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**FILED**

DEC 06 2017

BUREAU OF REAL ESTATE

By *Angela Hanna*

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9 BUREAU OF REAL ESTATE  
10 STATE OF CALIFORNIA

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12 In the Matter of the Accusation of ) No. H-04957 SD  
13 )  
14 FEDERAL HOME LOANS CORPORATION; ) ACCUSATION  
15 )  
16 EVANGELINE MICHAEL SALAS, )  
17 designated officer of Federal Home Loans )  
18 Corporation; )  
19 )  
20 JAMES DONALD SALAS; and )  
21 )  
22 JOHN CHARLES PAPE, )  
23 )  
24 Respondents. )  
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26 )  
27 )

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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CalBRE Accusation of Federal Home Loans Corporation, et al.

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1.

The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the State of California, makes this Accusation in her official capacity.

2.

All references to the "Code" are to the California Business and Professions Code and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

**LICENSE HISTORY**

**Respondent FEDERAL HOME LOANS CORPORATION ("FHLC")**

3.

FEDERAL HOME LOANS CORPORATION ("FHLC") is presently licensed and/or has license rights under the Real Estate Law, Part 1 of Division 4 of the Code as a restricted real estate corporation ("RREC" or "restricted REC"), Bureau of Real Estate ("Bureau" or "BRE") license ID 00804375. FHLC's BRE mailing address of record is: P.O. Box 421217, San Diego, CA 92142-1217. FHLC's BRE main address of record is: 3914 Murphy Canyon Rd. A250, San Diego, CA 92123.

4.

FHLC was first licensed as a real estate corporation ("REC") on or about December 24, 1980. According to the BRE's records, restricted real estate broker ("RREB" or "restricted REB") EVANGELINE MICHAEL SALAS is the designated officer ("D.O.") of record of FHLC. FHLC's BRE license will expire on February 18, 2019.

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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);

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27 CalBRE Accusation of Federal Home Loans Corporation, et al.

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- Code Section 10176(e) (commingling);
- Code Sections 10232.25(a) (trust funds status report) and 10177(d);
- Code Sections 10229(j)(3) (*this Code Section no longer exists in the Real Estate Law*) and 10177(d);
- Code Sections 10232.2(c) (filing fiscal year reports) and 10177(d);
- Code Sections 10229(n) (*this Code Section no longer exists in the Real Estate Law*) and 10232.2(a) (filing fiscal year reports) and 10177(d);
- Code Sections 10232.4 (disclosure statement) and 10177(d); and
- Code Section 10236.4 (disclosure of license number and information) and 10177(d).

On or about May 15, 2002, by Stipulation and Agreement, both FHLC and D.O.'s licenses were revoked and both were granted the right to apply for and be granted restricted licenses. On or about November 25, 2014, the aforementioned (see Paragraph 5, above) Order Suspending Restricted Real Estate Licenses was issued against FHLC and EVANGELINE MICHAEL SALAS pursuant to Code Section 10177(k).

10.

CalBRE Order to Desist and Refrain H-1652 SD (filed February 23, 1989)

On or about February 23, 1989, in CalBRE Case No. 1652 SD, the Real Estate Commissioner issued an order to FHLC to desist and refrain from violating Code Section 10233 and Regulations 2725(c); 2830; 2831; 2832.1; and 2950(h).

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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;

- e. August 11, 2005 to August 10, 2013;
- f. December 18, 2013 to November 24, 2014;
- g. February 26, 2015 to May 19, 2015; and
- h. August 1, 2016 to the present.

**Prior BRE Discipline of JDS**

18.

**CalBRE Case No. R-5147 (suspension of September 30, 2013)**

On or about September 30, 2013, JDS' real estate license was suspended pursuant to CalBRE Recovery Case No. R-5147 (see Paragraph 7).

**Respondent JOHN CHARLES PAPE ("PAPE")**

19.

JOHN CHARLES PAPE ("PAPE") is presently licensed and/or has license rights under the Real Estate Law, Part 1 of Division 4 of the Code as a REB, BRE license ID 00818936.

