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1 2	Julie L. To, State Bar No. 219482 Bureau of Real Estate 320 West Fourth Street, Ste. 350 Los Angeles, California 90013
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4	Telephone: (213) 576-6982 EUREAU OF REAL ESTATE (Direct) (213) 576-6916 By Provide August
5	- Jord Balling
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9	DIDEAU OF DEAU SCRATE
10	BUREAU OF REAL ESTATE
11	STATE OF CALIFORNIA
12	****
13	In the Matter of the Accusation of) No. H-04957 SD
14	FEDERAL HOME LOANS CORPORATION; $ACCUSATION$
15	EVANGELINE MICHAEL SALAS,
16	designated officer of Federal Home Loans Corporation;
17	JAMES DONALD SALAS; and
18	JOHN CHARLES PAPE,
19) Respondents.
20)
21	The Complainant, a Supervising Special Investigator of the State of California, for
22	cause of Accusation against Respondents FEDERAL HOME LOANS CORPORATION,
23	EVANGELINE MICHAEL SALAS, a.k.a. Gina Salas, JAMES DONALD SALAS; and JOHN
24	CHARLES PAPE (collectively, "Respondents"), is informed and alleges as follows:
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26	CalBPE Acquiration of E-d-111 - X - C
27	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	1.
2	The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the
3	State of California, makes this Accusation in her official capacity.
4	2.
5	All references to the "Code" are to the California Business and Professions Code
6	and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.
7	LICENSE HISTORY
8	Respondent FEDERAL HOME LOANS CORPORATION ("FHLC")
9	3.
10	FEDERAL HOME LOANS CORPORATION ("FHLC") is presently licensed
11	and/or has license rights under the Real Estate Law, Part 1 of Division 4 of the Code as a
12	restricted real estate corporation ("RREC" or "restricted REC"), Bureau of Real Estate ("Bureau"
13	or "BRE") license ID 00804375. FHLC's BRE mailing address of record is: P.O. Box 421217,
14	San Diego, CA 92142-1217. FHLC's BRE main address of record is: 3914 Murphy Canyon Rd.
15	A250, San Diego, CA 92123.
16	4.
17	FHLC was first licensed as a real estate corporation ("REC") on or about
18	December 24, 1980. According to the BRE's records, restricted real estate broker ("RREB" or
19	"restricted REB") EVANGELINE MICHAEL SALAS is the designated officer ("D.O.") of
20	record of FHLC. FHLC's BRE license will expire on February 18, 2019.
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26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	Prior BRE Discipline of FHLC
2	5.
3	CalBRE Case No. H-02681 SD Order Suspending Restricted Real Estate Licenses
4	(effective November 25, 2014)
5	On or about November 25, 2014, in CalBRE Case No. H-02681 SD, an Order
6	Suspending Restricted Real Estate Licenses, pursuant to Code Section 10177(k), was signed and
7	became effective immediately to suspend the restricted licenses of FHLC and its D.O.
8	EVANGELINE MICHAEL SALAS.
9	6.
10	CalBRE Accusation Case No. H-04662 SD (filed July 24, 2014)
11	On or about July 24, 2014, in CalBRE Case No. H-04662 SD, an Accusation was
12	filed against FHLC and its D.O., EVANGELINE MICHAEL SALAS, that alleged violations of
13	the Real Estate Law, including violations of:
14	- Code Section 10166.02(a) and (b) (notice of loan activity – S.A.F.E. Act (Secure
15	And Fair Enforcement for Mortgage Licensing Act));
16	- Code Section 10145 and Code Section 10166.02(a) (failure to notify BRE of
17	MLO activity);
18	- Code Section 10145 and Code Section 10166.02(b) (failure to maintain a real
19	estate license endorsement as a mortgage loan originator ("MLO"); and
20	- Code Section 10145 and Regulation 2831.1 (failure to account for trust funds
21	received, deposited and disbursed).
22	All of the alleged violations in Accusation H-04622 SD constituted cause for the
23	discipline of their licenses and license rights pursuant to Code Sections 10145 (handling of trust
24	funds), 10177(d) (willful disregard or violation of the Real Estate Law), and/or 10177(g)
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26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	(negligence or incompetence). On or about February 19, 2015, by Stipulation and Agreement,		
2	both FHLC and its D.O.'s restricted real estate licenses were revoked and both were granted the		
3	right to apply for and be granted new restricted licenses.		
4	7.		
5	CalBRE Case No. R-5147 Recovery Suspension (filed September 30, 2013)		
6	On or about September 30, 2013, in CalBRE Case No. R-5147, FHLC's real		
7	estate license was suspended pursuant to the BRE Recovery action in the same case. On or about		
8	October 14, 2013, said suspension was released.		
9	8.		
10	CalBRE Accusation H-38466 LA (filed October 11, 2012)		
11	On or about October 11, 2012, in CalBRE Case No. H-38466 LA, an Accusation		
12	was filed against FHLC that alleged violation of Code Section 10177.5 (fraud in a civil action) as		
13	cause for license discipline. On or about October 14, 2013, by Stipulation and Agreement,		
14	FHLC's REC license was suspended for sixty (60) days, stayed for two (2) years, conditioned		
15	upon satisfaction of certain terms and conditions.		
16	9.		
17	CalBRE Accusation H-2681 SD (filed December 6, 2001)		
18	On or about December 6, 2001, in CalBRE Case No. H-2681 SD, an Accusation		
19	was filed against FHLC and its designated officer of record, EVANGELINE MICHAEL SALAS,		
20	that alleged violations of, and grounds for real estate license and license rights discipline		
21	pursuant to:		
22	- Regulation 2831.1 (separate records) and Code Sections 10145 and 10177(d);		
23	- Regulation 2831.2 (trust account reconciliation) and Code Sections 10145 and		
24	10177(d);		
25			
26	CalBRE Accusation of Federal Home Loans Corporation, et al.		
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1	- Code Section 10176(e) (commingling);		
2	- Code Sections 10232.25(a) (trust funds status report) and 10177(d);		
3	- Code Sections 10229(j)(3) (this Code Section no longer exists in the Real Estate		
4	Law) and 10177(d);		
5	- Code Sections 10232.2(c) (filing fiscal year reports) and 10177(d);		
6	- Code Sections 10229(n) (this Code Section no longer exists in the Real Estate		
7	Law) and 10232.2(a) (filing fiscal year reports) and 10177(d);		
8	- Code Sections 10232.4 (disclosure statement) and 10177(d); and		
9	- Code Section 10236.4 (disclosure of license number and information) and		
10	10177(d).		
11	On or about May 15, 2002, by Stipulation and Agreement, both FHLC and D.O.'s		
12	licenses were revoked and both were granted the right to apply for and be granted restricted		
13	licenses. On or about November 25, 2014, the aforementioned (see Paragraph 5, above) Order		
14	Suspending Restricted Real Estate Licenses was issued against FHLC and EVANGELINE		
15	MICHAEL SALAS pursuant to Code Section 10177(k).		
16	10.		
17	CalBRE Order to Desist and Refrain H-1652 SD (filed February 23, 1989)		
18	On or about February 23, 1989, in CalBRE Case No. 1652 SD, the Real Estate		
19	Commissioner issued an order to FHLC to desist and refrain from violating Code Section 10233		
20	and Regulations 2725(c); 2830; 2831; 2832.1; and 2950(h).		
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26 27	CalBRE Accusation of Federal Home Loans Corporation, et al.		
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1	Respondent EVANGELINE MICHAEL SALAS ("EMS")
2	11.
3	EVANGELINE MICHAEL SALAS, a.k.a. Gina Salas a.k.a. Evangeline Michael
4	Tsoucalas ("EMS") is presently licensed and/or has license rights under the Real Estate Law, Part
5	1 of Division 4 of the Code as a RREB, BRE license ID 00943518.
6	12.
7	EMS was first licensed as a real estate salesperson ("RES") on or about
8	November 7, 1986, and as a REB on or about April 8, 1993. According to the BRE's records,
9	EMS is the D.O. of record of FHLC until her officer expiration date of February 18, 2019.
10	EMS's BRE license will expire on February 19, 2019.
11	Prior BRE Discipline of EMS
12	13.
