any
2 matters which were not specifically alleged to be causes for accusation in this proceeding.

3 7. This Stipulation and Respondent's decision not to contest the Accusation are
4 made for the purpose of reaching an agreed disposition of this proceeding, and are expressly
5 limited to this proceeding and any other proceeding or case in which the Department of Real
6 Estate ("Department"), or another licensing agency of this state, another state or if the federal
7 government is involved and otherwise shall not be admissible in any other criminal or civil
8 proceedings.

9 DETERMINATION OF ISSUES

10 By reason of the foregoing stipulations and waivers and solely for the purpose
11 of settlement of the pending Accusation without a hearing, it is stipulated and agreed that the
12 following Determination of Issues shall be made:

13 The conduct, acts and omissions of Respondent MELESIO MORALES
14 CORTES, as set forth in the Accusation, are in violation of Code Section 10159.2, and
15 constitute cause to suspend or revoke the real estate license and licensing rights of Respondent
16 MELESIO MORALES CORTES under the provisions of Business and Professions Code
17 ("Code") Section 10177(h), 10177(g) and 10177(d).

18 ORDER

19 WHEREFORE, THE FOLLOWING ORDERS are hereby made:

20 A. All licenses and licensing rights of Respondent MELESIO MORALES
21 CORTES under the Real Estate Law are suspended for a period of ninety (90) days from the
22 effective date of this Decision; provided, however, that ninety (90) days of said suspension
23 shall be stayed for two (2) years upon the following terms and conditions:

24 1. Respondent shall obey all laws, rules and regulations governing the
25 rights, duties and responsibilities of a real estate licensee in the State of California; and

26 2. That no final subsequent determination be made, after hearing or upon
27 stipulation, that cause for disciplinary action occurred within two (2) years of the effective date

1 of this Decision. Should such a determination be made, the Commissioner may, in his
2 discretion, vacate and set aside the stay order and reimpose all or a portion of the stayed
3 suspensions. Should no such determination be made, the stay imposed herein shall become
4 permanent.

5 B. All licenses and licensing rights of Respondent MELESIO MORALES
6 CORTES are indefinitely suspended unless or until Respondent provides proof satisfactory to the
7 Commissioner of having taken and successfully completed the continuing education course on
8 trust fund accounting and handling specified in subdivision (a) of Section 10170.5 of the
9 Business and Professions Code. Proof of satisfaction of this requirement includes evidence that
10 Respondent has successfully completed the trust fund account and handling continuing education
11 course within 120 days prior to the effective date of the Decision in this matter.

12
13 DATED: 11/23/09


14 MARTHA J. ROSETT
15 Counsel for Complainant

16 * * *

17 I have read the Stipulation and Agreement and its terms are understood by me
18 and are agreeable and acceptable to me. I understand that I am waiving rights given to me by
19 the California Administrative Procedure Act (including but not limited to Sections 11506,
20 11508, 11509 and 11513 of the Government Code), and I willingly, intelligently and
21 voluntarily waive those rights, including the right of requiring the Commissioner to prove the
22 allegations in the Accusation at a hearing at which I would have the right to cross-examine
23 witnesses against me and to present evidence in defense and mitigation of the charges.

24 Respondent may signify acceptance and approval of the terms and conditions of
25 this Stipulation and Agreement by faxing a copy of his signature page, as actually signed by
26 Respondent, to the Department at the following fax number (213) 576-6917. Respondent agrees,
27 acknowledges and understands that by electronically sending to the Department a fax copy of his

1 actual signature as it appears on the Stipulation, that receipt of the faxed copy by the Department
2 shall be as binding on Respondent as if the Department had received the original signed
3 Stipulation and Agreement.

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5 DATED: 10-08-2009

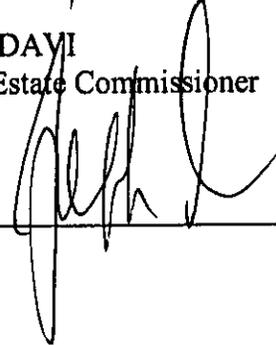
6 
MELESIO MORALES CORTES
Respondent

7
8 * * *

9 The foregoing Stipulation and Agreement is hereby adopted as my Decision in
10 this matter and shall become effective at 12 o'clock noon on MARCH 3, 2010.

