

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

Julie L. To (SBN 219482)
Department of Real Estate
320 West 4th Street, Suite. 350
Los Angeles, California 90013-1105
(213) 576-6982 (office)
(213) 576-6916 (direct)
julie.to@dre.ca.gov
Counsel for Complainant

FILED
OCT 10 2023
DEPT. OF REAL ESTATE
By 

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation against

FEDERAL HOME LOANS CORPORATION

and

EVANGELINE MICHAEL SALAS,
as designated officer of Federal Home Loans
Corporation;

Respondents.

No. H-05764 SD

ACCUSATION

The Complainant, Veronica Kilpatrick, acting in her official capacity as a
Supervising Special Investigator of the State of California, for cause of Accusation against
FEDERAL HOME LOANS CORPORATION (FHLC) and EVANGELINE MICHAEL
SALAS (SALAS) (collectively, "Respondents"), is informed and alleges as follows:

///
///

1. 1

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

5
6 **DEPARTMENT OF REAL ESTATE LICENSE HISTORY**
7 **FEDERAL HOME LOANS CORPORATION (FHLC)**

8 2.

9 According to Department of Real Estate (DRE) records to date and publicly
10 accessible online (https://www2.dre.ca.gov/PublicASP/pplinfo.asp?License_id=00804375),
11 Respondent FHLC is presently licensed and/or has license rights under the Real Estate Law
12 (Part 1 of Division 4 of the Code) as a restricted real estate corporation (broker) (RREC),
13 DRE license ID 00804375.

14 3.

15 According to DRE records to date and publicly accessible online: FHLC was
16 originally licensed by the DRE on or about December 24, 1980; its mailing address of record
17 is 16654 E. Greenhaven St., Covina, CA 91722 ("Greenhaven address"); its mailing and main
18 address of record are the same (3914 Murphy Canyon Rd. A250, San Diego, CA 92123)
19 (Murphy Canyon address); and it currently has affiliated with its license one (1) DBA, for San
20 Diego Private Money (active as of August 11, 2017) and two (2) real estate salespersons
21 (RES), including Johanna Ortega.

22 ///

23 ///

24 ///

25 ///

1 4.

2 According to DRE records to date and publicly accessible online, restricted real
3 estate broker (RREB) EVANGELINE MICHAEL SALAS is FHLC's designated officer of
4 record (D.O.) until her officer affiliation expires on April 11, 2027 with the expiration of
5 FHLC's RREC license.

6 5.

7 According to DRE records to date and publicly accessible online, FHLC's
8 restricted license will expire on April 11, 2027.

9 6.

10 **Prior Discipline of FHLC's DRE License**

11 **Accusation Case No. H-04957 SD (filed December 6, 2017)**

12 On or about December 6, 2017, in then-Bureau of Real Estate¹ (BRE) Case No.
13 H-04957 SD, an Accusation was filed against FHLC, SALAS (as D.O. of FHLC), James
14 Donald Salas and John Charles Pape, that alleged violations of the Real Estate Law, including
15 violations of:
16

17 - Code Sections 10130 and 10131 (unlicensed activity) (FHLC and SALAS);

18 - Code Section 10130 and 10132 (unlicensed activity) (James Donald Salas)

19 and Code Section 10137 (unlawful employment or compensation) (FHLC, James Donald
20 Salas, and John Charles Pape);

21 - Code Sections 10159.2(a), 10177(h) and Regulation 2725 (failure to
22 supervise) (SALAS);
23

24
25 ¹ On July 1, 2013, the California Department of Real Estate merged with the California Department of Consumer
26 Affairs and became the Bureau of Real Estate (BRE). In January 2018, Senate Bill 172 re-established the
27 Department of Real Estate (DRE), and effective July 1, 2018, the BRE ceased to exist.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

- Code Section 10176(a) (substantial misrepresentation) (FHLC, SALAS, and James Donald Salas);
- Code Section 10176(c) (continued course of misrepresentation) (FHLC, SALAS and James Donald Salas);
- Code Section 10176(i) (dishonest dealing) (FHLC, SALAS and James Donald Salas);
- Code Section 10177(d) (willful disregard or violation of the Real Estate Law) (FHLC, SALAS, James Donald Salas and John Charles Pape);
- Code Section 10177(g) (negligence or incompetence) (FHLC, SALAS, James Donald Salas, and John Charles Pape); and
- Code Section 10177(j) (fraud or dishonest dealing) (FHLC, SALAS and James Donald Salas).