20.

PAPE was first licensed as a REB on or about March 21, 1986. According to the BRE's records, from January 1, 2014 to and including the present date, PAPE did not employ any RES. PAPE's BRE license will expire on March 28, 2018.

**Unlicensed Rose L. Watson**

21.

Rose L. Watson ("Watson") is not licensed by the BRE in any capacity. Watson was originally licensed as a RES on or about June 17, 2002, BRE license ID 01332910. Watson was licensed by the BRE until her license was revoked on or about April 26, 2012.

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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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25.

Through their accountant, Borrowers met Watson, who verbally represented to Borrowers in or around September 2014 that she could obtain a refinance of Borrower's loan at a five to six percent (5% to 6%) interest rate. Borrower informed Watson that the Bank's offer was good until December 1, 2014; Watson assured Borrower that it would get done. Based on Watson's representations, Borrower decided to move forward with the refinance with Watson. Borrower provided the name of their banker at Bank, Al Lara ("Lara"), to Watson, who assured that she had a loan lined up and that the process was on schedule.

26.

In or around December 1, 2014, Borrowers received a telephone call from Lara; Lara informed that he had not heard from Watson, and reminded Borrowers that the Bank's offer was good until December 1, 2014. When Borrowers contacted Watson, Watson responded that she would contact Lara to inform him that the escrow papers were delayed due to the overseas investor's money being tied up. Lara responded to Watson's representation by extending the Bank's offer until December 31. Throughout December 2014, Watson assured Borrowers that the loan was funded and told Borrowers not to worry. In January 2015, Watson informed Borrowers that new building insurance was required to satisfy the new lender, and Borrowers provided a cashier's check to Watson in the amount of \$2,027.50 for payment towards new building insurance.

27.

Between September 2014 and January 2015, Watson (whose BRE license was revoked<sup>1</sup> as of April 26, 2012), negotiated and promised a refinance for Borrowers. Also

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<sup>1</sup> When a BRE licensee has been revoked, the licensee may not perform acts for which a California real estate license is required.

1 between September 2014 and January 2015, revoked Watson and/or FHLC (whose license was  
2 suspended<sup>2</sup> 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,  
19 at an annual interest rate of ten percent (10%), payable in monthly installments  
20 of \$3,282.12 for a term of 36 months, or on such other terms as Applicant may  
21 agree to accept, secured by Applicant's Riverside property.  
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24 <sup>2</sup> When a BRE licensee is suspended, the licensee may not perform acts for which a California real estate license is  
25 required during the period of the suspension.

- 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<sup>3</sup>.” 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.<sup>4</sup>” 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%.

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24 <sup>3</sup> The license number listed adjacent to Gina Salas’ name, 00804375, on the Deed is the BRE License ID of FHLC.

25 <sup>4</sup> The license number listed adjacent to Gina Salas’ name, 00804375, on the Order is the BRE License ID of FHLC.



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, 2013;

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<sup>5</sup>”) 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.

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24 <sup>5</sup> When a BRE licensee has no broker affiliation and their licensee status is “Licensed NBA” or “NBA”, the license  
25 is in a non-working status, and the licensee may not perform acts for which a real estate license is required in  
26 California.

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  
3 “DON SALAS, Broker’s Representative, License #00681016” adjacent to “FEDERAL HOME  
4 LOANS COPRORATION, Broker, License #008040375.” FHLC is listed as the provider of the  
5 GFE.

6 31.

7 **FHLC’s Performance of Real Estate Activities While Suspended**

8 According to FHLC’s production of documents of loans negotiated and closed  
9 between November 25, 2014 and February 8, 2016, FHLC, for compensation, negotiated and  
10 closed at least sixty-six (66) loans secured by trust deeds, activities for which a real estate license  
11 is required, during a period of time during which its BRE license was suspended. (According to  
12 the BRE’s records, FHLC’s REC license was suspended indefinitely on or about November 25,  
13 2014 in BRE Case No. H-02681 SD.) During the period November 25, 2014 to February 19,  
14 2015, suspended FHLC negotiated and closed loans for borrowers for compensation, when it was  
15 disallowed from performing such licensed acts.