13	CalBRE Accusation Case No. H-04622 SD (filed July 24, 2014)
14	On or about July 24, 2014, in CalBRE Case No. H-04622 SD, an Accusation was
15	filed against FHLC and its D.O., EVANGELINE MICHAEL SALAS, that alleged violations of
16	the Real Estate Law, including the violations cited above, in Paragraph 6, and [as to EMS only]
17	Code Sections 10177(d), 10177(g), and/or 10177(h) (failure to supervise).
18	All of the alleged violations constituted cause for the discipline of FHLC and
19	EMS' licenses and license rights pursuant to Code Sections 10145 (handling of trust funds),
20	10177(d) (willful disregard or violation of the Real Estate Law), and/or 10177(g) (negligence or
21	incompetence), and as to EMS only, Code Section 10177(h). On or about February 19, 2015, by
22	Stipulation and Agreement, both FHLC and EMS' restricted real estate licenses were revoked
23	and both were granted the right to apply for and be granted new restricted licenses.
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26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	14.	
2	CalBRE Accusation H-2681 SD (filed December 6, 2001)	
3	On or about December 6, 2001, in CalBRE Case No. H-2681 SD, an Accusation	
4	was filed against FHLC and EMS, individually and as designated officer of record of FHLC, that	
5	alleged violations of, and grounds for real estate license and license rights discipline, as cited	
6	above in Paragraph 9.	
7	15.	
8	CalBRE Case No. H-02681 SD Order Suspending Restricted Real Estate Licenses	
9	(effective November 25, 2014)	
10	On or about November 25, 2014, in CalBRE Case No. H-02681 SD, an Order	
11	Suspending Restricted Real Estate Licenses, as cited above in Paragraph 5, was signed and	
12	became effective immediately to suspend the restricted licenses of FHLC and EMS.	
13	Respondent JAMES DONALD SALAS ("JDS")	
14	16.	
15	JAMES DONALD SALAS ("JDS") is presently licensed and/or has license rights	
16	under the Real Estate Law, Part 1 of Division 4 of the Code as a RES, BRE license ID 00681016.	
17	17.	
18	JDS was first licensed as a RES on or about November 28, 1978. JDS' BRE	
19	license will expire on December 17, 2017. According to the BRE's records, FHLC is and has	
20	been JDS' employing REB of record off and on for the periods:	
21	a. June 6, 1995 to August 5, 1996;	
22	b. April 25, 1997 to April 24, 2001;	
23	c. June 7, 2001 to May 28, 2002;	
24	d. June 11, 2002 to June 6, 2005;	
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27	CalBRE Accusation of Federal Home Loans Corporation, et al.	
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	1	e. August 11, 2005 to August 10, 2013;
	2	f. December 18, 2013 to November 24, 2014;
	3	g. February 26, 2015 to May 19, 2015; and
	4	h. August 1, 2016 to the present.
	5	Prior BRE Discipline of JDS
	6	18.
	7	CalBRE Case No. R-5147 (suspension of September 30, 2013)
	8	On or about September 30, 2013, JDS' real estate license was suspended pursuant
	9	to CalBRE Recovery Case No. R-5147 (see Paragraph 7).
	10	Respondent JOHN CHARLES PAPE ("PAPE")
	11	19.
	12	JOHN CHARLES PAPE ("PAPE") is presently licensed and/or has license rights
	13	under the Real Estate Law, Part 1 of Division 4 of the Code as a REB, BRE license ID
	14	00818936.
	15	20.
	16	PAPE was first licensed as a REB on or about March 21, 1986. According to the
	17	BRE's records, from January 1, 2014 to and including the present date, PAPE did not employ any
	18	RES. PAPE's BRE license will expire on March 28, 2018.
	19	Unlicensed Rose L. Watson
	20	21.
	21	Rose L. Watson ("Watson") is not licensed by the BRE in any capacity. Watson
	22	was originally licensed as a RES on or about June 17, 2002, BRE license ID 01332910. Watson
	23	was licensed by the BRE until her license was revoked on or about April 26, 2012.
	24	///
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	26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	22.
2	CalBRE Accusation Case No. H-37048 LA (January 28, 2011)
3	On or about January 28, 2011, in CalBRE Case No. H-37048 LA, an Accusation
4	was filed against Watson that alleged violations of, and grounds for real estate license and license
5	rights discipline pursuant to: Code Sections 10137, 10176(a), 10176(i), 10177(d) and/or
6	10177(g). On or about April 26, 2012, Watson's RES license was revoked.
7	23.
8	At all times mentioned herein, in Los Angeles County, California, Respondents
9	FHLC, EMS, JDS, and PAPE engaged in the performance of activities requiring a real estate
10	license pursuant to Code Section 10130. Respondents acted and ordered, caused, authorized or
11	participated in licensed activities within the meaning Code Section 10131(d), by soliciting
12	borrowers or lenders for or negotiating loans or collecting payments or performing services for
13	borrowers or lenders or note owners in connection with loans secured directly or collaterally by
14	liens on real property or on a business opportunity ("loan modification").
15	FACTS DISCOVERED BY THE BUREAU
16	Ann D. and Morris D. (Riverside Property)
17	24.
18	According to Ann D. ("Borrower"), she originally had a loan with Independence
19	Bank (f.k.a. Premier Service Bank) ("Bank") in the amount \$412,332.35 principal, plus
20	\$1,916.25 interest (Loan No. 110####), secured by property located at #### Texas Street,
21	Riverside, California 92504 ("Riverside property"). When Borrower and Borrower's husband
22	Morris D. (collectively, "Borrowers") asked the Bank to reduce her interest rate, the Bank
23	informed that if Borrower could find better financing, Bank would reduce the loan payoff amount
24	from approximately \$415,000 to \$325,000 plus \$2,500 in legal fees ("Bank's offer").
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26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	25.
2	Through their accountant, Borrowers met Watson, who verbally represented to
3	Borrowers in or around September 2014 that she could obtain a refinance of Borrower's loan at a
4	five to six percent (5% to 6%) interest rate. Borrower informed Watson that the Bank's offer
5	was good until December 1, 2014; Watson assured Borrower that it would get done. Based on
6	Watson's representations, Borrower decided to move forward with the refinance with Watson.
7	Borrower provided the name of their banker at Bank, Al Lara ("Lara"), to Watson, who assured
8	that she had a loan lined up and that the process was on schedule.
9	26.
10	In or around December 1, 2014, Borrowers received a telephone call from Lara;
11	Lara informed that he had not heard from Watson, and reminded Borrowers that the Bank's offer
12	was good until December 1, 2014. When Borrowers contacted Watson, Watson responded that
13	she would contact Lara to inform him that the escrow papers were delayed due to the overseas
14	investor's money being tied up. Lara responded to Watson's representation by extending the
15	Bank's offer until December 31. Throughout December 2014, Watson assured Borrowers that
16	the loan was funded and told Borrowers not to worry. In January 2015, Watson informed
17	Borrowers that new building insurance was required to satisfy the new lender, and Borrowers
18	provided a cashier's check to Watson in the amount of \$2,027.50 for payment towards new
19	building insurance.
20	27.
21	Between September 2014 and January 2015, Watson (whose BRE license was
22	revoked ¹ as of April 26, 2012), negotiated and promised a refinance for Borrowers. Also
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24 25	¹ When a BRE licensee has been revoked, the licensee may not perform acts for which a California real estate license is required.
26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	between September 2014 and January 2015, revoked Watson and/or FHLC (whose license was
2	suspended ² November 25, 2014) and/or EMS (whose license was suspended November 25,
3	2014), prepared and delivered to Borrower for signature a multitude of documents for Borrower's
4	refinance, including, but not limited to:
_	

