

FILED

NOV 02 2010

DEPARTMENT OF REAL ESTATE

By R. Henry

BEFORE THE
DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of)
LINDA KAY CAMPBELL)
Respondent.)

DRE No. H-2480 FR
OAH No. 2010060089

DECISION

The Proposed Decision dated September 29, 2010, of the Administrative Law Judge of the Office of Administrative Hearings is hereby adopted as the Decision of the Real Estate Commissioner in the above-entitled matter.

This Decision shall become effective at 12 o'clock noon on

NOV 22 2010

IT IS SO ORDERED 11-1-2010

JEFF DAVI
Real Estate Commissioner

Barbara J. Bigby
BY: Barbara J. Bigby
Chief Deputy Commissioner

BEFORE THE
DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of:

ED VERONICK MORTGAGE LOANS, INC.,
LINDA KAY CAMPBELL, SHARLINE
SEARLE-LIVINGSTON, and RONNIE LEE
ESPARZA,

Respondents.

Case No. H-2480 FR

OAH No. 2010060089

PROPOSED DECISION

Administrative Law Judge Nancy L. Rasmussen, Office of Administrative Hearings, State of California, heard this matter on August 31, 2010, in Oakland, California.

Department of Real Estate Counsel Kenneth C. Espell represented complainant Luke Martin, Deputy Real Estate Commissioner, State of California.

Respondent Linda Kay Campbell was self-represented. The other respondents, Ed Veronick Mortgage Loans, Inc., Sharline Searle-Livingston and Ronnie Lee Esparza, surrendered their licenses before the hearing and are no longer parties to this proceeding.

The matter was submitted for decision on August 31, 2010.

FACTUAL FINDINGS

License History and Background

1. Respondent Linda Kay Campbell (Campbell) has been licensed by the Department of Real Estate as a real estate broker since 1986. Her current license will expire on June 12, 2014.
2. Respondent Sharline Searle-Livingston (Searle-Livingston) was originally licensed by the department as a real estate salesperson in 1969, and she was licensed at all times relevant herein. On August 16, 2010, the department issued an order accepting her petition for voluntary surrender of her license and license rights. This order became effective September 15, 2010.

3. Respondent Ronnie Lee Esparza (Esparza) was issued a restricted real estate salesperson license by the department on September 1, 2006, and he was licensed at all times relevant herein. On August 16, 2010, the department issued an order accepting his petition for voluntary surrender of his license and license rights. This order became effective September 15, 2010.

4. Respondent Ed Veronick Mortgage Loans, Inc., (EVML) was issued a real estate broker corporation license by the department in 1989, and EVML was licensed at all times relevant herein. Campbell was the designated officer/broker of EVML, and she was responsible for supervision of the activities of EVML officers, real estate licensees and employees for which a license is required. (Bus. & Prof. Code, § 10159.2.) Campbell and Searle-Livingston formed the corporation together after purchasing the business from Ed Veronick. (Veronick started the business in 1962.) Campbell was the president of EVML, and Searle-Livingston was the vice-president and secretary/treasurer. On August 16, 2010, the department issued an order accepting Campbell's petition for voluntary surrender of EVML's license and license rights. This order became effective September 15, 2010.

5. At all times relevant herein, EVML engaged in the business of, acted in the capacity of, advertised or assumed to act as a real estate broker within the State of California within the meaning of Business and Professions Code section 10131, subdivisions (a) and (d). EVML operated a mortgage loan brokerage business in which lenders and borrowers were solicited for loans secured directly or collaterally by liens on real property, and loans were arranged, negotiated, processed and consummated on behalf of others for compensation or in expectation of compensation.

Prior Corrective Action Letter

6. On November 4, 2005, the department issued a corrective action letter to Campbell following an audit, completed in December 2004, of EVML's mortgage loan activities. The letter set forth the following violations:

Business and Professions Code Section 10137 and Regulation

2725 – Unlawful Employment or Payment and Broker

Supervision: The audit mentioned above revealed that EVML employs unlicensed "loan processors" as independent contractors, and compensates them via commission. Said audit further revealed that you were unaware of loan advertising placed by unlicensed Ronnie Esparza, in connection with EVML. This situation makes it very likely EVML has violated the above noted statute and regulation.

Business and Professions Code Section 10240 – Inadequate

Good-Faith-Estimates: The audit mentioned above revealed that EVML failed to provide two Good-Faith-Estimates that

included EVML's real estate broker's license number, and a statement that the Good-Faith-Estimate does not constitute a loan commitment.

2009 Audit

7. On January 13, 2009, department auditor Susie Hsueh conducted an audit at EVML's office in Monterey. The audit covered the period of January 1, 2007, to December 31, 2008.

8. EVML maintained a business account at Wells Fargo Bank, but it did not maintain a trust account. After the department's 2004 audit, EVML stopped collecting advance fees in connection with mortgage loan transactions so it would not be handling trust funds. Auditor Hsueh discovered, however, that EVML received trust funds in connection with at least three loan transactions (for borrowers Lopez, Horquita and Nosett). At the close of escrow, the funds paid to EVML by the title company included appraisal fees paid from the borrowers' funds. EVML deposited the funds, including the appraisal fees held in trust for the appraisers, into its business account, thus commingling trust funds with broker funds. On the Lopez loan transaction, EVML paid the appraisal fee to the appraiser one business day after receiving the funds from escrow. On the Horquita loan transaction, EVML paid the appraisal fee to the appraiser three business days after receiving the funds from escrow. On the Nosett loan transaction, however, the appraisal fee had not been paid to the appraiser as of the time of the audit. Between July 11, 2007, when EVML received the \$350 appraisal fee, and November 3, 2008, the EVML business account was overdrawn (by over \$100) on six occasions, meaning that there was a trust fund shortage at those times.