11 IT IS SO ORDERED 12/16/09

12 JEFF DAVIS
13 Real Estate Commissioner

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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

ANTONIO ZEPEDA, individually and as
designated officer of Grand Masters Lending
Inc.,

Respondent.

Department No. H-35904 LA

OAH No. 2009060746

PROPOSED DECISION

This matter was heard on October 26-27, 2009, in Los Angeles, California, by Chris Ruiz, Administrative Law Judge, Office of Administrative Hearings, State of California.

Antonio Zepeda (Respondent) was present and was represented by John Vozenilek, Esq.

Complainant, Robin Trujillo, a Deputy Real Estate Commissioner, was represented by Martha Rosett, Counsel for Department of Real Estate (Department).

Oral and documentary evidence was presented and the matter was submitted for decision on October 27, 2009. At the hearing, Respondent Grand Masters Lending, Inc. (Grand) did not appear. As such, Grand was found in default and the matter was remanded to the Department as to Grand.

FACTUAL FINDINGS

1. Complainant brought the Accusation in her official capacity.
2. Respondent is presently licensed as a real estate broker and was initially licensed in September 1999. Between 1991 and 1999, Respondent was licensed as a real estate salesperson.
3. On May 1, 2008, Respondent became the designated broker-officer for Grand.
4. Grand was owned by Richard Bonilla (Bonilla). Bonilla ran the day-to-day operations of Grand and Respondent had very little involvement at Grand. He would go to Grand approximately once a week, ask how things were going, and then leave. Bonilla would tell Respondent that there was "no business" and Respondent would

leave. Respondent was not paid any money by Grand, although Grand collected approximately \$250,000.00 in advance fees while Respondent was the designated broker.

5. A Department audit revealed and established that Grand did not have a trust account, as is required. Grand was performing loan modifications and the advance fees must be placed in a trust account. Grand did not have an advance fee agreement. Instead, the advance fees were placed in to general business bank accounts and, at times, the balance was lower, or "short," than the total advance fees placed in those accounts. Additionally, Bonilla was the only signatory on the accounts and he did not have fidelity bond coverage.
6. On February 4, 2009, the Department issued a Desist and Refrain Order to Grand and Respondent, ordering them to stop collecting advance fees until they complied with Business and Professions Code section 10085 and California Code of Regulations section 2970. Respondent received the Desist and Refrain Order, but he never contacted the Department. Respondent also was present during the audit and did not offer any explanation to the auditor.
7. At hearing, Respondent testified that Bonilla was performing loan modifications without his knowledge. However, this testimony was not convincing. While Respondent may not have had direct knowledge of Bonilla's business, her certainly turned a "blind eye" to what was occurring Grand. Further, Respondent did not inform the Department that he knew nothing about Bonilla's actions when Respondent was first contacted by the Department. Respondent did tell Department personnel that wanted to step down as the broker for Grand.
8. Respondent is 61 years of age, married, and has 10 children, two of which reside with he and his wife. He is presently the broker at Hacienda Realty. There he earns a small fee for each transaction he supervises. Respondent made a similar deal with Bonilla. However, Bonilla would always tell Respondent that there was "no business."
9. When Respondent would visit Grand, he noticed there were approximately 10 employees working. It strains credibility to believe that at some point Respondent did not realize, or should have realized, that Grand was performing some business activity in order to pay its employees. As the designated broker, Respondent was responsible for all aspects of Grand's business under Code section 10159.2.
10. Respondent presented as a very pleasant gentleman. However, his testimony established that he can not remain licensed as a broker. Respondent attempted to place all blame on Bonilla. His testimony revealed that he does not appreciate that fact that, as the licensed broker, it was his responsibility to monitor all activity at Grand, and not to rely on Bonilla.

LEGAL CONCLUSION AND DISCUSSION

1. Cause exists to suspend or revoke Respondent's real estate broker's license pursuant to Business and Professions Code sections 10177, subdivisions (d), (h), and (g); 10176, subdivisions (i) and (e); and 10145, for the reasons set forth in factual findings 1-10. In sum, Respondent completely failed to supervise any aspect of the business conducted at Grand. His failure to do so, and his failure to understand that it was his responsibility to do so, established that he should not remain a broker. However, Respondent has been licensed by the Department for approximately 18 years and he was previously licensed as a real estate salesperson without incident. As such, the following order will adequately protect the consuming public.