All of the alleged violations in Accusation H-04957 SD constituted cause for the discipline of the licenses and license rights of FHLC, SALAS, James Donald Salas and John Charles Pape pursuant to Code Sections 10176(c) (continued course of misrepresentation), 10176(i) (fraud or dishonest dealing), 10177(d) (willful disregard or violation of the Real Estate Law), 10177(g) (negligence or incompetence) and/or 10177(j)(fraud or dishonest dealing). On or about June 19, 2019, by Stipulation and Agreement, FHLC and SALAS' restricted real estate licenses were suspended for 90 days, stayed for two (2) years, conditioned upon satisfaction of certain terms and conditions.

///
///
///
///
///

1 7.

2 **Case No. H-02681 SD Order Suspending Restricted Real Estate Licenses**
3 **(effective November 25, 2014)**

4 On or about November 25, 2014, in BRE Case No. H-02681 SD, an Order
5 Suspending Restricted Real Estate Licenses, pursuant to Code Section 10177(k) (violation of
6 terms, conditions, restrictions and limitations in restricted license order), was signed and
7 became effective immediately to suspend the restricted licenses of FHLC and SALAS (its
8 D.O.).

9 8.

10 **Accusation Case No. H-04662 SD (filed July 24, 2014)**

11 On or about July 24, 2014, in BRE Case No. H-04662 SD, an Accusation was
12 filed against FHLC and SALAS (its D.O.), that alleged violations of the Real Estate Law,
13 including violations of:

- 14 - Code Section 10166.02(a) and (b) (notice of loan activity – S.A.F.E. Act
15 (Secure 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
23 the discipline of the licenses and license rights of FHLC and SALAS pursuant to Code
24 Sections 10145 (handling of trust funds), 10177(d) (willful disregard or violation of the Real
25 Estate Law), and/or 10177(g) (negligence or incompetence). On or about February 19, 2015,
26

1 by Stipulation and Agreement, both FHLC and its D.O.'s restricted real estate licenses were
2 revoked and both were granted the right to apply for and be granted restricted licenses.

3 9.

4 **Case No. R-5147 Recovery Suspension (filed September 30, 2013)**

5 On or about September 30, 2013, in BRE Case No. R-5147, FHLC's real estate
6 license was suspended pursuant to the BRE Recovery action in the same case. On or about
7 October 14, 2013, said suspension was released.

8 10.

9 **Accusation H-38466 LA (filed October 11, 2012)**

10 On or about October 11, 2012, in BRE Case No. H-38466 LA, an Accusation
11 was filed against FHLC that alleged violation of Code Section 10177.5 (fraud in a civil action)
12 as cause for license discipline. On or about October 14, 2013, by Stipulation and Agreement,
13 FHLC's REC license was suspended for sixty (60) days, stayed for two (2) years, conditioned
14 upon satisfaction of certain terms and conditions.

15 11.