According to Campbell, EVML submitted appraisal invoices to the title company for payment out of escrow, and it was a mistake for the title company to pay the appraisal fees to EVML. Campbell discovered this mistake on the Lopez and Horquita loan transactions when she reviewed the escrow documents, and she promptly paid the appraisal fee to the appraiser. The title company's mistake on the Nosett loan transaction "slipped through the cracks." After Hsueh brought the problem to her attention, Campbell paid the appraiser as soon as she obtained a copy of his invoice. (EVML's check to the appraiser was issued January 22, 2009.)

9. In connection with its handling of the appraisal fee trust funds, EVML failed to keep a record of the trust funds received with all the information required by California Code of Regulations, title 10, section 2831. EVML also failed to maintain, for all trust funds deposited in its business account, a separate record for each beneficiary or transaction, as required by California Code of Regulations, title 10, section 2831.1.

10. Auditor Hsueh found that the Mortgage Loan Disclosure Statements (MLDS) for at least three EVML loan transactions in 2008 (for borrowers Cholakian, Fuller and Lopez) were missing certain required information. Hsueh's non-compliance summary cited

violations of Business and Professions Code sections 10240 and 10241, which set forth the MLDS requirements.

Monterey County District Attorney Civil Action

11. On October 31, 2008, the Monterey County District Attorney filed a civil complaint for injunction, civil penalties and equitable relief for illegal business practices against respondents EVML, Campbell, Searle-Livingston and Esparza (Monterey County Superior Court, Case No. M94799). The District Attorney alleged that in connection with their mortgage loan brokerage business respondents 1) made false or misleading representations with the intent to induce members of the public to enter into obligations relating to EVML's loan brokerage services, and 2) engaged in unlawful, fraudulent or unfair acts or practices constituting unfair competition.

12. On March 2, 2010, a final judgment and permanent injunction was filed pursuant to a stipulated settlement of the parties. As part of the settlement, Esparza admitted the following facts:

- A. He was an employee and manager for EVML between June 1, 2004 and June 1, 2007, during which time he marketed and advertised himself as an officer and licensed agent for "Veronick Home Loans," a satellite office for EVML located at 130 West Gabilan Street in Salinas, California;
- B. Prior to obtaining his restricted real estate agent license on September 1, 2006, Esparza marketed himself as a licensed real estate agent and corporate officer for EVML using the California real estate license #01036776 [the corporate license number of EVML];
- C. Between June 1, 2004 and June 1, 2007, Esparza supervised and oversaw the activities of employees, including unlicensed loan processors, in the EVML Salinas branch office;
- D. Prior to receiving a restricted sales agent license, #01710369, from the California Department of Real Estate on or about September 1, 2006, Esparza was compensated by EVML in the form of commission splits on loans that he solicited, negotiated and/or closed, despite the fact that he was not a licensed agent;
- E. Prior to September 1, 2006, and while acting as an employee of EVML, Esparza solicited, negotiated and closed approximately 80 real estate loans for which he was

compensated by shares of the commissions on those loans from EVML;

- F. Between September 1, 2006 and June 1, 2007, when he ceased employment with EVML, and while acting as EVML's branch manager and within the course and scope of his sales agent license #01710369, Esparza, and with the intent to defraud clients of EVML, did the following:
- (i) hired, supervised and paid unlicensed personnel, including loan processors, to engage in services or actions requiring a real estate agent's license, including activities such as soliciting, originating, negotiating or brokering real estate loans from which he and his employer earned loan commissions as profits;
 - (ii) paid or shared loan commissions to unlicensed personnel, including loan processors, for real estate loans which they solicited, originated, negotiated and/or brokered in violation of Business & Professions Code section 10137;
 - (ii) created and disseminated Hispanic marketing and advertising regarding real estate loans and services offered by EVML and solicited, negotiated and brokered real estate loans with persons whose primary language was Spanish and failed to deliver to such borrowers, prior to the execution of promissory notes, a written Spanish language translation of the mortgage loan disclosure statement in violation of Business & Professions Code section 10241 and Civil Code section 1632(b)(4).

In the judgment, the court found that Esparza's admissions "constitute acts of fraud in violation of Business and Professions Code section 10176 subdivision (i) with respect to any real estate loans closed by Esparza or EVML during the time period of September 1, 2006 through June 1, 2007." The judgment also stated;

Defendants Campbell, Livingston [Searle-Livingston] and Rivera¹ have stipulated to the entry of this Final Judgment

¹ Blanca Rivera was added as a defendant in an amended complaint filed December 12, 2008. That complaint alleged: "Prior to obtaining a real estate salesperson license on November 9, 2005, RIVERA was employed and paid by VERONICK and other Defendants to engage in services and activities requiring a valid California real estate license."

without intending to admit any issue of law or fact. While they neither admit nor deny any of the allegations contained in the People's Complaint and Amended Complaint, they also agree not to contest any of those allegations in any judicial or administrative proceeding to enforce the terms of the Stipulation or Final Judgment, including any restitutions claims which might be asserted under Business and Professions Code sections 10471.

The permanent injunction enjoined respondents from performing the acts alleged in the complaint, and respondents were ordered to pay civil penalties. EVML, Searle-Livingston and Esparza agreed to surrender their real estate licenses, but Campbell did not do so. She was ordered to pay a civil penalty of \$50,000, but in lieu of full payment she agreed to pay the District Attorney six payments of \$5,000 each. These payments were to be made on July 1, 2010, December 1, 2010, July 1, 2011, July 1, 2012, July 1, 2013, and July 1, 2014.