5	a.	Discounted Payoff Agreement ("Agreement"). On or about September 2,
6		2014 Borrower and Bank entered into a Discounted Payoff Agreement
7		("Agreement") which Borrower understood to be drafted by FHLC in which
8		Borrower agreed to, on or before December 1, 2014, pay to Bank, the
9		Discounted Payoff Amount ("DPA") comprised of the sum of \$325,000 plus
10		\$2,500 attorney's fees and documentation fees, as payment in full of Ann D.'s
11		loan obligation on Loan No. 110####. Payment of the DPA was to be made
12		by cashier's check payable to Independence Bank, and delivered to the Bank
13		at the address stated in the Agreement. Subject to Borrower's timely payment,
14		the Bank was to accept the DPA as payment in full of all obligations under
15		Loan No. 110####.
16	b.	Real Estate Loan Agreement ("FHLC Agreement"). Borrower as "Applicant"
17		agreed to employ FHLC as "Company" for a period of ninety (90) days
18		commencing November 11, 2014 to procure a loan in the amount of \$374,000,

at an annual interest rate of <u>ten percent</u> (10%), payable in monthly installments of \$3,282.12 for a term of 36 months, or on such other terms as Applicant may agree to accept, secured by Applicant's Riverside property.

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² When a BRE licensee is suspended, the licensee may not perform acts for which a California real estate license is required during the period of the suspension.