16 **Accusation H-02681 SD (filed December 6, 2001)**

17 On or about December 6, 2001, in BRE Case No. H-02681 SD, an Accusation
18 was filed against FHLC and SALAS (individually and as D.O. of FHLC) that alleged
19 violations of, and grounds for real estate license and license rights discipline pursuant to:

- 20 - Regulation 2831.1 (separate records) and Code Sections 10145 and 10177(d);
21 - Regulation 2831.2 (trust account reconciliation) and Code Sections 10145 and
22 10177(d);
23 - Code Section 10176(e) (commingling);
24 - Code Sections 10232.25(a) (trust funds status report) and 10177(d);
25
26
27

- 1 - Code Sections 10229(j)(3) (*this Code Section no longer exists in the Real*
2 *Estate Law*) and 10177(d);
3 - Code Sections 10232.2(c) (filing fiscal year reports) and 10177(d);
4 - Code Sections 10229(n) (*this Code Section no longer exists in the Real Estate*
5 *Law*) and 10232.2(a) (filing fiscal year reports) and 10177(d);
6 - Code Sections 10232.4 (disclosure statement) and 10177(d); and
7 - Code Section 10236.4 (disclosure of license number and information) and
8 10177(d).

9 On or about May 15, 2002, by Stipulation and Agreement, both FHLC and D.O.'s licenses
10 were revoked and both were granted the right to apply for and be granted restricted licenses.

11 On or about November 25, 2014, the aforementioned (see Paragraph 7) Order Suspending
12 Restricted Real Estate Licenses was issued against FHLC and SALAS pursuant to Code
13 Section 10177(k).

14 12.

15 **Order to Desist and Refrain H-01652 SD (filed February 23, 1989)**

16 On or about February 23, 1989, in BRE Case No. H-01652 SD, the Real Estate
17 Commissioner issued an order to FHLC to desist and refrain from violating Code Section
18 10233 and Regulations 2725(c); 2830; 2831; 2832.1; and 2950(h).

19 **EVANGELINE MICHAEL SALAS (SALAS)**

20 13.

21 According to DRE records to date and publicly accessible online
22 (https://www2.dre.ca.gov/publicasp/ppinfo.asp?License_id=00943518), Respondent SALAS
23 is presently licensed and/or has license rights under the Real Estate Law (Part 1 of Division 4
24 of the Code) as a RREB, DRE license ID 00943518.

25 ///

1 14.

2 According to DRE records to date and publicly accessible online: SALAS was
3 originally licensed by the DRE as a RES on or about November 7, 1986 and as a REB on or
4 about April 8, 1993; her mailing and main address of record are the same (10306 Veracruz
5 Court, San Diego, CA 92124); and she currently has no DBAs or RES affiliated with her
6 license.

7 15.

8 **Prior Discipline of SALAS' DRE License**

9 **Accusation Case No. H-04662 SD (filed July 24, 2014)**

10 On or about July 24, 2014, in BRE Case No. H-04622 SD, an Accusation was
11 filed against FHLC and SALAS (its D.O.), that alleged violations of the Real Estate Law, as
12 described above in Paragraph 8, including [as to SALAS only] Code Sections 10177(d),
13 10177(g), and/or 10177(h) (failure to supervise). All of the alleged violations constituted
14 cause for the discipline of FHLC and SALAS' licenses and license rights pursuant to Code
15 Sections 10145 (handling of trust funds), 10177(d) (willful disregard or violation of the Real
16 Estate Law), and/or 10177(g) (negligence or incompetence), and as to SALAS only, Code
17 Section 10177(h). On or about February 19, 2015, by Stipulation and Agreement, both FHLC
18 and SALAS' restricted real estate licenses were revoked and both were granted the right to
19 apply for and be granted restricted licenses.

20 16.

21 **Accusation H-02681 SD (filed December 6, 2001)**

22 On or about December 6, 2001, in BRE Case No. H-2681 SD, an Accusation
23 was filed against FHLC and SALAS, individually and as D.O. of FHLC, that alleged
24 violations of, and grounds for, real estate license and license rights discipline, as cited above in
25 Paragraph 11.

17.

BRE Case No. H-02681 SD Order Suspending Restricted Real Estate Licenses
(effective November 25, 2014)

On or about November 25, 2014, in BRE Case No. H-02681 SD, an Order Suspending Restricted Real Estate Licenses, as cited above in Paragraph 7, was signed and became effective immediately to suspend the restricted licenses of FHLC and SALAS.