Esparza's History with EVML

13. In June 2004, Campbell hired Esparza to open a Salinas branch office of EVML. (The main office was located in Monterey.) Campbell loaned Esparza the money to open the office, and she was on the lease. She knew Esparza did not have a real estate license, but he was not hired to engage in activities for which a license was needed. As the branch manager, Esparza's duties included managing the office, hiring non-licensed loan processors, telemarketing to bring in new clients, and acting as an interpreter for Campbell with Spanish-speaking clients. There were no real estate licensees working in the Salinas office. Campbell wrote the loans for clients Esparza brought in. She visited the Salinas office two or three times a week and additional times if she had a loan application to take. Esparza brought Campbell the loan files when she was in the office, and she reviewed them. Esparza was paid a percentage of each transaction from the Salinas office. He maintained the bank account for the office and sent Campbell copies of the bank statements each month. Esparza did not receive trust funds.

At the time of the audit in 2004, Campbell learned that Esparza had placed advertising for mortgage loans without her authorization or knowledge. (See Finding 6, corrective action letter.) She met with him and told him he was not allowed to place such advertising.

Esparza submitted an application for a real estate salesperson license on September 15, 2005. On the application he disclosed two DUI convictions, from 1998 and 2003, and a 2003 conviction for violating Penal Code section 166, subdivision (a)(4) (willful disobedience of a court order). On August 7, 2006, Campbell signed a prospective employing broker certification certifying that she had read the decision providing for issuance of a restricted license to Esparza and that she would "carefully review all transaction documents which the restricted salesperson licensee prepares" and "otherwise

exercise close supervision" over Esparza's licensed activities. Esparza was issued a restricted salesperson license on September 1, 2006.

After he became licensed, Esparza continued to run the Salinas office, and Campbell continued to review the loan files during her periodic visits to the office. She would check current mortgage rates, decide which lenders to submit the loans to, and give the borrowers their loan rates.

14. According to Campbell, she was unaware of Esparza's fraudulent activities before the civil action was filed by the Monterey County District Attorney. During mediation of that matter, Esparza admitted to "originating fraudulent files" (Campbell's words) without her knowledge. Campbell also learned during mediation that Esparza had altered the copies of bank statements he gave her. Accordingly, she was unaware of the true amount of commissions paid to EVML on loans from the Salinas office. Esparza was trusted to write checks to Campbell for her five percent share of the commissions. (Searle-Livingston also received five percent, and 10 percent was paid into a fund for office emergencies.)

It did not occur to Campbell to have the bank send copies of the account statements directly to her, since she did not realize there was a problem. Neither did she see a need to occasionally walk into the Salinas office unannounced and pick up files at random for review. The loan files Esparza provided for her review seemed to be "impeccable." Campbell questions how she could have supervised someone who hid and destroyed files, and how she could have monitored what she did not know. She characterizes Esparza as a "renegade" who deceived her about his activities in the Salinas office.

Supervision by Designated Officer/Broker

15. Campbell failed to exercise reasonable supervision and control over the activities of EVML and Esparza, in that she permitted, ratified and/or caused the trust fund violations (Findings 8 and 9) and Esparza's acts of fraud (Finding 12). Allowing an unlicensed person to open and run a branch office in another city was a risky proposition, and Campbell knew of Esparza's renegade tendencies early on, when she found out he had placed advertising without her authorization or knowledge. Then, as the supervising broker for a restricted licensee, Campbell had an obligation to closely monitor Esparza's licensed activities. Recognizing that she was a victim of his deceit, Campbell still should have done more to oversee Esparza's activities and the operation of the Salinas branch office.

Other Matters

16. Campbell is currently originating mortgage loans under her own broker license, but she submits them to lenders through DSD Financial, Inc., a broker in Fresno. She has one real estate salesperson working for her in her real estate office, not her mortgage office. Since her experience with Esparza, Campbell has been much more thorough in questioning and conducting background checks on potential salesperson employees.

17. When her first civil penalty payment of \$5,000 became due on July 1, 2010, Campbell was unable to pay the full amount. The District Attorney gave her a payment plan to pay \$500 per month for 10 months, and Campbell has started making payments under the plan.

LEGAL CONCLUSIONS

1. Finding 8: By depositing the appraisal fee on the Nosett transaction into its business account and not paying it to the appraiser within three business days, EVML violated Business and Professions Code section 10145 and California Code of Regulations, title 10, section 2832, subdivision (a), which require a real estate broker to deliver trust funds into the hands of the owner of the funds, or deposit such funds into a trust account or neutral escrow depository, within three business days of receiving the funds. Cause for discipline of Campbell's license exists under Business and Professions Code section 10177, subdivision (d) (willful disregard or violation of the Real Estate Law or regulations promulgated under the Real Estate Law).

The commingling of appraisal fee trust funds on three loan transactions with broker funds in the EVML business account constitutes cause for discipline of Campbell's license under Business and Professions Code section 10176, subdivision (e). Such commingling also violated California Code of Regulations, title 10, section 2832, subdivision (a). That violation constitutes cause for discipline of Campbell's license under Business and Professions Code section 10177, subdivision (d).

2. Finding 9: EVML's violations of California Code of Regulations, title 10, sections 2831 and 2831.1, constitute cause for discipline of Campbell's license exists under Business and Professions Code section 10177, subdivision (d).

3. Finding 10: The accusation alleges that EVML "failed to maintain complete copies of Mortgage Loan Disclosure Statements for at least three (3) loans brokered by Respondent EVML," thus violating Business and Professions Code section 10148. This code section requires a real estate broker to "retain for three years copies of all listings, deposit receipts, canceled checks, trust records, and other documents executed by him or her or obtained by him or her in connection with any transactions for which a real estate broker license is required," and to "make the books, accounts, and records . . . available for examination, inspection, and copying by the commissioner or his or her designated representative . . ." It was not established that EVML violated Business and Professions Code section 10148. Copies of the MLDS documents were retained and made available to the department auditor. The accusation does not allege that EVML violated Business and Professions Code sections 10240 and 10241, the sections setting forth the MLDS requirements.