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1	C.	Principal and Interest Note ("Note"). The Note was printed on FHLC
2		letterhead and bears FHLC's BRE mailing address of record. This Note, dated
3		December 4, 2014, memorialized Borrower's promise to pay principal in the
4		amount \$374,000, plus interest, in thirty-six (36) installments in the amount of
5		\$3,382.12 beginning on February 1, 2015.
6	d.	Deed of Trust With Assignment of Rents (Short Form) ("Deed"). The Deed
7		bears FHLC's name and BRE mailing address of record, and a signature line
8		for "Gina Salas, License Number 00804375 ³ ." This Deed, dated December 4,
9		2014, conveys Ann D.'s Riverside property to the Trustee for the sum
10		\$374,000.
11 [.]	• e.	Escrow Estimated Settlement Statement ("Statement"). The Statement was
12		printed on FHLC letterhead and bears FHLC's BRE mailing address of record.
13		This Statement, dated December 5, 2014, listed consideration in the amount of
14		\$374,000 and a reduced payoff amount of \$327,500 to Premier Service Bank,
15		with an estimated closing date of December 29, 2014.
16	f.	Commission Order ("Order"). The Order was printed on FHLC letterhead and
17		bears FHLC's BRE mailing address of record, and a signature line for "Gina
18		Salas, License Number 00804375.4" This Order, dated December 4, 2014,
19		instructed Borrower to pay commission in the amount of \$16,830 to FHLC.
20	g.	Truth-In-Lending Disclosure Statement ("Disclosure"). The Disclosure, dated
21		December 4, 2014, showed an annual percentage rate of 11.637%.
22		
23	³ The license number	r listed adjacent to Gina Salas' name, 00804375, on the Deed is the BRE License ID of FHLC.
24		r listed adjacent to Gina Salas' name, 00804375, on the Order is the BRE License ID of FHLC.
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26		CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	BRE Subpoena Duces Tecum of February 8, 2016 to FHLC
2	28.
3	On February 11, 2016, BRE Special Investigator ("SI Lynn") served FHLC a
4	subpoena duces tecum ("SDT") requesting that, on or before February 26, 2016, it produce to SI
5	Lynn for inspection and copying the records, papers, books, accounts and documents pertaining
6	to:
7	(1) Borrower's escrow and loan transaction relating to her Riverside property
8	("Escrow No. 7777");
9	(2) mortgage loan services provided by FHLC, Watson and JDS;
10	(3) descriptions of the duties performed by FHLC, Watson and JDS, including a
11	copy of the employment and compensation contracts between FHLC, Watson, and
12	JDS;
13	(4) descriptions of how FHLC, Watson and JDS are compensated, including front
14	and back copies of any and all compensation received since November 25, 2014;
15	and
16	(5) a list of all loan/financing transactions Watson and/or JDS have handled since
17	April 1, 2013 and that FHLC has handled since November 25, 2014.
18	On or about February 26, 2016, the BRE received from FHLC and EMS responses to its February
19	11, 2016 SDT, including, but not limited to ("FHLC's 2/26/16 production"):
20	(a) FHLC's loan file for Escrow No. 7777; the employment contract between
21	FHLC and JDS;
22	(b) a spreadsheet and check copies showing compensation from FHLC to Watson
23	and PAPE;
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27	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	(c) a list of loan transactions originated by FHLC since November 25, 2014 and
2	loans handled by JDS that were originated since April 1, 203;
3	(d) a list of loans originated since April 1, 2013, which, according to FHLC and
4	EMS "where Watson was involved (and compensation went to Mr. PAPE)."
5	29.
6	JDS' Performance of, and Compensation for, Real Estate Activities While
7	NBA
8	According to FHLC's 2/26/26 production, JDS had an independent contractor
9	"Broker-Salesperson Contract" with FHLC since September 14, 1995. (However, according to
10	the BRE's records, JDS was not affiliated with any REB ("NBA ⁵ ") during the periods: (1) from
11	November 25, 2014 to February 25, 2015 and (2) from May 20, 2015 to July 31, 2016.) During
12	the period November 25, 2014 to February 25, 2015, when he was NBA, JDS negotiated the
13	Riverside property loan refinance for Borrowers for compensation.
14	30.
15	According to FHLC's 2/26/16 production of documents:
16	a. While JDS was NBA, JDS was listed on the December 4, 2014 Declaration of
17	Oral Disclosure ("Oral Disclosure") as "DON SALAS for FEDERAL HOME LOANS
18	CORPORATION" declaring, under penalty of perjury, that he orally disclosed and explained to
19	Borrower all of the items listed on the face of the disclosure, including, but not limited to,
20	primary loan transaction elements important to the Riverside property loan, such as: interest rate,
21	monthly payment, annual percentage rate, balloon payment, accrued interest, right to cancel, and
22	commission, which in this case totaled, \$16,830.00 as stated on the Oral Disclosure.
23	
24	⁵ When a BRE licensee has no broker affiliation and their licensee status is "Licensed NBA" or "NBA", the license is in a non-working status, and the licensee may not perform acts for which a real estate license is required in
25	California.
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27	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1 b. JDS was listed on two versions of the Mortgage Loan Disclosure 2 Statement/Good Faith Estimate (Bureau of Real Estate Form RE 883 (Rev. 1/08) ("GFE") as "DON SALAS, Broker's Representative, License #00681016" adjacent to "FEDERAL HOME 3 LOANS COPRORATION, Broker, License #008040375." FHLC is listed as the provider of the 4 5 GFE. 6 31. 7 FHLC's Performance of Real Estate Activities While Suspended According to FHLC's production of documents of loans negotiated and closed 8 9 between November 25, 2014 and February 8, 2016, FHLC, for compensation, negotiated and closed at least sixty-six (66) loans secured by trust deeds, activities for which a real estate license 10 is required, during a period of time during which its BRE license was suspended. (According to 11 the BRE's records, FHLC's REC license was suspended indefinitely on or about November 25, 12 2014 in BRE Case No. H-02681 SD.) During the period November 25, 2014 to February 19, 13 2015, suspended FHLC negotiated and closed loans for borrowers for compensation, when it was 14 15 disallowed from performing such licensed acts. 16 32.