Johanna Ortega (Ortega)

18.

According to DRE records to date and publicly accessible online (https://www2.dre.ca.gov/PublicASP/pplinfo.asp?License_id=01343578), Ortega is presently licensed and/or has license rights under the Real Estate Law (Part 1 of Division 4 of the Code) as a RES, DRE license ID 01343578.

19.

According to DRE records to date and publicly accessible online: Ortega was originally licensed by the DRE as a RES on or about June 27, 2002; her mailing address of record is 31805 Temecula Pkwy, #619, Temecula, CA 92592; and she is currently affiliated with FHLC as her responsible REB. Ortega was also previously affiliated with FHLC between August 1, 2016 and February 18, 2019.

///

///

///

///

///

///

///

1 FHLC's REAL ESTATE ACTIVITIES

2 20.

3 At all times mentioned, in the State of California, FHLC conducted licensed
4 activities within the meaning of Code Section 10131² and real estate sales activities, which
5 require a real estate license, including, but not limited to activities performed by FHLC's
6 RES, employees and agents.

7 APPLICABLE SECTIONS OF THE REAL ESTATE LAW

8 21.

9 License Required

10 (Code Section 10130)

11 Pursuant to Code Section 10130 *License Required*:

12 "It is unlawful for any person to engage in the business of, act in the capacity
13 of, advertise as, or assume to act as a real estate broker or a real estate salesperson within this
14 state without first obtaining a real estate license from the department, or to engage in the
15 business of, act in the capacity of, advertise as, or assume to act as a mortgage loan originator
16 within this state without having obtained a license endorsement. The commissioner may
17 prefer a complaint for violation of this section before any court of competent jurisdiction, and
18

19 ² Pursuant to Code Section 10131 Broker Defined, "A real estate broker within this meaning of this part is a
20 person who, for a compensation or in expectation of a compensation, regardless of the form or time of payment,
21 does or negotiates to do one or more of the following acts for another or others: (a) Sells or offers to sell, buys or
22 offers to buy, solicits prospective sellers or purchasers of, solicits or obtains listings of, or negotiates the
23 purchase, sale or exchange of real property or a business opportunity. (b) Leases or rents or offers to lease or rent,
24 or places for rent, or solicits listings of places for rent, or solicits for prospective tenants, or negotiates the sale,
25 purchase or exchanges of leases on real property, or on a business opportunity, or collects rents from real
26 property, or improvements thereon, or from business opportunities. (c) Assists or offers to assist in filing an
27 application for the purchase or lease of, or in locating or entering upon, lands owned by the state or federal
government. (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 directly or collaterally by liens on real
property or on a business opportunity. (e) Sells or offers to sell, buys or offers to buy, or exchanges or offers to
exchange a real property sales contract, or a promissory note secured directly or collaterally by a lien on real
property or on a business opportunity, and performs services for the holders thereof."

1 the commissioner and his or her counsel, deputies, or assistants, may assist in presenting the
2 law or facts at the trial. Prosecution of Violations: It is the duty of the district attorney of
3 each county in this state to prosecute all violations of this section in their respective counties in
4 which the violations occur.”

5 22.

6 **Disclosure of Licensed Status in Advertising**

7 **(Code Section 10140.6)**

8 Pursuant to Code Section 10140.6 *Disclosure of Licensed Status in Advertising*:

9 “(a) A real estate licensee shall not publish, circulate, distribute, or cause to be
10 published, circulated, or distributed in any newspaper or periodical, or by mail, any matter
11 pertaining to any activity for which a real estate license is required that does not contain a
12 designation disclosing that the licensee is performing acts for which a real estate license is
13 required.