4. Finding 12: The accusation alleges that the acts or omissions of respondents alleged in the Monterey County civil complaint are grounds for discipline under Business

and Professions Code section 10176, subdivision (a) (substantial misrepresentation); section 10176, subdivision (c) (continued or flagrant course of misrepresentation or false promises); section 10176, subdivision (i) (fraud or dishonest dealing); section 10177, subdivision (d) (willful disregard or violation of the Real Estate Law or regulations); section 10177, subdivision (j) (fraud or dishonest dealing); and section 10177.5 (fraud judgment).

With respect to Campbell, the only respondent still a party to this proceeding, the acts or omissions alleged in the civil complaint do not constitute cause for license discipline under the above code sections, because in the settlement of the complaint Campbell did not admit the allegations and there was no finding by the court that she committed the alleged acts or omissions.

Business and Professions Code section 10177.5 authorizes license discipline “[w]hen a final judgment is obtained in a civil action against any real estate licensee upon grounds of fraud, misrepresentation, or deceit with reference to any transaction for which a license is required under this division” The accusation alleges that the judgment in the Monterey County civil complaint constitutes cause to discipline Esparza’s license under this code section, because of the court’s finding that he committed fraud. There is no allegation that the judgment constitutes cause to discipline Campbell’s license.

5. Finding 15: Business and Professions Code section 10177, subdivision (h), authorizes the suspension or revocation of a corporate broker license if the licensee has failed to exercise reasonable supervision and control over the licensed activities of the corporation. Cause to discipline Campbell’s license exists under this section. Cause to discipline her license also exists under Business and Professions Code section 10177, subdivision (d), for Campbell’s willful disregard of her responsibility under Business and Professions Code section 10159.2, subdivision (a), to supervise and control the licensed activities of EVML’s officers and employees as necessary to secure full compliance with the Real Estate Law, and her responsibility under California Code of Regulations, title 10, section 2725, to exercise reasonable supervision over her salespersons.

6. Campbell’s failure to properly supervise Esparza and the activities of a branch office warrants the revocation of her broker license. However, there is no evidence that Campbell knew of Esparza’s fraudulent activities or that she has been dishonest or unprofessional in her own mortgage loan or real estate transactions. It would therefore not be contrary to the public interest to allow her to obtain a restricted salesperson license.

ORDER

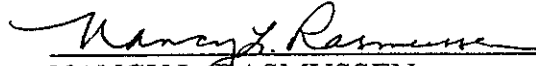
All licenses and licensing rights of respondent Linda Kay Campbell as a real estate broker under the Real Estate Law are revoked; provided, however, a restricted real estate salesperson license shall be issued to respondent pursuant to Business and Professions Code section 10156.5 if she makes application 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 Business and Professions Code section 10156.7 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 two years have 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: September 29, 2010



NANCY L. RASMUSSEN
Administrative Law Judge
Office of Administrative Hearings

FILED

AUG 26 2010

DEPARTMENT OF REAL ESTATE

R. Henry

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of

ED VERONICK MORTGAGE LOANS, INC.,
LINDA KAY CAMPBELL, SHARLINE SEARLE-
LIVINGSTON, and RONNIE LEE ESPARZA

Respondents.

No. H-2480 FR.

ORDER ACCEPTING VOLUNTARY SURRENDER OF REAL ESTATE LICENSE

On April 22, 2010, an Accusation was filed in this matter against Respondent ED VERONICK MORTGAGE LOANS, INC., by and through LINDA KAY CAMPBELL as designated officer.

On July 6, 2010, Respondent ED VERONICK MORTGAGE LOANS, INC., by and through LINDA KAY CAMPBELL petitioned the Commissioner to voluntarily surrender ED VERONICK MORTGAGE LOANS, INC.'s corporate broker real estate license pursuant to Section 10100.2 of the Business and Professions Code.

IT IS HEREBY ORDERED that Respondent ED VERONICK MORTGAGE LOANS, INC.'s petition for voluntary surrender of its corporate broker real estate license is accepted as of the effective date of this Order as set forth below, based upon the understanding and agreement expressed in Respondent's Declaration dated July 6, 2010 (attached as Exhibit "A" hereto).

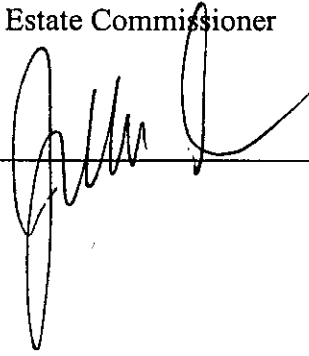
1 Respondent's license certificate and pocket card shall be sent to the below listed address so that
2 they reach the Department on or before the effective date of this Order:

3 DEPARTMENT OF REAL ESTATE
4 Attn: Licensing Flag Section
5 P. O. Box 187000
6 Sacramento, CA 95818-7000

7 This Order shall become effective at 12 o'clock noon on SEP 15 2010

8 DATED: 8-16-2010

9 JEFF DAVI
10 Real Estate Commissioner

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BEFORE THE
DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

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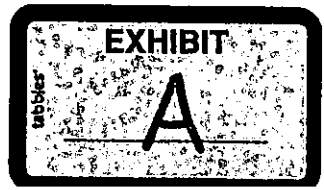
In the Matter of the Accusation of)
ED VERONICK MORTGAGE LOANS, INC.,) H- 2480 FR
LINDA KAY CAMPBELL, SHARLINE)
SEARLE-LIVINGSTON, RONNIE LEE)
ESPARZA,)
Respondents.)

DECLARATION

ED VERONICK MORTGAGE LOANS, INC., ("EVML") through its Designated Officer, Linda Kay Campbell, declares that it is currently licensed as a corporate real estate broker and has license rights with respect to said license.