17

FHLC's Compensation of JDS (FHLC's 2/26/16 Production)

a. According to FHLC's production of documents of loan activities, including
 origination and negotiation of multiple loans, between April 1, 2013 and February 8, 2016,
 FHLC compensated JDS or JDS' corporation, JDS Lending Corp.⁶, for activities for which a real
 estate license is required, during a period of time during which JDS was NBA and/or FHLC was
 suspended.

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⁶ According to the California Secretary of State, JDS is the agent for service of process of JDS Lending Corp.

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b. According to the BRE's records, FHLC's REC license was suspended
indefinitely on or about November 25, 2014 in BRE Case No. H-02681 SD. Also according to
the BRE's records, JDS was NBA during the following periods of time: August 11, 2013 to
December 17, 2013; November 25, 2014 to February 25, 2015; and May 20, 2015 to August 1,
2016.

c. During the period November 25, 2014 to February 25, 2015, when FHLC was
 suspended and JDS was NBA, JDS negotiated and closed loans on behalf of FHLC for borrowers
 for compensation. During the aforementioned periods of time when JDS was NBA, FHLC
 compensated JDS and/or his corporation for negotiating and closing loans for borrowers on
 behalf of FHLC.

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FHLC's Compensation of JDS (FHLC's 3/2/16 production)

13 On or about March 2, 2016, the BRE received from FHLC and EMS via e-mail, additional responses to its February 11, 2016 SDT ("FHLC's 3/2/16 production"). 14 According to FHLC's 3/2/16 production, between December 3, 2015 and February 9, 2016, 15 FHLC compensated JDS or JDS Lending Corp. fifteen (15) times, as evidenced by cancelled 16 checks from FHLC's Chase Bank Payroll Trust Account payable to JDS ("Don Salas") or JDS 17 Lending Corp., ranging in amounts from \$53.10 to \$9,575.28. Between December 3, 2015 and 18 19 February 9, 2016, FHLC compensated JDS or JDS' corporation, JDS Lending Corp., for activities for which a real estate license is required, during a period of time during which JDS 20 21 was NBA. 22 /// 23 /// 24 /// 25 26 CalBRE Accusation of Federal Home Loans Corporation, et al. 27 Page 16 of 31

1	34.
2	FHLC's Compensation of JDS (FHLC's 3/11/16 production)
3	On or about March 11, 2016, the BRE received from FHLC and EMS via e-mail,
4	additional responses to its February 11, 2016 SDT ("FHLC's 3/11/16 production").
5	According to FHLC's 3/11/16 production:
6	a. between December 2, 2014 and November 11, 2015, FHLC compensated JDS
7	or JDS Lending Corp. fifty-seven (57) times, as evidenced by cancelled checks from FHLC's
8	City National Bank Payroll Trust Account payable to JDS ("Don Salas") or JDS Lending Corp.
9	("JDS Lending"), ranging in amounts from \$60.68 to \$13,518.85, for activities for which a real
10	estate license is required, during a period of time which included periods when JDS was NBA
11	and/or FHLC was suspended;
12	b. between November 25, 2014 and January 7, 2016, FHLC compensated JDS or
13	JDS Lending Corp. forty (40) times, as evidenced by cancelled checks from FHLC's City
14	National Bank Escrow Trust Account payable to JDS ("Don Salas") or JDS Lending Corp. ("JDS
15	Lending"), ranging in amounts from \$50.00 to \$1,800, for activities for which a real estate
16	license is required, during a period of time which included periods when JDS was NBA and/or
17	when FHLC was suspended;
18	c. between December 3, 2015 and February 18, 2016, FHLC compensated JDS or
19	JDS Lending Corp. fifty-one (51) times, as evidenced by cancelled checks from FHLC's Chase
20	Bank Payroll Trust Account payable to JDS ("Don Salas") or JDS Lending Corp. ("JDS
21	Lending"), ranging in amounts from \$53.10 to \$10,000, for activities for which a real estate
22	license is required, during a period of time which included periods when JDS was NBA;
23	d. On January 2, 2015 and March 31, 2015, FHLC compensated JDS ("Don
24	Salas") three (3) times, as evidenced by cancelled checks from FHLC's City National Bank
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26	CalBRE Accusation of Federal Home Loans Corporation, et al.
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Client Disbursement Trust Account payable to JDS ("Don Salas"), ranging in amounts from
 \$250.00 to \$350.00, for activities for which a real estate license is required, during a period of
 time when JDS was NBA; and

e. On March 2, 2015, FHLC compensated JDS Lending Corp., as evidenced by a
cancelled check from FHLC's City National Bank Escrow Trust Account payable to JDS ("Don
Salas"), in the amount \$250.00, for activities for which a real estate license is required, during a
period of time when JDS was NBA.

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35.

FHLC's Compensation of Watson

According to FHLC's 2/26/16 production of documents of loan activities,
 including origination of multiple loans, between April 1, 2013 and February 8, 2016, FHLC paid
 compensation to Watson and/or PAPE at least four (4) times for activities for which a real estate
 license is required, in amounts ranging from \$3,587.50 to \$5,100.00, during a period of time
 during which Watson was not licensed by the BRE in any capacity, and/or which FHLC was
 suspended.

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36.

