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FILED

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DEPARTMENT OF REAL ESTATE

By H. Contreras

8 BEFORE THE DEPARTMENT OF REAL ESTATE

9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation of)
12) NO. H-2638 FR
13 STANLEY MICHAEL COMBS,)
14) ACCUSATION
Respondent.)

15 The Complainant, LUKE MARTIN, a Deputy Real Estate Commissioner of the
16 State of California, for cause of Accusation against STANLEY MICHAEL COMBS (herein
17 "Respondent") dba Equity Mortgage & Investments (herein "EMI"), is informed and alleges as
18 follows:

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20 The Complainant makes this Accusation in his official capacity.

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22 At all times herein mentioned, Respondent was and now is licensed and/or has
23 license rights under the Real Estate Law (Part 1 of Division 4 of the Business and Professions
24 Code) (herein "the Code").

25 3

26 At all times herein mentioned, Respondent was and now is licensed by the State
27 of California Department of Real Estate (herein "the Department") as a real estate broker and

1 was performing activities for which a license was required through Respondent's dba EMI, an
2 entity not licensed by the Department.

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4 At all times herein mentioned Respondent engaged in the business of, acted in the
5 capacity of, advertised, or assumed to act as a real estate broker within the State of California
6 within the meaning of Sections:

7 (a) 10131(a) of the Code, the operation and conduct of a real estate
8 brokerage, for compensation or in expectation of compensation,
9 that included the sale or offer of sale, purchase or offer of
10 purchase, solicitation of prospective sellers and purchasers of,
11 solicitation or obtaining listings of, or negotiations of the
12 purchase, sale or exchange of real property or a business
13 opportunity; and,

14 (b) 10131(d) of the Code, the operation and conduct of a mortgage
15 loan brokerage with the public wherein, on behalf of others, for
16 compensation or in expectation of compensation, wherein
17 Respondent solicited borrowers or lenders for or negotiated loans
18 or collected payments or performed services for borrowers or
19 lenders or note owners in connection with loans secured directly
20 or collaterally by liens on real property.

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22 In so acting, as described in Paragraph 4, above, Respondent accepted or
23 received funds in trust (herein "trust funds") from or on behalf of buyers, sellers, owners,
24 lenders, investors, borrowers, and others in connection with Respondent's resale and mortgage
25 loan brokerage activities, and thereafter from time to time made disbursements of said trust
26 funds.

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2 The aforesaid trust funds accepted or received by Respondent were deposited
3 or caused to be deposited by Respondent into one or more bank accounts (herein "trust fund
4 accounts") maintained by Respondent for the handling of trust funds at the following branches
5 of Union Bank of California in Modesto, California:

- 6 (a) "Combs, Stanley Michael DBA Equity Mortgage & Investments
7 Servicing Trust," account number xxxxxx4901 (herein "Trust #1");
8 and,
9 (b) "Combs, Stanley Michael DBA Equity Mortgage & Investments
10 Escrow Trust," account number xxxxxx4928 (herein "Trust #2").

11
12 On about November 18, 2008, borrower Antonio Albor Figueroa (herein "Albor")
13 caused a Note Secured by a Deed of Trust (herein "Note") in favor of lenders, Trustees
14 Joseph M. Scruggs and Linda J. Scruggs (herein "the Scruggs"), Trustees of the Scruggs Family
15 Trust, wherein Albor promised to pay \$45,000.00 for real property located at 121 Rosedale Ave.,
16 Modesto, CA 95351 (herein "Rosedale Ave. Property"), secured by the Rosedale Ave. Property.
17 Included as part of the loan agreement on the Rosedale Ave. Property was a Holdback Agreement
18 wherein Albor agreed that about \$15,000.00 would be held back from the \$45,000.00 in loan
19 funds and would not be released until all certain and specific itemized repairs were done to the
20 property.

21
22 On about November 18, 2008, Respondent dba EMI entered into a Loan Servicing
23 Agreement (Servicing Agreement) with the Scruggs on the Rosedale Ave. Property, and
24 represented that EMI was "a real estate broker licensed by the State of California ("Broker"),"
25 when in fact EMI was not licensed in any capacity by the Department, in violation of Sections
26 10176(a) and (i) and 10177(g) of the Code. Respondent represented and agreed through the
27 Servicing Agreement to "... collect all scheduled payments on the Loan., including the

1 protection of the security for the Loan ... Broker shall follow instructions from lender on non-
2 routine collection matters.”

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4 On about December 19, 2008, Respondent caused disbursements to be made to
5 EMI and Equity Mortgage Servicing Trust (EMST) in the amounts of about \$2,600.00 and
6 \$192.22, respectively, from the Scruggs' \$15,000.00 hold back funds, which were held in trust
7 by Respondent, prior to completion of all repairs done on the property, as described in
8 Paragraph 7. Said funds were paid to EMI for broker and document fees and to EMST for
9 prepaid interest. Payments were made contrary to the Holdback Agreement and the Servicing
10 Agreement, described in Paragraph 8, above, in violation of Sections 10176(a) and (i) and/or
11 10177(g) and/or 10177(j) of the Code.