16 32.

17 **FHLC’s Compensation of JDS (FHLC’s 2/26/16 Production)**

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

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25 <sup>6</sup> According to the California Secretary of State, JDS is the agent for service of process of JDS Lending Corp.





**FHLC's Compensation of JDS (FHLC's 3/11/16 production)**

On or about March 11, 2016, the BRE received from FHLC and EMS via e-mail, additional responses to its February 11, 2016 SDT ("FHLC's 3/11/16 production").

According to FHLC's 3/11/16 production:

a. between December 2, 2014 and November 11, 2015, FHLC compensated JDS or JDS Lending Corp. fifty-seven (57) times, as evidenced by cancelled checks from FHLC's City National Bank Payroll Trust Account payable to JDS ("Don Salas") or JDS Lending Corp. ("JDS Lending"), ranging in amounts from \$60.68 to \$13,518.85, for activities for which a real estate license is required, during a period of time which included periods when JDS was NBA and/or FHLC was suspended;

b. between November 25, 2014 and January 7, 2016, FHLC compensated JDS or JDS Lending Corp. forty (40) times, as evidenced by cancelled checks from FHLC's City National Bank Escrow Trust Account payable to JDS ("Don Salas") or JDS Lending Corp. ("JDS Lending"), ranging in amounts from \$50.00 to \$1,800, for activities for which a real estate license is required, during a period of time which included periods when JDS was NBA and/or when FHLC was suspended;

c. between December 3, 2015 and February 18, 2016, FHLC compensated JDS or JDS Lending Corp. fifty-one (51) times, as evidenced by cancelled checks from FHLC's Chase Bank Payroll Trust Account payable to JDS ("Don Salas") or JDS Lending Corp. ("JDS Lending"), ranging in amounts from \$53.10 to \$10,000, for activities for which a real estate license is required, during a period of time which included periods when JDS was NBA;

d. On January 2, 2015 and March 31, 2015, FHLC compensated JDS ("Don Salas") three (3) times, as evidenced by cancelled checks from FHLC's City National Bank

1 Client Disbursement Trust Account payable to JDS (“Don Salas”), ranging in amounts from  
2 \$250.00 to \$350.00, for activities for which a real estate license is required, during a period of  
3 time when JDS was NBA; and

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

8 35.

9 **FHLC’s Compensation of Watson**

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

16 36.

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

18 According to e-mail correspondence from EMS to SI Lynn on or about April 20,  
19 2016:

20 a. FHLC compensation to JDS and/or his corporation was calculated as either a  
21 commission/percentage, a small fee, a percent of fees charged, a percentage of the asset  
22 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 agent...James 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 loans...James 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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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 **Responsibility of Corporate Officer in Charge – Code Section 10159.2 and Section 2725 of**

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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Pursuant to Regulation 2725, "A broker shall exercise reasonable supervision over the activities of his or her salespersons. Reasonable supervision includes, as appropriate, the establishment of policies, rules, procedures and systems to review, oversee, inspect and manage:

- a) Transactions requiring a real estate license.
- b) Documents which may have a material effect upon the rights or obligations of a party to the transaction.
- c) Filing, storage and maintenance of such documents.
- d) The handling of trust funds.
- e) Advertising of any service for which a license is required.
- f) Familiarizing salespersons with the requirements of federal and state laws relating to the prohibition of discrimination.
- g) Regular and consistent reports of licensed activities of salespersons.

The form and extent of such policies, rules, procedures and systems shall take into consideration the number of salespersons employed and the number and location of branch offices.

A broker shall establish a system for monitoring compliance with such policies, rules, procedures and systems. A broker may use the services of brokers and salespersons to assist in administering the provisions of this section so long as the broker does not relinquish overall responsibility for supervision of the acts of salespersons licensed to the broker."