In lieu of proceeding in this matter in accordance with the provisions of the Administrative Procedure Act (Sections 11400 et seq., of the Government Code), EVML wishes to voluntarily surrender its real estate license issued by the Department of Real Estate ("Department"), pursuant to Business and Professions Code Section 10100.2.

EVML understands that by so voluntarily surrendering EVML's license(s), EVML may be relicensed as a corporate real estate broker only by petitioning for reinstatement pursuant to Section 11522 of the Government Code. ED VERONICK MORTGAGE LOANS,



1 INC., also understands that by so voluntarily surrendering its license(s), EVML agrees to the
2 following:

3 1. The filing of this Declaration shall be deemed as EVML's petition for
4 voluntary surrender.


5 2. It shall also be deemed to be an understanding and agreement by EVML that
6 EVML waives all rights EVML may have to require the Commissioner to prove the allegations
7 contained in the Accusation filed in this matter at a hearing held in accordance with the
8 provisions of the Administrative Procedure Act (Government Code Sections 11400 et seq.), and
9 that EVML also waives other rights afforded to me in connection with the hearing such as the
10 right to discovery, the right to present evidence in defense of the allegations in the Accusation,
11 and the right to cross-examine witnesses.

12 3. EVML further agrees that upon acceptance by the Commissioner, as
13 evidenced by an appropriate order, all affidavits and all relevant evidence obtained by the
14 Department in this matter prior to the Commissioner's acceptance, and all allegations contained
15 in the Accusation filed in the Department Case No. H-2480 FR may be considered by the
16 Department to be true and correct for the purpose of deciding whether to grant re-licensure or
17 reinstatement pursuant to Government Code Section 11522.

18 4. EVMLI freely and voluntarily surrenders its license and license rights under
19 the Real Estate Law.

20 On behalf of EVML, I declare under penalty of perjury under the laws of the State
21 of California that the above is true and correct and that this declaration was executed July 6,
22 2010, at ~~Watsonville~~^{MONTEREY}, California.

23 ED VERONICK MORTGAGE LOANS, INC.,

24 
25 By: Linda Kay Campbell
26 Its Designated Officer
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FILED

AUG 26 2010

DEPARTMENT OF REAL ESTATE

By R. Henry

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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of
ED VERONICK MORTGAGE LOANS, INC.,
LINDA KAY CAMPBELL, SHARLINE SEARLE-
LIVINGSTON, and RONNIE LEE ESPARZA
Respondents.

No. H-2480 FR

ORDER ACCEPTING VOLUNTARY SURRENDER OF REAL ESTATE LICENSE

On April 22, 2010, an Accusation was filed in this matter against Respondent
RONNIE LEE ESPARZA.

On June 21, 2010, Respondent RONNIE LEE ESPARZA petitioned the
Commissioner to voluntarily surrender his real estate salesperson license pursuant to Section
10100.2 of the Business and Professions Code.

IT IS HEREBY ORDERED that Respondent RONNIE LEE ESPARZA's petition
for voluntary surrender of his real estate salesperson license is accepted as of the effective date of
this Order as set forth below, based upon the understanding and agreement expressed in
Respondent's Declaration dated June 21, 2010 (attached as Exhibit "A" hereto).

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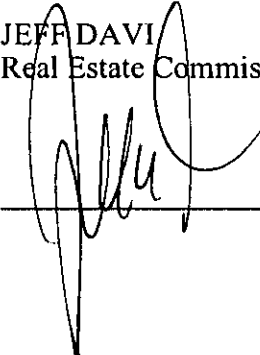
Respondent's license certificate and pocket card shall be sent to the below listed address so that they reach the Department on or before the effective date of this Order:

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

This Order shall become effective at 12 o'clock noon on SEP 15 2010

DATED: 9-16-2010

JEFF DAVIS
Real Estate Commissioner



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BEFORE THE
DEPARTMENT OF REAL ESTATE
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In the Matter of the Accusation of)
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SEARLE-LIVINGSTON, RONNIE LEE)
ESPARZA,)
Respondents.)

DECLARATION

My name is RONNIE LEE ESPARZA, and I am currently licensed as a real estate salesperson and have license rights with respect to said license.

In lieu of proceeding in this matter in accordance with the provisions of the Administrative Procedure Act (Sections 11400 et seq., of the Government Code), I wish to voluntarily surrender my real estate license issued by the Department of Real Estate ("Department"), pursuant to Business and Professions Code Section 10100.2.

I understand that by so voluntarily surrendering my license(s), I may be relicensed as a broker or as a salesperson only by petitioning for reinstatement pursuant to Section 11522 of the Government Code. I also understand that by so voluntarily surrendering my license(s), I agree to the following:



1 1. The filing of this Declaration shall be deemed as my petition for voluntary
2 surrender.

3 2. It shall also be deemed to be an understanding and agreement by me that I
4 waive all rights I have to require the Commissioner to prove the allegations contained in the
5 Accusation filed in this matter at a hearing held in accordance with the provisions of the
6 Administrative Procedure Act (Government Code Sections 11400 et seq.), and that I also waive
7 other rights afforded to me in connection with the hearing such as the right to discovery, the right
8 to present evidence in defense of the allegations in the Accusation, and the right to cross-
9 examine witnesses.

10 3. I further agree that upon acceptance by the Commissioner, as evidenced by
11 an appropriate order, all affidavits and all relevant evidence obtained by the Department in this
12 matter prior to the Commissioner's acceptance, and all allegations contained in the Accusation
13 filed in the Department Case No. H-2480 FR may be considered by the Department to be true
14 and correct for the purpose of deciding whether to grant re-licensure or reinstatement pursuant to
15 Government Code Section 11522.

16 4. I freely and voluntarily surrender my license and license rights under the
17 Real Estate Law.