ORDER

WHEREFORE, THE FOLLOWING ORDER is hereby made:

All licenses and licensing rights of Respondent Antonio Zepeda under the Real Estate Law are revoked; provided, however, a restricted real estate salesperson license shall be issued to Respondent pursuant to Section 10156.5 of the Business and Professions Code if Respondent makes application therefor and pays to the Department of Real Estate the appropriate fee for the restricted license within 90 days from the effective date of this Decision. The restricted license issued to Respondent shall be subject to all of the provisions of Section 10156.7 of the Business and Professions Code and to the following limitations, conditions and restrictions imposed under authority of Section 10156.6 of that Code:

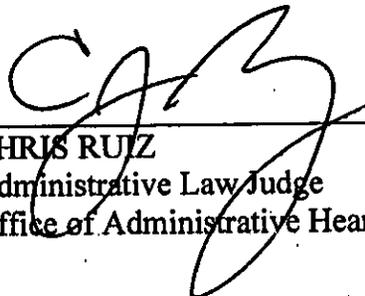
1. The restricted license issued to Respondent may be suspended prior to hearing by Order of the Real Estate Commissioner in the event of Respondent's conviction or plea of nolo contendere to a crime which is substantially related to Respondent's fitness or capacity as a real estate licensee.
2. The restricted license issued to Respondent may be suspended prior to hearing by Order of the Real Estate Commissioner on evidence satisfactory to the Commissioner that Respondent has violated provisions of the California Real Estate Law, the Subdivided Lands Law, Regulations of the Real Estate Commissioner or conditions attaching to the restricted license.
3. Respondent shall not be eligible to apply for the issuance of an unrestricted real estate license nor for the removal of any of the conditions, limitations or restrictions of a restricted license until one year has elapsed from the effective date of this Decision.
4. Respondent shall submit with any application for license under an employing broker, or any application for transfer to a new employing broker, a statement signed by the prospective employing real estate broker on a form approved by the Department of Real Estate which shall certify:

(a) That the employing broker has read the Decision of the Commissioner which granted the right to a restricted license; and

(b) That the employing broker will exercise close supervision over the performance by the restricted licensee relating to activities for which a real estate license is required.

5. Respondent shall, within nine months from the effective date of this Decision, present evidence satisfactory to the Real Estate Commissioner that Respondent has, since the most recent issuance of an original or renewal real estate license, taken and successfully completed the continuing education requirements of Article 2.5 of Chapter 3 of the Real Estate Law for renewal of a real estate license. If Respondent fails to satisfy this condition, the Commissioner may order the suspension of the restricted license until the Respondent presents such evidence. The Commissioner shall afford Respondent the opportunity for a hearing pursuant to the Administrative Procedure Act to present such evidence.

DATED: December 2, 2009.



CHRIS RUIZ
Administrative Law Judge
Office of Administrative Hearings

FILED
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DEPARTMENT OF REAL ESTATE

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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of) No. H-35904 LA
)
GRAND MASTERS LENDING INC,)
ANTONIO ZEPEDA, and)
MELESIO CORTES,)
)
Respondents.)

ORDER ACCEPTING VOLUNTARY SURRENDER OF REAL ESTATE LICENSE

On April 23, 2009, an Accusation was filed in this matter against Respondent GRAND MASTERS LENDING INC.

On October 26, 2009, Respondent petitioned the Commissioner to voluntarily surrender its real estate broker license(s) pursuant to Section 10100.2 of the Business and Professions Code.

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1 IT IS HEREBY ORDERED that Respondent GRAND MASTERS
2 LENDING INC's petition for voluntary surrender of its real estate
3 broker license(s) is accepted as of the effective date of this
4 Order as set forth below, based upon the understanding and
5 agreement expressed in Respondent's Declaration dated
6 October 26, 2009 (attached as Exhibit "A" hereto). Respondent's
7 license certificate(s), pocket card(s) and any branch office
8 license certificate(s) shall be sent to the below listed address
9 so that they reach the Department on or before the effective date
10 of this Order:

11 DEPARTMENT OF REAL ESTATE
12 Attn: Licensing Flag Section
13 P. O. Box 187000
14 Sacramento, CA 95818-7000

15 This Order shall become effective at 12 o'clock noon
16 on February 8, 2010.

17 DATED: _____

18 JEFF DAVI
19 Real Estate Commissioner
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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of)	No. H-35904 LA
<u>GRAND MASTERS LENDING INC.</u> ,)	L-2009060746
ANTONIO ZEPEDA, and)	
MELESIO CORTES,)	
)	
Respondents.)	

