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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation against

SOURCE CAPITAL FUNDING, INC. and
SACHA DAMIAN FERRANDI as designated officer
for Source Capital Funding, Inc.,

Respondents.

DRE No. H-05171 SD

ACCUSATION

The Complainant, Chika Sunquist, a Supervising Special Investigator for the Department of Real Estate¹ (“Department”) of the State of California, for cause of Accusation against SOURCE CAPITAL FUNDING, INC. and SACHA DAMIAN FERRANDI as designated officer for Source Capital Funding, Inc. (collectively “Respondents”), alleges as follows:

1. The Complainant, Chika Sunquist, acting in her official capacity as a Supervising Special Investigator, makes this Accusation against Respondents.

¹ Between July 1, 2013 and July 1, 2018, the Department of Real Estate operated as the Bureau of Real Estate under the Department of Consumer Affairs.

1 2. All references to the “Code” are to the California Business and Professions Code,
2 all references to the “Real Estate Law” are to Part 1 of Division 4 of the Code, and all references
3 to “Regulations” are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6,
4 California Code of Regulations.

5 3. Respondents are presently licensed and/or have license rights under the Real
6 Estate Law (Part 1 of Division 4 of the Code).

7 4. On February 16, 2007, the Department issued a real estate corporation license to
8 Respondent SOURCE CAPITAL FUNDING, INC. (“SCFI”), License ID 01796521.
9 Respondent SCFI’s license is scheduled to expire on April 27, 2022. Respondent has renewal
10 rights pursuant to Code section 10201. The Department retains jurisdiction pursuant to Code
11 section 10103.

12 5. Respondent SCFI has a Mortgage Loan Originator (“MLO”) license
13 endorsement, National Mortgage Licensing System and Registry (“NMLS”) No. 237332.

14 6. On or about April 28, 2010, the Department issued an officer license to
15 Respondent SACHA DAMIAN FERRANDI (“FERRANDI”), License ID 01792194.
16 Respondent FERRANDI was formerly licensed as a real estate salesperson from February 22,
17 2007 through April 27, 2010.

18 7. Respondent FERRANDI has a MLO license endorsement, NMLS No. 1792194.

19 8. At all times relevant herein,, Respondent FERRANDI has been licensed as the
20 designated officer for Respondent SCFI, pursuant to section 10211 of the Code. As said
21 designated officer, Respondent FERRANDI was at all times mentioned herein responsible
22 pursuant to Section 10159.2 of the Code for the supervision of the activities of the officers,
23 agents, real estate licensees, and employees of Respondent SCFI for which a license is required.
24

1 are not licensed in any capacity by the Department. According to Respondent FERRANDI,
2 FERRANDI is the sole officer of SCFI and owns all shares for SCFI.

3 16. According to Respondent FERRANDI and the audit records examined,
4 Respondent SCFI closed 68 loans consisting of 49 single investor loans and 19 multi-lender
5 loans during the audit period. SCFI also serviced 103 loans including 22 multi-lender loans.

6 17. According to Respondents, SCFI maintained one bank account for the deposit of
7 trust funds for loan servicing and payoffs of loans.

8 18. Bank Account (BA1)

9 Bank: Union Bank

10 Account Name: Source Capital Funding, Inc. DBA Red Leaf Management

11 Account #: xxxxx2870

12 Signatories: Respondent FERRANDI

13 # of signatures required: One (1)

14 Violations

15 19. In the course of its mortgage loan origination and servicing activities during the
16 audit examination period, Respondent acted in violation of the Code and the Regulations as
17 follows:

18 Code section 10145 and Regulation 2832. Trust account designation.

19 20. During the audit period, Respondent SCFI used BA1 for the handling of trust
20 funds in connection with loan servicing activities but the account was not designated in the name
21 of the corporate broker, Respondent SCFI, in violation of Code section 10145 and Regulation
22 2832. "Trust fund account" was added to the title of BA1 as of February 13, 2019, and "Red
23 Leaf Management" was changed to "Red Leaf Servicing" after the audit period.

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1 Code sections 10240, 10241, and Regulation 2842.5. Borrower Disclosure Statement.

2 21. Respondent SCFI failed to provide a Mortgage Loan Disclosure Statement
3 (“MLDS”) to some borrowers within three (3) days of receiving a completed written loan
4 application. Examples include, but are not limited to, the following transactions:

<u>Loan No.</u>	<u>Borrower</u>	<u>Date of Application</u>	<u>Date of MLDS</u>
6 18-127	T.C. ¹	02/22/2018	03/02/2018
7 18-139	E.F.T.	03/16/2018	04/11/2018
8 18-176	J.J.J.	08/24/2018	09/11/2018

9 22. Additionally, the servicing set-up fees paid to SCFI were noted in the “Paid to
10 Others” column instead of the “Paid to Broker” column.