18 I declare under penalty of perjury under the laws of the State of California that
19 the above is true and correct and that this declaration was executed June 21, 2010, at
20 Watsonville, California.

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22 
23 RONNIE LEE ESPARZA
24 Respondent
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FILED

AUG 26 2010

DEPARTMENT OF REAL ESTATE

By R. Henry

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of
ED VERONICK MORTGAGE LOANS, INC.,
LINDA KAY CAMPBELL, SHARLINE SEARLE-
LIVINGSTON, and RONNIE LEE ESPARZA
Respondents.

No. H-2480 FR

ORDER ACCEPTING VOLUNTARY SURRENDER OF REAL ESTATE LICENSE

On April 22, 2010, an Accusation was filed in this matter against Respondent SHARLINE SEARLE-LIVINGSTON.

On July 14, 2010, Respondent SHARLINE SEARLE-LIVINGSTON petitioned the Commissioner to voluntarily surrender her real estate salesperson license pursuant to Section 10100.2 of the Business and Professions Code.

IT IS HEREBY ORDERED that Respondent SHARLINE SEARLE-LIVINGSTON's petition for voluntary surrender of her real estate salesperson license is accepted as of the effective date of this Order as set forth below, based upon the understanding and agreement expressed in Respondent's Declaration dated July 14, 2010 (attached as Exhibit "A" hereto).

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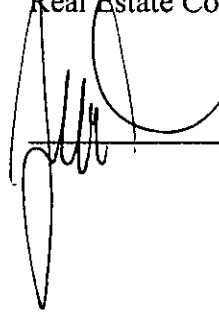
1 Respondent's license certificate and pocket card shall be sent to the below listed address so that
2 they reach the Department on or before the effective date of this Order:

3 DEPARTMENT OF REAL ESTATE
4 Attn: Licensing Flag Section
5 P. O. Box 187000
6 Sacramento, CA 95818-7000

7 This Order shall become effective at 12 o'clock noon on SEP 15 2010

8 DATED: 9/16/2010

9 JEFF DAVI
10 Real Estate Commissioner

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BEFORE THE
DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of)
ED VERONICK MORTGAGE LOANS, INC.,) H- 2480 FR
LINDA KAY CAMPBELL, SHARLINE)
SEARLE-LIVINGSTON, RONNIE LEE)
ESPARZA,)
Respondents.)

DECLARATION

My name is SHARLINE SEARLE-LIVINGSTON and I am currently licensed as a real estate salesperson and have license rights with respect to said license.

In lieu of proceeding in this matter in accordance with the provisions of the Administrative Procedure Act (Sections 11400 et seq., of the Government Code), I wish to voluntarily surrender my real estate license issued by the Department of Real Estate ("Department"), pursuant to Business and Professions Code Section 10100.2.

I understand that by so voluntarily surrendering my license(s), I may be relicensed as a broker or as a salesperson only by petitioning for reinstatement pursuant to Section 11522 of the Government Code. I also understand that by so voluntarily surrendering my license(s), I agree to the following:



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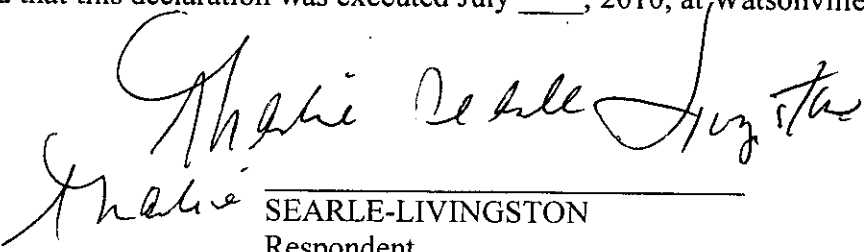
1. The filing of this Declaration shall be deemed as my petition for voluntary surrender.

2. It shall also be deemed to be an understanding and agreement by me that I waive all rights I have to require the Commissioner to prove the allegations contained in the Accusation filed in this matter at a hearing held in accordance with the provisions of the Administrative Procedure Act (Government Code Sections 11400 et seq.), and that I also waive other rights afforded to me in connection with the hearing such as the right to discovery, the right to present evidence in defense of the allegations in the Accusation, and the right to cross-examine witnesses.

3. I further agree that upon acceptance by the Commissioner, as evidenced by an appropriate order, all affidavits and all relevant evidence obtained by the Department in this matter prior to the Commissioner's acceptance, and all allegations contained in the Accusation filed in the Department Case No. H-2480 FR may be considered by the Department to be true and correct for the purpose of deciding whether to grant re-licensure or reinstatement pursuant to Government Code Section 11522.

4. I freely and voluntarily surrender my license and license rights under the Real Estate Law.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct and that this declaration was executed July ____, 2010, at Watsonville, California.



SEARLE-LIVINGSTON
Respondent

1 1. The filing of this Declaration shall be deemed as my petition for voluntary
2 surrender.

3 2. It shall also be deemed to be an understanding and agreement by me that I
4 waive all rights I have to require the Commissioner to prove the allegations contained in the
5 Accusation filed in this matter at a hearing held in accordance with the provisions of the
6 Administrative Procedure Act (Government Code Sections 11400 et seq.), and that I also waive
7 other rights afforded to me in connection with the hearing such as the right to discovery, the right
8 to present evidence in defense of the allegations in the Accusation, and the right to cross-
9 examine witnesses.

10 3. I further agree that upon acceptance by the Commissioner, as evidenced by
11 an appropriate order, all affidavits and all relevant evidence obtained by the Department in this
12 matter prior to the Commissioner's acceptance, and all allegations contained in the Accusation
13 filed in the Department Case No. H-2480 FR may be considered by the Department to be true
14 and correct for the purpose of deciding whether to grant re-licensure or reinstatement pursuant to
15 Government Code Section 11522.

16 4. I freely and voluntarily surrender my license and license rights under the
17 Real Estate Law.

