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FILED

SEP 17 2021

DEPT. OF REAL ESTATE
By *[Signature]*

9 **BEFORE THE DEPARTMENT OF REAL ESTATE**
10 **STATE OF CALIFORNIA**

11 * * *

12 In the Matter of the Accusation of) No. H-05237 SD
13 MS MORTGAGE & REALTY)
14 INVESTMENTS, INC,) ACCUSATION
15 doing business as Salas Financial, and)
16 JOSEPH IGNACIO SALAS JR,)
17 individually and as designated officer of)
18 MS Mortgage & Realty Investments, Inc,)
19 Respondents.)

19 The Complainant, Ruth Corral, a Supervising Special Investigator of the
20 State of California, for cause of Accusation against MS MORTGAGE & REALTY
21 INVESTMENTS, INC, doing business as Salas Financial, and JOSEPH IGNACIO SALAS JR,
22 individually and as designated officer of MS Mortgage & Realty Investments, Inc,
23 ("Respondents"), is informed and alleges as follows:

24 I.

25 The Complainant, Ruth Corral, acting in her official capacity as a Supervising
26 Special Investigator of the State of California, makes this Accusation against Respondents
27 MS MORTGAGE & REALTY INVESTMENTS, INC and JOSEPH IGNACIO SALAS JR.

Accusation of MS Mortgage & Realty Investments, Inc and Joseph Ignacio Salas Jr

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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

3.

Respondent MS MORTGAGE & REALTY INVESTMENTS, INC ("MS MORTGAGE") presently has license rights under the Real Estate Law, Part 1 of Division 4 of the Code as a corporate real estate broker.

4.

Respondent JOSEPH IGNACIO SALAS JR ("SALAS") presently has license rights as a real estate broker.

5.

Respondent MS MORTGAGE is licensed by the Department of Real Estate ("Department") as a corporate real estate broker by and through Respondent SALAS, as the designated officer and broker responsible, pursuant to Code section 10159.2, for supervising the activities requiring a real estate license conducted on behalf of MS MORTGAGE, or by MS MORTGAGE'S officers, agents and employees.

BROKERAGE

MS MORTGAGE & REALTY INVESTMENTS, INC

6.

At all times mentioned, in the City of San Diego, County of San Diego, Respondent MS MORTGAGE acted as a real estate broker, conducting licensed activities within the meaning of Code section 10131(d) (solicits borrowers or lenders for or negotiates loans or collects payments or performs services for borrowers or lenders or note owners in connection with loans secured by real property) and California Financial Code section 17006(a)(4) (broker escrow activities).

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AUDIT

MS MORTGAGE & REALTY INVESTMENTS, INC

7.

On June 26, 2020, the Department completed audit examinations of the books and records of Respondent MS MORTGAGE pertaining to the activities described in Paragraph 6 which require a real estate license. The audit examinations covered a period of time from January 1, 2019, to December 31, 2019. The audit examinations revealed violations of the Code and the Regulations as set forth in the following paragraphs, and as more fully discussed in Audit Report SD190033 and SD190034 and the exhibits and workpapers attached to said audit report.

8.

Respondent MS MORTGAGE accepted or received funds in trust ("trust funds"). Thereafter, Respondent made deposits and or disbursements of such trust funds. During the examination period described in Paragraph 7 above, Respondent deposited or maintained trust funds in the following bank accounts:

Trust Account 1: Torrey Pines Bank account ending in 849.

Trust Account 2: Torrey Pines Bank account ending in 822.

Trust Account 3: Torrey Pines Bank account ending in 769.

AUDIT VIOLATIONS OF THE REAL ESTATE LAW

9.

In the course of activities described in Paragraph 6 above and during the examination period described in Paragraph 7 above, Respondent MS MORTGAGE acted in violation of the Code and the Regulations in that:

9(a) Respondent MS MORTGAGE accepted loan funds from lenders and deposited the funds in trust accounts, but disbursed the funds for different loans than the specific loans for which the lenders intended, in violation of Code sections 10231 and 10238(j).

1 **9(b)** Respondent MS MORTGAGE did not indicate on the notes that the
2 notes were not subject to subordination and were not promotional notes, in violation of Code
3 section 10238(d).