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1 regulations of the commissioner for the administration and enforcement of the Real Estate Law  
2 and Chapter 1 (commencing with Section 11000) of Part 2.”

3 . . .

4 (g) Demonstrated negligence or incompetence in performing an act for which he  
5 or she is required to hold a license.

6 (h) As a broker licensee, failed to exercise reasonable supervision over the  
7 activities of his or her salespersons, or, as the officer designated by a corporate broker licensee,  
8 failed to exercise reasonable supervision and control of the activities of the corporation for which  
9 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 In the course of the activities described above in Paragraph 23, and based on the  
15 facts discovered by the Bureau in Paragraphs 24 through 37, above, Respondents FHLC, EMS,  
16 JDS, and PAPE acted in violation of the Code and Regulations, as described below.

17 47.

18  
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 November 25, 2014 and February 19, 2015, FHLC and EMS performed real estate activities  
24

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 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 31, 2016, the license RES JDS was NBA, during which time his license was in non-working  
13 status, and he was not permitted to perform to perform any real estate sales activities for which a  
14 real estate license is required in California, as set forth in Code Section 10132. Notwithstanding  
15 his NBA status, from November 25, 2014 to February 25, 2015 and again from May 20, 2015 to  
16 July 31, 2016, JDS performed real estate activities including but not limited to loan modification  
17 and mortgage loan activities as described in Code Section 10131(d), and received compensation  
18 from FHLC for such real estate activities, for Borrowers' Riverside property and also received  
19 compensation from FHLC in the form of:  
20  
21

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

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 RES when his license was NBA and he was not permitted to perform acts for which a California  
11 real estate license is required during the period that his license was in non-working status, in  
12 violation of **Code Sections 10130 and 10132**. Additionally, JDS received compensation from  
13 FHLC for the performance of licensed activities; both **FHLC's** issuance of compensation to JDS  
14 and **JDS'** receipt of such compensation, are in violation of **Code Section 10137**.

15  
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  
19 estate license is required. Watson received compensation for such unlicensed acts from FHLC  
20 and/or through Respondent PAPE.

21  
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  
25

26  
27 CalBRE Accusation of Federal Home Loans Corporation, et al.

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  
6 53.

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's** 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 violation of **Code Sections 10159.2(a) and 10177(h) and Regulation 2725.**

13  
14 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  
19 55.

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).**

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56.

Respondents **FHLC, EMS and JDS** have, while engaging in the business of or acting in the capacity of real estate licensees, engaged in conduct which constitutes fraud or dishonest dealing, a violation of **Code Section 10176(i)**.

57.

Respondents **FHLC, EMS, JDS, and PAPE** have, while engaging in the business of or acting in the capacity of real estate licensees, willfully disregarded or violated the Real Estate Law, a violation of **Code Section 10177(d)**.

58.

Respondents **FHLC, EMS, JDS, and PAPE** have demonstrated negligence or incompetence in performing an act for which they are required to hold a license, a violation of **Code Section 10177(g)**.

59.

Respondents **FHLC, EMS and JDS** have engaged in conduct that constitutes fraud or dishonest dealing, a violation of **Code Section 10177(j)**.

60.

The conduct, acts and/or omissions of Respondent **FEDERAL HOME LOANS CORPORATION**, as set forth above, are cause for the suspension or revocation of its license and license rights, pursuant to **Code Sections 10130; 10131; 10137; 10176(a); 10176(c); 10176(i); 10177(d); 10177(g); and 10177(j)**.

///

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

7 62.

8 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

18 **COSTS**

19 64.

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.  
24  
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1                   WHEREFORE, Complainant prays that a hearing be conducted on the allegations  
2 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary  
3 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 30 day of November 2017.

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12   
13 Veronica Kilpatrick  
14 Supervising Special Investigator  
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19 cc:   Federal Home Loans Corporation  
20       Evangeline Michael Salas  
21       James Donald Salas  
22       John Charles Pape  
23       V. Kilpatrick/M. Suarez  
24       Sacto.  
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