DECLARATION

My name is Richard ("Ricardo") Bonilla, and I am currently an officer of GRAND MASTERS LENDING INC., which is licensed as a real estate broker and/or has license rights with respect to said license. I am authorized to sign this declaration on behalf of GRAND MASTERS LENDING INC.

In lieu of proceeding in this matter in accordance with the provisions of the Administrative Procedures Act (Sections 11400 et seq., of the Government Code) GRAND MASTERS LENDING INC. wishes to voluntarily surrender its real estate license

1 issued by the Department of Real Estate ("Department"), pursuant
2 to Business and Professions Code Section 10100.2.

3 I understand that GRAND MASTERS LENDING INC., by so
4 voluntarily surrendering its license, can only have it reinstated
5 in accordance with the provisions of Section 11522 of the
6 Government Code. I also understand that by so voluntarily
7 surrendering its license(s), GRAND MASTERS LENDING INC. agrees to
8 the following:

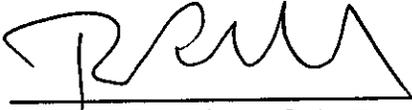
9 The filing of this Declaration shall be deemed as its
10 petition for voluntary surrender. It shall also be deemed to be
11 an understanding and agreement by GRAND MASTERS LENDING INC.
12 that, it waives all rights it has to require the Commissioner to
13 prove the allegations contained in the Accusation filed in this
14 matter at a hearing held in accordance with the provisions of the
15 Administrative Procedures Act (Government Code Sections 11400 et
16 seq.), and that it also waives other rights afforded to it in
17 connection with the hearing such as the right to discovery, the
18 right to present evidence in defense of the allegations in the
19 Accusation and the right to cross examine witnesses. I further
20 agree on behalf of GRAND MASTERS LENDING INC. that upon
21 acceptance by the Commissioner, as evidenced by an appropriate
22 order, all affidavits and all relevant evidence obtained by the
23 Department in this matter prior to the Commissioner's acceptance,
24 and all allegations contained in the Accusation filed in the
25 Department Case No. H-35904 LA, may be considered by the
26 Department to be true and correct for the purpose of deciding

27

1 whether or not to grant reinstatement of GRAND MASTERS LENDING
2 INC. license pursuant to Government Code Section 11522.

3 I declare under penalty of perjury under the laws of
4 the State of California that the above is true and correct and
5 that I am acting freely and voluntarily on behalf of GRAND
6 MASTERS LENDING INC. to surrender its license and all license
7 rights attached thereto.

8 10/26/09 in Los Angeles
9 Date and Place California


Richard (Ricardo) Bonilla

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MARTHA J. ROSETT, Counsel (SBN 142072)
Department of Real Estate
320 West Fourth St. #350
Los Angeles, CA 90013

(213) 576-6982
(213) 620-6430

FILED
APR 23 2009
DEPARTMENT OF REAL ESTATE

Handwritten signature: Martha J. Rosett

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * *

In the Matter of the Accusation of)	No. H-35904 LA
GRAND MASTERS LENDING INC., a)	<u>A C C U S A T I O N</u>
corporate real estate broker;)	
MELESIO MORALES CORTES,)	
individually and as former)	
designated officer of)	
Grand Masters Lending Inc., and)	
ANTONIO ZEPEDA, individually)	
and as designated officer of)	
Grand Masters Lending Inc.,)	
)	
Respondents.)	

The Complainant, Robin Trujillo, a Deputy Real Estate Commissioner, for cause of Accusation against GRAND MASTERS LENDING INC.; MELESIO MORALES CORTES, individually and as former designated officer of Grand Masters Lending Inc.; and ANTONIO ZEPEDA, individually and as designated officer of Grand Masters Lending Inc., is informed and alleges as follows:

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1.

1 The Complainant, Robin Trujillo, a Deputy Real Estate
2 Commissioner of the State of California, makes this Accusation in
3 her official capacity.
4

2.