11 Code section 10238. Multi-lender transactions.

12 Code section 10238, subdivision (d)

13 23. SCFI originated the following two (2) multi-lender loan transactions secured by
14 properties located outside of California:

<u>Loan No.</u>	<u>Borrower</u>	<u>Investors (Percentage)</u>	<u>Loan Amount</u>	<u>City, State</u>
16 18-140	P.W.	Ansari (55%)/ Sciacca (45%)	\$200,000	Edina, MN
17 18-154	K.K.	Ansari (59%)/ EDF (41%)	\$135,000	Chandler, AZ

18 24. The notes did not indicate that the promissory notes were not subject to
19 subordination or were not promotional notes, in violation of Code section 10238(d). Examples
20 include the following, without limitation:

21 ///
22 ///

24 ¹ Initials are used in place of individuals’ full names to protect their privacy. Documents containing individuals’ full names will be provided during the discovery phase of this case to Respondents and/or their attorneys, after service of a timely and proper request for discovery on Complainant’s counsel.

<u>Loan No.</u>	<u>Borrower</u>	<u>Investors (Percentage)</u>	<u>Loan Amount</u>
18-139	E.F.T.	Pop (50%)/ Stanton (25%)/ Sciacca (25%)	\$300,000
18-127	J.J.J.	F&K Ferrandi (77%)/ EDF (23%)	\$650,000

Code section 10238, subdivision (f)

25. Purchasers did not indicate that their investment did not exceed 10% of their net worth, in violation of Code section 10238, subdivision (f).

Code section 10238, subdivision (k)

26. The servicing agreement did not completely disclose the following requirements, in violation of Code section 10238, subdivision (k):

(1)(A) That payments received be deposited immediately to a trust account and (B) that payments deposited shall not be commingled with the assets of the servicing agent.

(2) That payments received shall be transmitted to the purchasers or lenders pro rata within 25 days after receipt; servicing agent shall inform lenders if source for payment is not the maker of the note; broker shall inform the lenders.

(3) If the payments due during any three consecutive months exceed \$125,000 or the number of persons entitled to the payments exceeds 120, the trust account(s) shall be inspected by an independent certified public accountant at no less than 3-month intervals during the time the volume is maintained.

(4) The servicing agent shall file a written request for notice of default upon any prior encumbrances and promptly notify the purchasers or lenders of any default on the prior encumbrances or on the note(s) subject to the servicing agreement.

(5) The servicing agent shall promptly forward copies to each purchaser or lender of: (A) Any notice of trustee sales filed on behalf of the purchasers or lenders; (B) Any request for re-conveyance of the deed of trust received on behalf of the purchasers or lenders.

1 Code sections 10163, 10176(a), Regulations 2848(a)(13), and 2715. Advertising criteria

2 27. SCFI' main office address is listed with the Department as 11770 Bernardo Plaza
3 Ct., Suite 205, San Diego, California 92128. SCFI misrepresented, or implied contrary to fact,
4 the number or location of branch offices maintained for SCFI's mortgage loan brokerage
5 business, in violation of Code sections 10163, 10176(a), and/or Regulation 2848(a)(13).

6 According to SCFI's website during the audit period, SCFI maintained the following additional
7 offices:

8 445 South Figueroa Street, Ste. 3199, Los Angeles, California 90071;

9 895 Dove Street, Ste. 300, Newport Beach, California 92660;

10 Cause for discipline- SCFI

11 28. The foregoing violations constitute cause for the suspension or revocation of the
12 real estate licenses, MLO license endorsements, and license rights of Respondent SCFI under the
13 provisions of Code section 10177, subdivisions (d) and/or (g), and Code section 10166.051.

14 Officer Supervision - Respondent FERRANDI

15 29. Based on the audit violations noted above in Paragraphs 20 through 28,
16 Respondent FERRANDI failed to adequately supervise the activities of SCFI's salespersons,
17 employees, or agents and failed to establish policies, rules, procedures, and systems to review,
18 oversee, inspect, and manage transactions requiring a real estate license and the handling of trust
19 funds to ensure compliance with the Real Estate Law and Regulations, in violation of Regulation
20 2725, which constitutes cause to suspend or revoke the real estate licenses and license rights of
21 Respondent FERRANDI pursuant to Code section 10159.2, Code section 10166.051, Code
22 section 10177, subdivisions (d) and/or (g), and Regulation 2725.