4 **9(c)** Respondent MS MORTGAGE did not maintain loan servicing
5 agreements that satisfy the requirements of Code section 10238(k), in violation of Code
6 section 10233(a).

7 **9(d)** Respondent MS MORTGAGE did not provide an approved mortgage
8 loan disclosure statement to all borrowers within three business days after receipt of a
9 completed written loan application or retain on file a true and correct copy of the statement as
10 signed by the borrower, in violation of Code section 10240.

11 **9(e)** Respondent MS MORTGAGE met the threshold criteria and failed to
12 timely submit the required escrow activity report within 60 days following the completion of
13 the calendar year, in violation of Code section 10141.6(a). MS MORTGAGE untimely
14 submitted the escrow activity report on or about March 24, 2020.

15 **9(f)** Respondent MS MORTGAGE failed to deposit trust funds into a trust
16 account within three business days following receipt of the trust funds by MS MORTGAGE, in
17 violation of Code section 10145 and Regulations sections 2832 and 2950(f).

18 **9(g)** Respondent MS MORTGAGE failed to disclose to all parties to the
19 transactions that MS MORTGAGE has an interest as a stockholder, officer, partner or owner of
20 the agency holding the escrow, in violation of Regulations section 2950(h).

21 **9(h)** Respondent MS MORTGAGE did not maintain a complete and accurate
22 control record or general ledger of all trust funds received and disbursed, in violation of Code
23 section 10145 and Regulations sections 2831, 2950(d), and 2951.

24 **9(i)** Respondent MS MORTGAGE did not maintain a complete and accurate
25 separate record of all trust funds received and disbursed for each beneficiary in connection with
26 Respondent's broker activities, in violation of Code section 10145 and Regulations
27 sections 2831.1, 2950(d), and 2951.

10.

The conduct, acts, or omissions of Respondent MS MORTGAGE, described in Paragraph 9 above, violated the Code and the Regulations as set forth below:

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
9(a)	Code sections 10231 and 10238(j)
9(b)	Code section 10238(d)
9(c)	Code section 10233(a)
9(d)	Code section 10240
9(e)	Code section 10141.6(a)
9(f)	Code section 10145 and Regulations sections 2832 and 2950(f)
9(g)	Regulations section 2950(h)
9(h)	Code section 10145 and Regulations sections 2831, 2950(d), and 2951
9(i)	Code section 10145 and Regulations sections 2831.1, 2950(d), and 2951

The foregoing violations constitute cause for the suspension or revocation of all the licenses, license endorsements, and license rights of Respondent MS MORTGAGE under the Real Estate Law pursuant to the provisions of Code sections 10177(d) and 10177(g).

SECOND CAUSE OF ACTION

SUPERVISION AND COMPLIANCE

11.

The conduct, acts, or omissions of Respondent SALAS, as described in Paragraphs 9 and 10 above, in failing to ensure compliance of the Real Estate Law by Respondent MS MORTGAGE, is in violation of Code section 10159.2 and Regulations 2725, and subjects all the licenses, license endorsements, and license rights of SALAS to suspension or revocation pursuant to Code sections 10177(d), 10177(g), and 10177(h).

Accusation of MS Mortgage & Realty Investments, Inc and Joseph Ignacio Salas Jr

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12.

Code section 10148(b) provides, in pertinent part, that the Real Estate Commissioner shall charge a real estate broker for the cost of any audit if the Commissioner has found in a final decision, following a disciplinary hearing, that the broker has violated Code section 10145 or a Regulation or rule of the Commissioner interpreting said Code section.

13.

Code Section 10106 provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Department of Real Estate, the Commissioner may request the administrative law judge to direct a licensee found to have committed a violation of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all the licenses, license endorsements, and license rights of Respondents MS MORTGAGE & REALTY INVESTMENTS, INC and JOSEPH IGNACIO SALAS JR under the Real Estate Law, for the cost of audit, investigation, and enforcement as permitted by law, and for such other and further relief as may be proper under other applicable provisions of law.

Dated at Sacramento, California

this 15th day of September, 2021



Ruth Corral
Supervising Special Investigator

cc: MS MORTGAGE & REALTY INVESTMENTS, INC
JOSEPH IGNACIO SALAS JR
Ruth Corral

Accusation of MS Mortgage & Realty Investments, Inc and Joseph Ignacio Salas Jr

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Audits**

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