5
6 At all times herein mentioned, Respondent GRAND MASTERS
7 LENDING INC., dba Exit Realty Speedway, dba Expanded Investments
8 Realty, and dba Next Level Lending Co. ("GRAND MASTERS"), was and
9 is licensed and/or has license rights under the Real Estate Law
10 (Part 1 of Division 4 of the Business and Professions Code) as a
11 corporate real estate broker. Respondent GRAND MASTERS was
12 originally licensed by the Department of Real Estate
13 ("Department") as a corporate real estate broker on or about
14 December 30, 2006. Between December 30, 2006 and April 30, 2008,
15 Respondent MELESIO MORALES CORTES was the broker-officer
16 designated pursuant to Business and Professions Code ("Code")
17 Section 10159.2 to be responsible for ensuring GRAND MASTERS'
18 compliance with the Real Estate Law. Beginning on or about May
19 1, 2008, Respondent ANTONIO ZEPEDA was and still is GRAND
20 MASTERS' designated broker-officer.
21

3.

22
23 Respondent MELESIO MORALES CORTES, dba OC Capital Group
24 (hereinafter "CORTES"), is licensed as a real estate broker.
25 Respondent CORTES was first licensed as a broker on or about June
26 23, 1999. Between on or about December 30, 2006 and April 30,
27

1 2008, Respondent CORTES was the designated broker-officer of
2 Respondent GRAND MASTERS.

3 4.

4 Respondent ANTONIO ZEPEDA, dba Hacienda Real Estate &
5 Lending, and dba Reality Dreams Real Estate & Lending ("ZEPEDA")
6 is licensed as a real estate broker. Respondent ZEPEDA has been
7 licensed by the Department as a real estate broker since on or
8 about September 1, 1999. Beginning on or about May 1, 2008 and
9 continuing to the present time, Respondent ZEPEDA has been the
10 designated broker-officer of Respondent GRAND MASTERS.

11 5.

12 Respondent GRAND MASTERS LENDING INC. is a corporation
13 organized under the laws of Wyoming and is registered to do
14 business in California as a foreign corporation. Richard (aka
15 "Ricardo") Bonilla is the president, CEO and owner of GRAND
16 MASTERS LENDING INC.

17 6.

18 All further references to "Respondents" include the
19 parties listed in Paragraphs 1 through 5 above, as well as the
20 officers, agents and employees of the parties listed in
21 Paragraphs 1 through 5 above.

22 Desist and Refrain Order (H-35675 LA)

23 7.

24 On or about February 4, 2009, in Department of Real
25 Estate Case No. H-35675 LA, the Commissioner issued a Desist and
26

1 Refrain Order against Respondents GRAND MASTERS LENDING INC., and
2 ANTONIO ZEPEDA, ordering them to desist and refrain from
3 collecting advance fees within the meaning of Code Sections 10026
4 and 10085 unless and until they are in compliance with Code
5 Section 10085 and Regulation 2970.

6 FIRST CAUSE OF ACCUSATION:
7 (Advance Fee Violations)

8 8.

9 During a period of time beginning on or before
10 January 1, 2007, and continuing to the present time, Respondents
11 GRAND MASTERS, CORTES and ZEPEDA engaged in the business of,
12 acted in the capacity of, advertised or assumed to act as real
13 estate brokers in the State of California, within the meaning of
14 Code Sections 10131(d) and 10131.2, for or in expectation of
15 compensation. Respondents represented borrowers in negotiating
16 and modifying terms of loans and in obtaining mortgage loans.
17 Respondents also collected advance fees within the meaning of
18 Code Sections 10026 and 10131.2, pursuant to written agreements
19 which constituted advance fee agreements within the meaning of
20 Code Section 10085.

21 9.

22 Respondents did not, at any time prior to collecting
23 advance fees from clients, submit an advance fee agreement to the
24 Commissioner, and have never received a "no objection" letter
25 from the Department regarding the use of such an agreement.
26

27 ///

1 (Account No. 775-7666099). Respondents paid Guadalupe Aguilar
2 \$250.00 for her services in this transaction. Respondents failed
3 to perform the services promised, or to obtain a loan for the
4 Castellanos on more favorable terms. On or about October 10,
5 2008, Respondents refunded \$1,000.00 of the advance fee, but
6 retained the rest.

7 14.

8 The written agreement between Respondents and Mr.
9 Castellanos was not submitted to or reviewed by the Department of
10 Real Estate prior to use. The agreement did not contain a
11 specific, complete description of services rendered for the
12 advance fee. It did not set forth the total amount of the
13 advance fee and when it would become payable. The agreement did
14 not set forth a specific date for full performance of the
15 services promised under the agreement.
16

17 15.