FHLC Compensation to JDS and Watson (EMS E-mail to BRE, April 20, 2016)

According to e-mail correspondence from EMS to SI Lynn on or about April 20,
2016:

a. FHLC compensation to JDS and/or his corporation was calculated as either a
 commission/percentage, a small fee, a percent of fees charged, a percentage of the asset
 management fee, a negotiation fee, or a commission or percentage of income, and

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1	a. "Rose Watson works for broker JOHN CHARLES PAPE. When Ms. Watson
2	and/or Mr. PAPE first present a loan to us [FHLC] if it appears to be a fit and we wish to proceed
3	further we discuss compensation at that time" and
4	b. "Regarding compensation for Don Salas, he and/or his corporation (JDS
5	Lending) are compensated as follows: a commission/percentage of the points charged on loans he
6	originates; a commission/ percentage of the points charged on loans he funds via an investor
7	assigned to him; a small fee; a percentage of the fees charged for loan extensions or
8	modifications; a percentage of the asset management fee on REOs sold; a negotiation fee for
9	assisting in resolving matters on both performing and non-performing loans; [and] a commission
10	or percentage of income on REO properties that receive income related to leases."
11	JDS and/or suspended FHLC compensated PAPE for loans solicited, originated, and negotiated
12	by Watson and referred to FHLC, which PAPE in turn compensated unlicensed Watson.
13	37.
14	JDS/FHLC Compensation to PAPE (and Watson) (PAPE Letter to BRE, May 2, 2016)
15	According to PAPE's letter to the BRE of May 2, 2016, he "had always been
16	under the impression that Rose [Watson] was a licensed real estate agentJames Salas (JDS)
17	was to give me a real estate commission since I was a broker and I was in turn to give Rose
18	Watson a referral fee since I thought she had a real estate license. This would be a referral for
19	letting me know of the people that wanted to obtain loansJames Salas in turn gave me real
20	estate commission checks from his company when the transactions were complete." Between
21	April 1, 2013 and February 8, 2016, JDS and/or suspended FHLC compensated PAPE with
22	commissions in return for loans solicited, originated, and negotiated by Watson and referred to
23	FHLC, which PAPE in turn compensated unlicensed Watson.
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APPLICABLE SECTIONS OF THE REAL ESTATE LAW

License Required - Code Sections 10130, 10131, and 10132

38.

Pursuant to Code Section 10130, "It is unlawful for any person to engage in the 4 business of, act in the capacity of, advertise as, or assume to act as a real estate broker or a real 5 6 estate salesperson within this state without first obtaining a real estate license from the 7 department, or to engage in the business of, act in the capacity of, advertise as, or assume to act 8 as a mortgage loan originator within this state without having obtained a license endorsement. The commissioner may prefer a complaint for violation of this section before any court of 9 competent jurisdiction, and the commissioner and his or her counsel, deputies, or assistants, may 10 assist in presenting the law or facts at the trial. Prosecution of Violations: It is the duty of the 11 district attorney of each county in this state to prosecute all violations of this section in their 12 13 respective counties in which the violations occur."

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39.

Pursuant to Code Section 10131, "A real estate broker within this meaning of this
 part is a person who, for a compensation or in expectation of a compensation, regardless of the
 form or time of payment, does or negotiates to do one or more of the following acts for another
 or others:

(a) Sells or offers to sell, buys or offers to buy, solicits prospective sellers or
 purchasers of, solicits or obtains listings of, or negotiates the purchase, sale or
 exchange of real property or a business opportunity.

(b) Leases or rents or offers to lease or rent, or places for rent, or solicits listings of places for rent, or solicits for prospective tenants, or negotiates the sale,

purchase or exchanges of leases o real property, or on a business opportunity, or