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13 On about January 18, 2009, Respondent received a notice of cancellation of fire
14 insurance effective February 22, 2009, from the Victor Gomez Insurance Agency on the
15 Rosedale Ave. Property. A new fire insurance policy was not obtained until July 14, 2010,
16 contrary to Respondent's representations on the Servicing Agreement described in Paragraph 8,
17 above, in violation of Sections 10176(a) and (i) and 10177(g) of the Code.

18 11

19 On about January 27, 2009, Respondent dba EMI entered into a Servicing
20 Agreement with the Scruggs on real property located at 1562 Swalls St., Modesto, CA 95358
21 (herein "Swalls St. Property") and represented that EMI was "a real estate broker licensed by
22 the State of California ("Broker")," when in fact EMI was not licensed in any capacity by the
23 Department, in violation of Sections 10176(a) and 10177(g) of the Code. Respondent
24 represented and agreed through the Servicing Agreement to "... collect all scheduled payments
25 on the Loan ..., including the protection of the security for the Loan.”

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On about February 25, 2009, Respondent received a notice of cancellation of fire insurance effective April 1, 2009, from the Victor Gomez Insurance Agency on the Swalls St. Property. A new fire insurance policy was not obtained until July 14, 2010, contrary to Respondent's representations on the Servicing Agreement described in Paragraph 11, above, in violation of Sections 10176(a) and 10177(g) of the Code.

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On about March 2, 2009, Respondent dba EMI entered into a Servicing Agreement with the Scruggs on real property located at 1905 Yellow Pine Dr., Modesto, CA 95351 (herein "Yellow Pine Dr. Property") and represented that EMI was "a real estate broker licensed by the State of California ("Broker")," when in fact EMI was not licensed in any capacity by the Department, in violation of Sections 10176(a) and (i) and 10177(g) of the Code. Respondent represented and agreed through the Servicing Agreement to "... collect all scheduled payments on the Loan ..., including the protection of the security for the Loan."

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On about April 15, 2010, Respondent received a notice of cancellation of fire insurance effective May 10, 2010, from the Victor Gomez Insurance Agency on the Yellow Pine Dr. Property. A new fire insurance policy was not obtained until July 14, 2010, contrary to Respondent's representations on the Servicing Agreement described in Paragraph 13, above, in violation of Sections 10176(a) and 10177(g) of the Code.

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Between about June 1, 2008 to October 1, 2010, in connection with the collection and disbursement of said trust funds, Respondent:

- (a) failed to place trust funds entrusted to Respondent 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, in that

1 Respondent placed such funds in Trust Accounts #1 and #2 in the
2 name of EMI, a corporation not licensed by the Department, in
3 violation of Section 10145 of the Code and Section 2832 of Title 10,
4 Chapter 6, of the California Code of Regulations (herein "the
5 Regulations"); and

- 6 (b) failed to obtain a real estate license bearing the fictitious business
7 name "Equity Mortgage & Investments," while conducting activities
8 for which a license was required in that name, in violation of Section
9 10159.5 of the Code and Section 2731 of the Regulations.

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11 The facts alleged above are grounds for the suspension or revocation of the
12 licenses and license rights of Respondent under the following provisions of the Code and/or the
13 Regulations:

- 14 (a) as to Paragraph 8, under Sections 10176(a) and (i) and 10177(g) of the
15 Code;
- 16 (b) as to Paragraph 9, under Sections 10176(a) and (i) and/or 10177(g)
17 and/or (j) of the Code;
- 18 (c) as to Paragraph 10, under Sections 10176(a) and (i) and 10177(g) of
19 the Code;
- 20 (d) as to Paragraph 11, under Sections 10176(a) and 10177(g) of the Code;
- 21 (e) as to Paragraph 12, under Sections 10176(a) and 10177(g) of the Code;
- 22 (f) as to Paragraph 13, under Sections 10176(a) and (i) and 10177(g) of
23 the Code;
- 24 (g) as to Paragraph 14, under Sections 10176(a) and 10177(g) of the Code;
- 25 (h) as to Paragraph 15(a), under Section 10145 of the Code and Section
26 2832 of the Regulations, in conjunction with Section 10177(d) of the
27 Code; and,

1 (i) as to Paragraph 15(b), under Section 10159.5 of the Code and Section
2 2731 of the Regulations, in conjunction with Section 10177(d) of the
3 Code.

4 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
5 of this Accusation and that upon proof thereof a decision be rendered imposing disciplinary
6 action against all licenses and license rights of Respondent under the Real Estate Law (Part 1 of
7 Division 4 of the Business and Professions Code) and for such other and further relief as may be
8 proper under other applicable provisions of law.

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13 LUKE MARTIN
14 Deputy Real Estate Commissioner

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16 Dated at Fresno, California
17 this 23rd day of MAY, 2011.