18 The conduct, acts and/or omissions of Respondents GRAND
19 MASTERS, CORTES and ZEPEDA, as set forth in Paragraphs 8 through
20 14 above, in collecting advance fees from prospective borrowers
21 pursuant to a written fee agreement, which agreement was not
22 submitted to the Department for review prior to use, was in
23 violation of Code Section 10085 and Title 10, Chapter 6 of the
24 California Code of Regulations ("Regulations"), Regulation 2970,
25 and constitutes grounds to discipline the licenses and license
26
27

1 rights of Respondents GRAND MASTERS, CORTES and ZEPEDA pursuant
2 to Code Sections 10177(d), 10176(i), and/or 10177(g).

3 16.

4 The conduct, acts and/or omissions of Respondent GRAND
5 MASTERS in employing and compensating unlicensed individuals to
6 perform acts requiring a real estate license constitutes grounds
7 to discipline the licenses and license rights of Respondent GRAND
8 MASTERS pursuant to Code Sections 10137, 10177(d), 10176(i),
9 and/or 10177(g).

10 17.

11 The conduct, acts and/or omissions of Respondent CORTES
12 and Respondent ZEPEDA, in failing to exercise reasonable
13 supervision over the activities of officers and employees of
14 GRAND MASTERS for which a real estate license was required, was
15 in violation of Code Section 10159.2 and constitutes grounds to
16 discipline the licenses and license rights of Respondent CORTES
17 and Respondent ZEPEDA pursuant to Code Sections 10177(h),
18 10177(d) and/or 10177(g).

19
20 AUDIT VIOLATIONS
21 (LA080153)

22 18.

23 During a period of time from approximately January 1,
24 2007, and continuing through November 30, 2008, Respondents GRAND
25 MASTERS, CORTES and ZEPEDA engaged in the business of, acted in
26 the capacity of, advertised or assumed to act as real estate
27 brokers in the State of California within the meaning of Code

1 Sections 10131(d) and 10131.2, as set forth above in Paragraph 8.

2 19.

3 On or about February 13, 2009, the Department completed
4 its examination of Respondent GRAND MASTERS' books and records
5 pertaining to the mortgage lending activities described in
6 Paragraph 18 above, covering a period from approximately January
7 1, 2007 to November 30, 2008. The primary purpose of the
8 examination was to determine Respondent's compliance with the
9 Real Estate Law. The examination, Audit No. LA 080153, revealed
10 violations of the Code and Regulations, as set forth below, and
11 as more specifically set forth in the Audit Report and Exhibits
12 attached thereto.

13 20.

14 During the examination period, Respondents did not
15 maintain a trust account. Rather, funds, including trust funds,
16 were deposited into and/or disbursed from one of the following
17 three general business accounts:

18 a. "Bank Account 1 (B/A 1)": This account, account
19 number 02447-46658, was named, "Next Level Lending
20 Co.," and was maintained at the Bank of America,
21 16860 Arrow Blvd., Fontana, CA 92335. Richard
22 Bonilla, the unlicensed owner of the company, was
23 the only signatory on the account, and there was
24 only one signature required. This account was
25 maintained for the receipts and disbursements of
26
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1 trust funds received in connection with GRAND
2 MASTERS' loan modification activity.

3 b. "Bank Account 2 (B/A 2)": This account, account
4 number 775-7666099, was named "Grand Masters Lending
5 Inc.," and was maintained at Wells Fargo Bank, 14307
6 Baseline Ave., Fontana, CA 92336. Richard and Maria
7 Bonilla, both unlicensed, were the only signatories
8 on the account, which required just one signature.
9 The account was maintained for the receipts and
10 disbursements of trust funds received in connection
11 with GRAND MASTERS' loan modification activity.

12 c. "Bank Account 3 (B/A 3)": This account, account
13 number 317-076256-8, was named, "Next Level Lending
14 Co.," and was maintained at Washington Mutual Bank,
15 14518 Baseline Ave., Fontana, CA 92336. Richard
16 Bonilla, who was unlicensed, was the only signatory
17 on the account which required just one signature.
18 The account was maintained for the receipt and
19 disbursement of trust funds received in connection
20 with GRAND MASTERS' loan modification activity.

21
22 21.