14 (b) (1) A real estate licensee shall disclose their name, license identification
15 number and unique identifier assigned to that licensee by the Nationwide Multistate Licensing
16 System and Registry, if that licensee is a mortgage loan originator, and responsible broker’s
17 identity, as defined in Section 10015.4, on all solicitation materials intended to be the first
18 point of contact with consumers and on real property purchase agreements when acting in a
19 manner that requires a real estate license or mortgage loan originator license endorsement in
20 those transactions. The commissioner may adopt regulations identifying the materials in which
21 a licensee must disclose a license identification number and unique identifier assigned to that
22 licensee by the Nationwide Multistate Licensing System and Registry, and responsible
23 broker’s identity.

24 (2) A real estate licensee who is a natural person and who legally changes
25 the surname in which their license was originally issued may continue to utilize their former
26

1 surname for the purpose of conducting business associated with their license so long as both
2 names are filed with the department. Use of a former surname shall not constitute a fictitious
3 name for the purposes of Section 10159.5.

4 (3) For purposes of this section, "solicitation materials" include business
5 cards, stationery, advertising flyers, advertisements on television, in print, or electronic media,
6 "for sale," rent, lease, "open house," and directional signs, and other materials designed to
7 solicit the creation of a professional relationship between the licensee and a consumer.

8 (4) This section does not limit or change the requirement described in
9 Section 10236.4 as applicable to real estate brokers.

10 (c) This section shall not apply to "for sale," rent, lease, "open house," and
11 directional signs that do either of the following: (1) Display the responsible broker's identity,
12 as defined in Section 10015.4, without reference to an associate broker or licensee. (2) Display
13 no licensee identification information.

14 (d) "Mortgage loan originator," "unique identifier," and "Nationwide Multistate
15 Licensing System and Registry" have the meanings set forth in Section 10166.01."

16 23.

17 **Place of Business: Contact Information**

18 **(Code Section 10162 and Regulation 2715)**

19 Pursuant to Code Section 10162 *Place of Business: Contact Information:*

20 "a) Every licensed real estate broker shall have and maintain a definite place of
21 business in the State of California that serves as the broker's office for the transaction of
22 business. This office shall be the place where the broker's license is displayed and where
23 personal consultations with clients are held. (b) A real estate license does not authorize the
24 licensee to do business except from the location stipulated in the real estate license as issued or
25 as altered pursuant to Section 10161.8. 44 BUSINESS AND PROFESSIONS CODE (c) (1)

1 Every real estate broker and salesperson licensee shall provide to the commissioner their
2 current office or mailing address, a current telephone number, and a current electronic mail
3 address that they maintain or use to perform any activity that requires a real estate license, at
4 which the department may contact the licensee. (2) Every real estate broker and salesperson
5 licensee shall inform the commissioner of any change to their office or mailing address,
6 telephone number, or electronic mail address no later than 30 days after making the change.
7 (d) Notwithstanding Section 10185, a violation of this section is not a misdemeanor.”

8 24.

9 **Business and Mailing Addresses of Licensees**

10 **(Regulation 2715)**

11 Pursuant to Regulation 2715 *Business and Mailing Addresses of Licensees*:

12 “Every real estate broker, except a broker acting in the capacity of a salesperson
13 to another broker under written agreement, shall maintain on file with the commissioner the
14 address of his or her principal place of business for brokerage activities, the address of each
15 branch business office and his or her current mailing address, if different from the business
16 address. Every broker who is acting in the capacity of a salesperson to another broker under
17 written agreement shall maintain on file with the Commissioner the address of the business
18 location where he or she expects to conduct most of the activities for which a license is
19 required and his or her current mailing address. A real estate salesperson shall maintain on file
20 with the Commissioner his or her current mailing address, and when applicable, the address of
21 the principal business office of the responsible broker to whom the salesperson is at the time
22 licensed. Whenever there is a change in the location or address of the principal place of
23 business or of a branch office of a broker, that broker shall notify the Commissioner thereof
24 not later than the next business day following the change. This section shall apply to those who
25 are licensed and to those who have license rights under Section 10201 of the Code. Note:

1 Authority cited: Section 10080, Business and Professions Code. Reference: Sections 10162,
2 10163 and 10201, Business and Professions Code.