18 I declare under penalty of perjury under the laws of the State of California that the
19 above is true and correct and that this declaration was executed July __, 2010, at Watsonville,
20 California.

21 *Shirley DeBelle Livingston*
22 *Shirley* SEARLE-LIVINGSTON 7/14/2010
23 Respondent

FILED

APR 22 2010

DEPARTMENT OF REAL ESTATE

By R. Henry

1 KENNETH C. ESPELL, Counsel (SBN 178757)
2 Department of Real Estate
3 P. O. Box 187007
4 Sacramento, CA 95818-7007

5 Telephone: (916) 227-0789
6 -or- (916) 227-0868 (Direct)

7
8 BEFORE THE
9 DEPARTMENT OF REAL ESTATE
10 STATE OF CALIFORNIA

11 * * *

12 In the Matter of the Accusation of)
13 ED VERONICK MORTGAGE LOANS, INC.,) H- 2480 FR
14 LINDA KAY CAMPBELL, SHARLINE) ACCUSATION
15 SEARLE-LIVINGSTON, RONNIE LEE)
16 ESPARZA,)
Respondents.)

17 The Complainant, LUKE MARTIN, in his official capacity as a Deputy Real
18 Estate Commissioner for the State of California, for cause of Accusation against ED
19 VERONICK MORTGAGE LOANS, INC., (hereinafter EVML), LINDA KAY CAMPBELL
20 (hereinafter CAMPBELL), SHARLINE SEARLE LIVINGSTON (hereinafter LIVINGSTON),
21 and RONNIE LEE ESPARZA (hereinafter ESPARZA), (hereinafter collectively
22 RESPONDENTS), is informed and alleges as follows:

23 1

24 At all times herein mentioned, Respondent CAMPBELL was and now is licensed
25 by the Department of Real Estate of the State of California (herein "the Department") as a real
26 estate broker. At all times mention herein Respondent ESPARZA and Respondent
27 LIVINGSTON were and now are licensed by the Department as real estate salespersons.

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At all times herein mentioned, Respondent CAMPBELL was and now is licensed by the Department as a real estate broker and at all times relevant herein the Designated Officer/Broker for Respondent EVML and was responsible for the oversight and supervisions of the business activities of EVML, the Department of Real Estate Licensees employed by or on behalf of EVML, and the employees of EVML.

3

At all times herein mentioned, Respondent EVML held and does hold a corporate real estate license issued by the Department and is engaged in the business of, acted in the capacity of, advertised, or assumed to act as a real estate broker within the State of California within the meaning of Sections 10131(a) and 10131(b) of the Code, including, but not limited to, the operation and conduct of a mortgage loan brokerage with the public wherein, on behalf of others, for compensation or in expectation of compensation, Respondent solicited lenders and borrowers for loans secured directly or collaterally by liens on real property, and wherein Respondent arranged, negotiated, processed, and consummated such loans.

4

Whenever reference is made in an allegation in this Accusation to an act or omission of Respondent EVML, such allegation shall be deemed to mean that the officers, directors, employees, agents and real estate licensees employed by or associated with Respondent EVML committed such act or omission while engaged in the furtherance of the business or operations of Respondent EVML and while acting within the course and scope of their corporate authority and employment.

5

PRIOR DISCIPLINE

On or about November 4, 2005, the Department issued a Corrective Action Letter to Respondents CAMPBELL and EVML for unlawful employment and payment of compensation to unlicensed individuals conducting real estate activities for which a valid real

1 estate license was required and for failing to provide proper and complete Good-Faith Estimates
2 for loans secured by real property brokered by EVML.

3
4 FIRST CAUSE OF ACTION
Trust Fund Shortages
5 RESPONDENTS EVML AND CAMPBELL

6

7 Each and every allegation in Paragraphs 1 through 5 above is incorporated by
8 this reference as if fully set forth herein.

9

10 Within the three (3) years preceding the filing of this accusation, acting as a real
11 estate broker as set out in Paragraph 3 , above, EVML accepted or received funds in trust (herein
12 "trust funds") from or on behalf of borrowers, lenders, owners, tenants, purveyors of services and
13 others in connection with negotiating loans secured by real property, as alleged herein, and
14 thereafter from time to time made disbursements of said funds.

15

16 Within the three (3) years preceding the filing of this accusation, acting as a real
17 estate broker as set out in Paragraph 3 , above, trust funds in the form of appraisal fees received
18 by EVML for the benefit of third parties were deposited into EVML's business account
19 maintained at Wells Fargo Bank, P.O. Box 6995, Portland, Oregon; account number 042-
20 7067855.

21

22 On January 13, 2009, an audit was conducted at EVML's main office located 578
23 Polk Street, Monterey, California, wherein the auditor examined records for the period January
24 1, 2007 through December 31, 2008 (the audit period).

25 ///

26 ///

27 ///

In the course of the activities described in Paragraph 3, above, for the audit period:

(a) Failed to place trust funds entrusted to Respondent EVML into the hands of a principal on whose behalf the funds were received, into a neutral escrow depository, or into a trust fund account in the name of Respondent as trustee at a bank or other financial institution within three (3) business day of receipt in violation of Section 10145 of the Code and Section 2832 (a) of Chapter 6, Title 10, California Code of Regulations (herein "the Regulations");

(b) Collected appraisal fees in advance for at least three loans and comingled said advance fees with broker's funds in a bank account which was not designated as a trust account in violation of Section 10145 of the Code;

(c) Failed to maintain a record of trust funds received in violation of Section 2831 of the Regulations;

(d) Failed to maintain the check register for Bank Account #1 that set forth in chronological sequence the date trust funds were received, from whom the trust funds were received, the amount received, the date of said deposit, and the daily balance in violation of Regulation 2831; and,

(e) Failed to maintain a separate record for each beneficiary or transaction for all trust funds deposited into Bank Account #1, in violation of Section 2831, 2831.1 of the Regulations.