23 In the course of activities described in Paragraph 18
24 above, and during the examination period described in Paragraph
25 19, Respondents acted in violation of the Code and the
26 Regulations in that:
27

1 a) Respondents collected advance fees from borrowers
2 for the purpose of providing loan modifications. The advance
3 fees were deposited into GRAND MASTERS' general business account,
4 which was not set up as a trust account, in violation of Code
5 Section 10146.

6 b) Respondents did not maintain a trust account for
7 the advance fees, in violation of Code Section 10145 and
8 Regulation 2832. Commingling trust funds with general funds is
9 in violation of Code Sections 10176(e) and 10145, and Regulation
10 2835.

11 c) As of the audit cut-off date of November 30, 2008,
12 there were shortages in each of the three bank accounts into
13 which Respondents deposited trust funds. The balances of each of
14 the three bank accounts were reduced to amounts that were less
15 than the amount of trust funds deposited into them, without
16 written permission of the beneficiaries. The auditor found
17 multiple examples of disbursements from each of the bank accounts
18 used to pay for the personal and business financial obligations
19 of the owner of the business.
20

21 Shortages and amounts converted to personal use
22 included:

23 B/A 1-As of 11/30/2008 (\$142,780.03 shortage):

24 Adjusted bank balance	\$ <2,480.03>
25 Trust Fund Accountability	\$<140,300.00>
26 Trust Fund Discrepancy	\$<142,780.03>

27

Causes of Discrepancy:

Bank Service Charges \$ < 966.00>
Conversion of Trust Funds \$ <141,813.66>
Total Identified Shortage \$ <142,780.03>

B/A 2-As of 11/30/08 (\$ 58,928.55 shortage):

Adjusted bank balance \$ 321.45
Trust Fund Accountability \$ <59,250.00>
Trust Fund Discrepancy \$ <58,928.55>

Causes of Discrepancy:

Bank Service Charges \$ <675.05>
Conversion of Trust Funds \$ <58,253.50>
Total Identified Shortage \$ <58,928.55>

B/A 3-As of 11/20/08 (\$ 50,371.57 shortage):

Adjusted bank balance \$ 9,628.43
Trust Fund Accountability \$ <60,000.00>
Trust Fund Discrepancy \$ <50,371.57>

Causes of Discrepancy:

Conversion of Trust Funds \$ <50,371.57>

In summary, the total amount of the shortages of all three accounts was **\$252,080.15**. The total amount of funds converted to personal use was **\$250,438.73**. The total amount of the shortages attributable to bank fees was **\$1,641.42**. Allowing the bank balances to fall below the total aggregate liabilities to the beneficiaries of the trust funds was in violation of Code Section 10145 and Regulation 2832.1. Conversion of trust funds

1 was in violation of Code Section 10176(i) and/or 10177(j).

2 d) The control records maintained for all the receipts
3 and disbursements of advance fees from B/A 1, B/A/2, and B/A 3
4 were inaccurate and incomplete. The control records from each of
5 the accounts failed to note from whom the funds were received.

6 The control records from B/A 1 did not include the amounts
7 received. Some of the receipts recorded on the control record of
8 B/A 2 and B/A/ 3 were not deposited into B/A 2 and B/A 3.

9 Failure to accurately and completely maintain trust fund records
10 was in violation of Code Section 10145 and Regulation 2831.

11 e) Respondents did not maintain a separate record for
12 each beneficiary of trust funds collected (advance fees), in
13 violation of Code Section 10145 and Regulation 2831.1.

14 f) Respondents did not maintain the monthly
15 reconciliation of the separate records to the control record of
16 all trust funds received and disbursed in connection with the
17 loan modification activity during the audit period, in violation
18 of Code Section 10145 and 2831.2.

19 g) Respondents allowed Richard Bonilla, GRAND MASTERS'
20 owner who was unlicensed, to be a signatory on the three accounts
21 without fidelity bond coverage. Maria Bonilla was also allowed
22 to be a signer on B/A 2 without fidelity bond coverage.

23 Respondents ZEPEDA and CORTES were not signers on the accounts.
24 These were violations of Code Section 10145 and Regulation 2834.

25 h) Respondents collected advance fees from principals
26
27

1 for loan modification services without first submitting and
2 obtaining approval of an advance fee agreement and all related
3 materials from the Department, in violation of Code Section 10085
4 and Regulation 2970.