3 25.

4 **Loan to Value and Other Requirements**

5 **(Code Section 10232.3)**

6 According to Code Section 10232.3 *Loan to Value and Other Requirements*:

7 “(a) Any transaction that involves the sale of or offer to sell a note secured
8 directly by an interest in one or more parcels of real property or the sale of an undivided
9 interest in a note secured directly by one or more parcels of real property shall adhere to all of
10 the following:

11 (1) Except as provided in paragraph (2), the aggregate principal amount
12 of the note or interest sold, together with the unpaid principal amount of any
13 encumbrances upon the real property senior thereto, shall not exceed the
14 following percentages of the current market value of each parcel of the real
15 property, as determined in writing by the broker or appraiser pursuant to
16 Section 10232.6, plus the amount for which the payment of principal and
17 interest in excess of the percentage of current market value is insured for the
18 benefit of the holders of the note or interest by an insurer admitted to do
19 business in this state by the Insurance Commissioner:

20 (A) Single-family residence, owner
21 occupied.....80%

22 (B) Single-family residence, not owner
23 occupied.....75%

24 (C) Commercial properties and income producing properties not
25 described in (B) or (E).....65%

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

- (D) Single-family residentially zoned lot or parcel that has installed offsite improvements including drainage, curbs, gutters, sidewalks, paved roads, and utilities as mandated by the political subdivision having jurisdiction over the lot or parcel.....65%
- (E) Land that produces income from crops, timber, or minerals.....60%
- (F) Land that is not income producing but has been zoned for (and if required, approved for subdivision as) commercial or residential development.....50%
- (G) Other real property.....35%

(2) The percentage amounts specified in paragraph (1) may be exceeded when and to the extent that the broker determines that the encumbrance of the property in excess of these percentages is reasonable and prudent considering all relevant factors pertaining to the real property. However, in no event shall the aggregate principal amount of the note or interest sold, together with the unpaid principal amount of any encumbrances upon the property senior thereto, exceed 80 percent of the current fair market value of improved real property or 50 percent of the current fair market value of unimproved real property, except in the case of a single-family zoned lot or parcel as defined in paragraph (1), which shall not exceed 65 percent of the current fair market value of that lot or parcel, plus the amount insured as specified in paragraph (1). A written statement shall be prepared by the broker that sets forth the material considerations and facts that the broker relies upon for his or her determination, which shall be retained as a part of the broker's record of the transaction. Either a copy of the statement or the information contained therein shall be included in the disclosures required pursuant to Section 10232.5.

1 (3) A copy of the appraisal or the broker's evaluation, for each parcel of
2 real property securing the note or interest, shall be delivered to the purchaser. The broker shall
3 advise the purchaser of his or her right to receive a copy. For purposes of this paragraph,
4 "appraisal" means a written estimate of value based upon the assembling, analyzing, and
5 reconciling of facts and value indicators for the real property in question. A broker shall not
6 purport to make an appraisal unless he or she is qualified on the basis of special training,
7 preparation, or experience.

8 (4) For construction or rehabilitation loans, where the amount withheld
9 for construction or rehabilitation at the start of the project exceeds one hundred thousand
10 dollars (\$100,000), the term "current market value" may be deemed to be the value of the
11 completed project if all of the following safeguards are met:

12 (A) An independent neutral third-party escrow holder is used for
13 all deposits and disbursements relating to the construction or
14 rehabilitation of the secured property.

15 (B) The loan is fully funded, with the entire loan amount to be
16 deposited in escrow prior to the recording of the deed or deeds
17 of trust.

18 (C) A comprehensive, detailed draw schedule is used to ensure
19 proper and timely disbursements to allow for completion of the
20 project.