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1	collects rents from real property, or improvements thereon, or from business
2	opportunities.
3	(c) Assists or offers to assist in filing an application for the purchase or lease of,
4	or in locating or entering upon, lands owned by the state or federal government.
5	(d) Solicits borrowers or lenders for or negotiates loans or collects payments or
6	performs services for borrowers or lenders or note owners in connection with
7	loans secured directly or collaterally by liens on real property or on a business
8	opportunity.
9	(e) Sells or offers to sell, buys or offers to buy, or exchanges or offers to exchange
10	a real property sales contract, or a promissory note secured directly or collaterally
11	by a lien on real property or on a business opportunity, and performs services for
12	the holders thereof."
13	40.
14	Pursuant to Code Section 10132, "A real estate salesperson within the meaning of
15	this part is a natural person who, for a compensation or in expectation of a compensation, is
16	employed by a licensed real estate broker to do one or more of the acts set forth in Sections
17	10131, 10131.1, 10131.2, 10131.3, 10131.4, and 10131.6."
18	Unlawful Employment or Payment of Compensation - Code Section 10137
19	41.
20	Pursuant to Code Section 10137, "It is unlawful for any licensed real estate broker
21	to employ or compensate, directly or indirectly, any person for performing any of the acts within
22	the scope of this chapter who is not a license real estate broker, or a real estate salesperson
23	licensed under the broker employing or compensating him or her, or to employ or compensate,
24	directly or indirectly, any licensee for engaging in any activity for which a mortgage loan
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1	originator license endorsement is required, if that licensee does not hold a mortgage loan
2	originator license endorsement; provided, however, that a licensed real estate broker may pay a
3	commission to a broker of another state. No real estate salesperson shall be employed by or
4	accept compensation for activity requiring a real estate license from any person other than the
5	broker under whom he or she is at the time licensed. It is unlawful for any licensed real estate
6	salesperson to pay any compensation for performing any of the acts within the scope of this
7	chapter to any real estate licensee except through the broker under whom he or she is at the time
8	licensed. For a violation of any of the provisions of this section, the commissioner may
9	temporarily suspend or permanently revoke the license of the real estate licensee, in accordance
10	with the provisions of this part relating to hearings."
11	<u>Responsibility of Corporate Officer in Charge – Code Section 10159.2 and Section 2725 of</u>
12	Title 10, Chapter 6, California Code of Regulations ("Regulations")
13	42.
14	Pursuant to Code Section 10159.2(a), "The officer designed by a corporate broker
15	license pursuant to Section 10211 shall be responsible for the supervision and control of the
16	activities conducted on behalf of the corporation by its officers and employees as necessary to
17	secure full compliance with the provisions of this division, including supervision of salespersons
18	licensed to the corporation in the performance of acts for which a real estate license is required."
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	1	43.
	2	Pursuant to Regulation 2725, "A broker shall exercise reasonable supervision over
	3	the activities of his or her salespersons. Reasonable supervision includes, as appropriate, the
	4	establishment of policies, rules, procedures and systems to review, oversee, inspect and manage:
	5	a) Transactions requiring a real estate license.
	6	b) Documents which may have a material effect upon the rights or obligations of
	7	a party to the transaction.
	8	c) Filing, storage and maintenance of such documents.
	9	d) The handling of trust funds.
	10	e) Advertising of any service for which a license is required.
	11	f) Familiarizing salespersons with the requirements of federal and state laws
	12	relating to the prohibition of discrimination.
	13	g) Regular and consistent reports of licensed activities of salespersons.
	14	The form and extent of such policies, rules, procedures and systems shall take into
	15	consideration the number of salespersons employed and the number and location of branch
	16	offices.
	17	A broker shall establish a system for monitoring compliance with such policies,
	18	rules, procedures and systems. A broker may use the services of brokers and salespersons to
	19	assist in administering the provisions of this section so long as the broker does not relinquish
	20	overall responsibility for supervision of the acts of salespersons licensed to the broker."
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1	<u>Grounds for Revocation or Suspension – Code Section 10176</u>	
2	44.	
3	Pursuant to Code Section 10176, "The commissioner may, upon his or her own	
4	motion, and shall, upon the verified complaint in writing of any person, investigate the actions of	
5	any person engaged in the business or acting in the capacity of a real estate licensee within this	
6	state, and he or she may temporarily suspend or permanently revoke a real estate license at any	
7	time where the licensee, while a real estate licensee, in performing or attempting to perform any	
8	of the acts within the scope of this chapter has been guilty of any of the following:	
9	(a) Making any substantial misrepresentation.	
10	(b) Making any false promises of a character likely to influence, persuade, or	i
11	induce.	
12	(c) A continued and flagrant course of misrepresentation or making of false	
13	promises through real estate agents or salespersons.	
14		
15	(i) Any other conduct, whether of the same or a different character than specified	
16	in this section, which constitutes fraud or dishonest dealing"	
17	<u> Further Grounds for Disciplinary Action – Code Section 10177</u>	
18	45.	
19	Pursuant to Code Section 10177, "The commissioner may suspend or revoke the	
20	license of a real estate licensee, delay the renewal of a license of a real estate licensee, or deny the	
21	issuance of a license to an applicant, who has done any of the following:	
22	•••	
23	(d) Willfully disregarded or violated the Real Estate Law (Part 1 (commencing	
24	with Section 10000)) or Chapter 1 (commencing with Section 11000) of Part 2 or the rules and	
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26	CalBRE Accusation of Federal Home Loans Corporation, et al.	
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1 2 3 4 5 6 7 8 9	regulations of the commissioner for the administration and enforcement of the Real Estate Law and Chapter 1 (commencing with Section 11000) of Part 2." (g) Demonstrated negligence or incompetence in performing an act for which he or she is required to hold a license. (h) As a broker licensee, failed to exercise reasonable supervision over the activities of his or her salespersons, or, as the officer designated by a corporate broker licensee, failed to exercise reasonable supervision for which a real estate license is required
10	(j) Engaged in any other conduct, whether of the same or a different character than
11	specified in this section, that constitutes fraud or dishonest dealing"
12	VIOLATIONS OF THE REAL ESTATE LAW – CAUSES FOR DISCIPLINE
13	46.
14 15	In the course of the activities described above in Paragraph 23, and based on the
16	facts discovered by the Bureau in Paragraphs 24 through 37, above, Respondents FHLC, EMS,
17	JDS, and PAPE acted in violation of the Code and Regulations, as described below.
18	47.
19	Between November 25, 2014 and February 19, 2015, the licenses of both REC
20	FHLC and REB EMS were suspended by the BRE, during which time they were not permitted to
21	perform to perform any real estate sales activities for which a real estate license is required in
22	California, as set forth in Code Section 10131. Notwithstanding their BRE suspensions, between
23	
24	November 25, 2014 and February 19, 2015, FHLC and EMS performed real estate activities
25	
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1	including but not limited to loan modification and mortgage loan activities as described in Code