5 i) Respondents collected advance fees from principals
6 for loan modification services and did not maintain and provide
7 an accounting to the principals showing the services rendered,
8 identification of the trust account into which the advance fees
9 had been deposited, and details of how the funds were disbursed,
10 in violation of Regulation 2972.

11 j) With regards to general loan files, in most of the
12 loan files examined, Respondents failed to maintain a completed
13 DRE approved Mortgage Loan Disclosure Statement (MLDS) as signed
14 by the borrowers and the agent. Examples include:

Borrower	MLDS Signed by Agent	MLDS Signed by Borrower	Date Funded
Garcia	No	No	7/7/08
Ramos	No	No	7/31/07
Godinez	No	Yes	5/17/07
Crooks	No	Yes	6/5/07

21 Failure to maintain a signed copy of a DRE approved
22 MLDS for each loan in the loan files was in violation of Code
23 Section 10240 and Regulation 2840.

24 k) In all fifteen of the sampled loan transaction
25 files, Respondents failed to disclose the corporate license
26 number in the MLDS, in violation of Code Section 10236.4.
27

1) With regards to mortgage loan transactions, Respondents compensated two unlicensed loan agents, Thelma Bonilla and Elvia Rogers, who negotiated refinance loans for borrowers, in violation of Code Section 10137.

m) Respondents used an unlicensed branch office located at 16036 Valley Blvd., Fontana, CA 92335, in violation of Code Section 10163 and Regulation 2715.

n) Respondents failed to notify the Department within five days of the employment of three salespersons, in violation of Code Section 10161.8 and Regulation 2752.

o) Respondents ZEPEDA and CORTES did not exercise adequate supervision over the activities of GRAND MASTERS to ensure compliance with the Real Estate Laws, in violation of Code Sections 10159.2 and 10177(h), and Regulation 2725.

22.

The conduct, acts and/or omissions of Respondent GRAND MASTERS, CORTES and ZEPEDA, as described in Paragraph 21, above, violated the Code and Regulations in the following ways:

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
21(a)	Code Section 10146.
21(b)	Code Sections 10145 and 10176(e); and Regulations 2832 and 2835.
21(c)	Code Sections 10145, 10176(i) and/or 10177(j); and Regulation 2832.1
21(d)	Code Section 10145 and Regulation 2831.

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- 21(e) Code Section 10145 and Regulation 2831.1.
- 21(f) Code Section 10145 and Regulation 2831.2.
- 21(g) 10145 and Regulation 2834.
- 21(h) Code Section 10085 and Regulation 2970.
- 21(i) Regulation 2972.
- 21(j) Code Section 10240 and Regulation 2840.
- 21(k) Code Section 10236.4.
- 21(l) Code Section 10137.
- 21(m) Code Section 10163 and Regulation 2715.
- 21(n) Code Section 10161.8 and Regulation 2752.
- 21(o) Code Sections 10159.2 and 10177(h), and Regulation 2725.

The foregoing violations constitute cause for the suspension or revocation of the real estate licenses and license rights of Respondents GRAND MASTERS, CORTES and ZEPEDA under the provisions of Code Sections 10177(d), 10176(e), 10176(i), 10177(g), 10177(j), 10165, 10137, and/or 10085.

23.

The violations set forth above constitute cause for the suspension or revocation of Respondents CORTES' and ZEPEDA's real estate license and/or license rights, as the broker-officers of Respondent GRAND MASTERS, for failing to supervise the activities

1 of the corporation, in violation of Code Sections 10159.2, in
2 conjunction with 10177(h) and 10177(d).

3 WHEREFORE, Complainant prays that a hearing be
4 conducted on the allegations of this Accusation and that upon
5 proof thereof, a decision be rendered imposing disciplinary
6 action against all licenses and/or license rights of Respondents
7 GRAND MASTERS LENDING INC., MELESIO MORALES CORTES, and ANTONIO
8 ZEPEDA under the Real Estate Law and for such other and further
9 relief as may be proper under other applicable provisions of law.

10 Dated at Los Angeles, California

11 this 22 day of April, 2009.

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14 
15 Robin Trujillo
16 Deputy Real Estate Commissioner

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24 cc: Grand Masters Lending Inc.
25 Antonio Zepeda
26 Melesio Morales Cortes
27 Robin Trujillo
Sacto.
Audits