The acts and/or omissions of EVML as alleged above violated Sections 2831, 2831.1, 2832(a) and 2835 of the Regulations and Sections 10145 of the Code; and are grounds for discipline under Sections 10176 and 10177 (d) of the Code.

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///

1 SECOND CAUSE OF ACTION
2 Failure to Maintain Complete Mortgage
3 Loan Disclosure Statements
4 RESPONDENTS EVML AND CAMPBELL

5 12

6 Each and every allegation in Paragraphs 1 through 11 above is incorporated by
7 this reference as if fully set forth herein.

8 13

9 Between on or about July 17, 2007 and through January 21, 2009, in connection
10 Respondent EVML's mortgage loan brokerage activities, and in violation of Section 10148 of
11 the Code Respondent EVML failed to maintain complete copies of Mortgage Loan Disclosure
12 Statements for at least three (3) loans brokered by Respondent EVML:

13 Borrower: Derek Cholakian and Chandra Cholakian
14 Lender: First Horizon
15 MLDS Date: 07/08/2008

16 Borrower: Laine K. Fuller
17 Lender: "To Be Determined"
18 MLDS Date: 05/16/2008

19 Borrower: Dani Sue Lopez
20 Lender: Courtyard Financial
21 MLDS Date: 04/17/2008

22 14

23 The violations listed in paragraph 13, above, constitute cause for the suspension
24 or revocation of the licenses and license rights of Respondent EVML and CAMPBELL under
25 Section 10177(d) of the Code.

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THIRD CAUSE OF ACTION
Monterey County District Attorney Civil Action
All RESPONDENTS

15

Each and every allegation in Paragraphs 1 through 14, inclusive, above, is incorporated by this reference as if fully set forth herein.

16

On or about October 31, 2008, The District Attorney for the County of Monterey, California filed a civil complaint for injunction, civil penalties, and equitable relief for illegal business practices against RESPONDENTS, and each of them, in the Monterey County Superior Court, case number M94799. The District Attorney alleged that in connection with RESPONDENTS' mortgage loan brokerage business RESPONDENTS, and each of them, entered into a civil conspiracy and engaged in illegal business practices to obtain an unfair advantage over competitors and earn illegal profits out of commissions on loans brokered by individuals who did not hold a valid real estate license. In addition, it was alleged that RESPONDENTS, and each of them, made material false or misleading statements to the public in an attempt to induce members of the public to enter into obligations relating to EVML's loan-brokerage services. A true and correct copy of the Monterey County Complaint and its amended complaint (collectively "the Monterey County Complaint") filed by the Monterey County, California District Attorney are attached hereto as Exhibits 1 and 2 respectively, and each and every allegation stated therein is incorporated by reference as if more fully set forth herein.

17

On or about March 2, 2010, pursuant to a final judgment and permanent injunction entered by the Monterey County Superior Court, RESPONDENTS settled the

1 Monterey County Complaint. RESPONDENTS, and each of them, are thereby enjoined from
2 performing the acts alleged in the Monterey County Complaint. In addition to the payment of
3 fines, civil penalties and costs assessed against RESPONDENTS by the Monterey County
4 Complaint, Respondents EVML, CAMPBELL, LIVINGSTON and ESPARAZA agreed to
5 surrender their respective real estate licenses to the Department. (A true and correct copy of the
6 final judgment adopting the settlement agreement and the settlement agreement are attached
7 hereto as Exhibit "3" and incorporated herein by reference.)
8

9 18

10 The acts or omissions of RESPONDENTS, and each of them, as alleged in the
11 Monterey County Complaint, are grounds for discipline under Sections 10176(a), 10176(c),
12 10176(i), 10177(d), 10177(j) and 10177.5 of the Code.
13

14 FOURTH CAUSE OF ACTION
15 Fraud Judgment
16 RESPONDENT ESPARZA

17 19

18 Each and every allegation in Paragraphs 1 through 18, inclusive, above, is
19 incorporated by this reference as if fully set forth herein.
20

21 20

22 The Court in the Monterey County Complaint matter found that Respondent
23 ESPARZA committed fraud while acting in the capacity of a real estate licensee in transactions
24 for which a real estate license was required and therefore entered a fraud judgment against
25 Respondent ESPARZA. Such a judgment constitutes cause for the suspension or revocation of
26 the license and license rights of Respondent ESPARZA under Sections 10177.5 and 10177(d) of
27 the Code.

FIFTH CAUSE OF ACTION
Failure to Supervise
RESPONDENT CAMPBELL

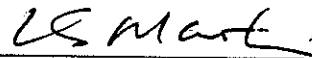
21

Each and every allegation in Paragraphs 1 through 20, inclusive, above, is incorporated by this reference as if fully set forth herein.

22

At all times herein, above mentioned Respondent CAMPBELL, as the designated officer/broker of Respondent EVML, was required to exercise reasonable supervision and control over the activities of Respondent EVML. In particular, Respondent CAMPBELL permitted, ratified and/or caused the conduct described in the First, Second, Third and Fourth Causes of Action herein and failed to fully, adequately and properly supervise the officers, directors, employees, agents and real estate licensees employed by or associated with Respondent EVML by failing to implement policies, rules, procedures, and systems to ensure the compliance of the corporation with the Real Estate Law and the Regulations. All of which constitutes cause for suspension or revocation of all licenses and license rights of Respondent CAMPBELL under Sections 10177(d) 10177(h) and/or Section 10159.2 of the Code and Section 2725 of the Regulations.

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 licenses and license rights of RESPONDENTS, and each of them, 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.



LUKE MARTIN
Deputy Real Estate Commissioner

Dated at Fresno, California
this 6th day of April, 2010.