2	Section 10131(d), for compensation, for Borrowers' Riverside property and for at least sixty-six
3	(66) other properties.
4	48.
5	Respondents FHLC and its D.O. EMS engaged in the business of or acted in the
6	capacity of a real estate broker when their licenses were suspended and they were not permitted
7	to perform acts for which a California real estate license is required during their period of
8 9	suspension, in violation of Code Sections 10130 and 10131.
10	49.
11	From November 25, 2014 to February 25, 2015, and from May 20, 2015 to July
12	
13	31, 2016, the license RES JDS was NBA, during which time his license was in non-working
14	status, and he was not permitted to perform to perform any real estate sales activities for which a
15	real estate license is required in California, as set forth in Code Section 10132. Notwithstanding
16	his NBA status, from November 25, 2014 to February 25, 2015 and again from May 20, 2015 to
17	July 31, 2016, JDS performed real estate activities including but not limited to loan modification
18	and mortgage loan activities as described in Code Section 10131(d), and received compensation
19 20	from FHLC for such real estate activities, for Borrowers' Riverside property and also received
21	compensation from FHLC in the form of:
22	1) at least fifteen (15) payments to JDS and/or JDS Lending between December 3,
23	2015 and February 9, 2016;
24	2) at least fifty-seven (57) payments to JDS and/or JDS Lending between
25	
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1	December 2, 2014 and November 11, 2015;
2	3) at least forty (40) payments between November 25, 2014 and January 7, 2016;
3	4) at least fifty-one (51) payments between December 3, 2015 and February 18,
4	2016;
5	5) on January 2, 2015 and March 31, 2015, three (3) payments; and
6	6) on March 2, 2015, one (1) payment.
7 8	50.
9	Respondent RES JDS engaged in the business of, or acted in the capacity of a
10	
10	RES when his license was NBA and he was not permitted to perform acts for which a California
12	real estate license is required during the period that his license was in non-working status, in
13	violation of Code Sections 10130 and 10132. Additionally, JDS received compensation from
14	FHLC for the performance of licensed activities; both FHLC's issuance of compensation to JDS
15	and JDS' receipt of such compensation, are in violation of Code Section 10137.
16	51.
17	Unlicensed Watson engaged in the business of, or acted in the capacity of a RES
18	when she was not properly licensed and not permitted to perform acts for which a California real
20	estate license is required. Watson received compensation for such unlicensed acts from FHLC
21	and/or through Respondent PAPE.
22	52.
23	Between April 1, 2013 and February 8, 2016, FHLC paid compensation to
24	unlicensed Watson and/or PAPE and made at least four (4) payments for activities for which a
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26 27	CalBRE Accusation of Federal Home Loans Corporation, et al.
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1	real estate license is required, during a period of time during which Watson was not licensed by
2	the BRE, and/or during which FHLC was suspended; both FHLC's issuance of compensation to
3	WATSON and/or PAPE and PAPE's receipt of such compensation, are in violation of Code
4	Section 10137.
5	53.
6 7	The acts and/or omissions of Respondent EMS demonstrate a failure to
8	adequately supervise the real estate activities of FHLC, and their respective salespersons and
9	employees, and are indicative of Respondent EMS' failure to establish policies, rules, procedures
10	and systems to review, oversee, inspect and manage transactions requiring a real estate license
11	and the handling of trust funds in real estate activities conducted under her BRE license, a
12 13	violation of Code Sections 10159.2(a) and 10177(h) and Regulation 2725.
13	54.
15	Respondents FHLC, EMS and JDS have, while engaging in the business of or
16	acting in the capacity of a real estate licensee, made substantial misrepresentations, a violation of
17	Code Section 10176(a).
18	55.
19 20	Respondents FHLC, EMC and JDS have, while engaging in the business of or
21	acting in the capacity of a real estate licensee, engaged in a continued course of
22	misrepresentation, a violation of Code Section 10176(c).
23	///
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27	CalBRE Accusation of Federal Home Loans Corporation, et al.
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56. Respondents FHLC, EMS and JDS have, while engaging in the business of or spacity of real estate licensees, engaged in conduct which constitutes fraud or ng, a violation of Code Section 10176(i). 57. Respondents FHLC, EMS, JDS, and PAPE have, while engaging in the busines
Respondents FHLC, EMS and JDS have, while engaging in the business of or apacity of real estate licensees, engaged in conduct which constitutes fraud or ng, a violation of Code Section 10176(i). 57.
upacity of real estate licensees, engaged in conduct which constitutes fraud or ng, a violation of Code Section 10176(i) . 57.
upacity of real estate licensees, engaged in conduct which constitutes fraud or ng, a violation of Code Section 10176(i) . 57.
ng, a violation of Code Section 10176(i) . 57.
57.
Respondents FILC, ENIS, JDS, and PAPE have, while engaging in the busine
the capacity of real estate licensees, willfully disregarded or violated the Real
riolation of Code Section 10177(d).
58.
Respondents FHLC, EMS, JDS, and PAPE have demonstrated negligence or
n performing an act for which they are required to hold a license, a violation of
0177(g).
59.
Respondents FHLC, EMS and JDS have engaged in conduct that constitutes
est dealing, a violation of Code Section 10177(j).
60.
The conduct, acts and/or omissions of Respondent FEDERAL HOME LOANS
ON, as set forth above, are cause for the suspension or revocation of its license
ts, pursuant to Code Sections 10130; 10131; 10137; 10176(a); 10176(c);
(d); 10177(g); and 10177(j).
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1	61.
2	The conduct, acts and/or omissions of Respondent EVANGELINE MICHAEL
3	SALAS, as set forth above, are cause for the suspension or revocation of her license and license
4	rights, pursuant to Code Sections 10130; 10131; 10159.2 and 10177(h) and Regulation 2725;
5	10176(a); 10176(c); 10176(i); 10177(d); 10177(g); and 10177(j).
6	62,
7	The conduct, acts and/or omissions of Respondent JAMES DONALD SALAS,
° 9	
	as set forth above, are cause for the suspension or revocation of his license and license rights,
10	pursuant to Code Sections 10130; 10132; 10137; 10176(a); 10176(c); 10176(i); 10177(d);
11	10177(g); and 10177(j).
12 13	63.
14	The conduct, acts and/or omissions of Respondent JOHN CHARLES PAPE, as
15	set forth above, are cause for the suspension or revocation of her license and license rights,
16	pursuant to Code Sections 10137; 10177(d); and 10177(g).
17	COSTS
18	64.
19	
20	Code Section 10106 provides, in pertinent part, that in any order issued in
21	resolution of a disciplinary proceeding before the Bureau, the Commissioner may request the
22	administrative law judge to direct a licensee found to have committed a violation of this part to
23	pay a sum not to exceed the reasonable costs of investigation and enforcement of the case.
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1	WHEREFORE Complement prove that a baseline to the start of the start o
2	WHEREFORE, Complainant prays that a hearing be conducted on the allegation
3	of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary
8	action against all the licenses and license rights of Respondents FEDERAL HOME LOANS
4	CORPORATION, EVANGELINE MICHAEL SALAS, JAMES DONALD SALAS, and
5	JOHN CHARLES PAPE under the Real Estate Law (Part 1 of Division 4 of the Business and
6	Professions Code), and for such other and further relief as may be proper under other applicable
7	provisions of law.
8	Dated at San Diego, California
9	this <u>30</u> day of <u>NOVEmber</u> 2017.
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2	V. Kilpatrick
3	Veronica Kilpatrick
4	Supervising Special Investigator
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	cc: Federal Home Loans Corporation Evangeline Michael Salas
	James Donald Salas John Charles Pape
	V. Kilpatrick/M. Suarez
	Sacto.
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