21 (D) The disbursement draws from the escrow account are based
22 on verification from an independent qualified person who
23 certifies that the work completed to date meets the related codes
24 and standards and that the draws were made in accordance with
25 the construction contract and draw schedule. For purposes of this
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

subparagraph, “independent qualified person” means a person who is not an employee, agent, or affiliate of the broker and who is a licensed architect, general contractor, structural engineer, or active local government building inspector acting in his or her official capacity.

(E) An appraisal is completed by a qualified and licensed appraiser in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

(F) The documentation includes a detailed description of the actions that may be taken in the event of a failure to complete the project, whether that failure is due to default, insufficiency of funds, or other causes.

(G) The entire amount of the loan does not exceed two million five hundred thousand dollars (\$2,500,000).

(5) For construction or rehabilitation loans, where the amount withheld for construction or rehabilitation at the start of the project is one hundred thousand dollars (\$100,000) or less, the term “current market value” may be deemed to be the value of the completed project if all of the following safeguards are met:

(A) The loan is fully funded, with the entire loan amount to be deposited in escrow prior to recording of the deed or deeds of trust.

(B) A comprehensive, detailed draw schedule is used to ensure proper and timely disbursements to allow for completion of the project.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

(C) An appraisal is completed by a qualified and licensed appraiser in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

(D) The documentation includes a detailed description of the actions that may be taken in the event of a failure to complete the project, whether that failure is due to default, insufficiency of funds, or other causes.

(E) The entire amount of the loan does not exceed two million five hundred thousand dollars (\$2,500,000).

(6) If a note or an interest will be secured by more than one parcel of real property, for the purpose of determining the maximum amount of the note or interest, each security property shall be assigned a portion of the note or interest that shall not exceed the percentage of current market value determined by, and in accordance with, the provisions of paragraphs (1) and (2).

(b) The note or interest shall not be sold, unless the purchaser meets one or both of the qualifications of income or net worth set forth below and signs a statement, which shall be retained by the broker for four years, conforming to the following: "Transaction Identifier: _____ Name of Purchaser: _____ Date: ___ Check either one of the following, if true: () My investment in the transaction does not exceed 10% of my net worth, exclusive of home, furnishings, and automobiles. () My investment in the transaction does not exceed 10% of my adjusted gross income for federal income tax purposes for my last tax year or, in the alternative, as estimated for the current year."

///
///
///

Investor Questionnaire/Suitability

(Code Section 10232.45)

Pursuant to Code Section 10232.45 *Investor Questionnaire/Suitability*:

“(a) Any broker subject to the provisions of Section 10232.3 or Article 6 (commencing with Section 10237) shall make reasonable efforts to ensure all of the following with respect to the offer or sale of notes or interest in notes to be secured by a lien on real property or a business opportunity:

(1) All persons to whom notes or interests are sold can be reasonably assumed to have the capacity to understand the fundamental aspects of the investment, by reason of their educational, business, or financial experience.

(2) All persons to whom notes or interests are sold can bear the economic risk of the investment.

(3) The investment in the notes or interests is suitable and appropriate for the purchaser, given the purchaser’s investment objectives, portfolio structure, and financial situation.

(b) A broker shall make this determination on the basis of information he or she obtains from the purchaser. Relevant information for this purpose includes, at least, the age, investment objective, investment experience, income, net worth, financial situation, and other investments of the prospective purchaser, as well as any other pertinent factors the commissioner shall establish through regulation.

(c) A broker shall maintain records of the information used to determine that an investment is suitable and appropriate for each purchaser and shall retain these records for at least four years.

1 (d) A broker that complies with all of the following shall be deemed to have
2 complied with subdivision (a):

3 (1) Obtains from each person to whom notes and deeds of trust or
4 interests therein are offered or sold, at least two business days and not more than one year prior
5 to completing each sale, a completed investor questionnaire in a form approved by the
6 commissioner. After obtaining an initial questionnaire, any subsequent questionnaire from the
7 same person need only reflect any updates from the immediately preceding questionnaire
8 obtained by the broker.

9 (2) Uses the responses in that questionnaire as an aid in complying with
10 subdivision (a).

11 (e) Nothing in this section shall be construed to require a broker to utilize an
12 investor questionnaire to ensure compliance with subdivision (a). Reliance of a broker on an
13 investor questionnaire in a form approved by the commissioner shall not prohibit that broker
14 from utilizing additional information to ensure compliance with subdivision (a).”

15 27.

16 **Applicable Law Disclosure**

17 **(Code Section 10236.7)**

18 Pursuant to Code Section 10236.7 *Applicable Law Disclosure:*

19 “(a) A real estate broker, when engaging in acts for which a license is required,
20 who arranges a transaction pursuant to Article 6 (commencing with Section 10237) or one or
21 more provisions of the Corporate Securities Law of 1968 (Division 1 (commencing with
22 Section 25000) of Title 4 of the Corporations Code), shall clearly indicate in the real estate
23 broker's transaction file the provision or provisions of this code or the Corporate Securities
24 Law of 1968 pertaining to qualification or exemption from qualification under which the
25
26

1 transaction is being conducted. The real estate broker shall retain this information for the
2 period specified in subdivision (a) of Section 10148.

3 (b) The real estate broker shall submit a copy of the information described in
4 subdivision (a) to any investor from whom the real estate broker obtains funds in connection
5 with the transaction, either directly or through an agent or affiliate, within 10 days of receipt of
6 those funds.”

7 28.

8 **(Notice Requirements)**

9 **(Code Section 10238, selected portions only)**

10 Pursuant to Code Section 10238(h)(4)(a):

11 “...(4) For construction or rehabilitation loans, the term “current market value”
12 may be deemed to be the value of the completed project if the following safeguards are met:

13 (A) An independent neutral third-party escrow holder is used for all
14 deposits and disbursements...”

15 29.

16 **Broker Supervision**

17 **(Code Section 10159.2 and Regulation 2725)**

18 Pursuant to Code Section 10159.2 *Responsibility of Corporate Officer in*

19 *Charge:*

20 “(a) The officer designated by a corporate broker licensee pursuant to Section
21 10211 shall be responsible for the supervision and control of the activities conducted on behalf
22 of the corporation by its officers and employees as necessary to secure full compliance with
23 the provisions of this division, including the supervision of salespersons licensed to the
24 corporation in the performance of acts for which a real estate license is required.
25
26

1 (b) A corporate broker licensee that has procured additional licenses in
2 accordance with Section 10158 through officers other than the officer designated pursuant to
3 Section 10211 may, by appropriate resolution of its board of directors, assign supervisory
4 responsibility over salespersons licensed to the corporation to its broker-officers.

5 (c) A certified copy of any resolution of the board of directors assigning
6 supervisory responsibility over real estate salespersons licensed to the corporation shall be
7 filed with the Real Estate Commissioner within five days after the adoption or modification
8 thereof.”

9 30.

10 Pursuant to Regulation 2725 *Broker Supervision*:

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

14 (a) Transactions requiring a real estate license.

15 (b) Documents which may have a material effect upon the rights or obligations
16 of a party to the transaction.

17 (c) Filing, storage and maintenance of such documents.

18 (d) The handling of trust funds.

19 (e) Advertising of any service for which a license is required.

20 (f) Familiarizing salespersons with the requirements of federal and state laws
21 relating to the prohibition of discrimination.

22 (g) Regular and consistent reports of licensed activities of salespersons.

23 The form and extent of such policies, rules, procedures and systems shall take into
24 consideration the number of salespersons employed and the number and location of branch
25 offices. A broker shall establish a system for monitoring compliance with such policies, rules,
26

1 procedures and systems. A broker may use the services of brokers and salespersons to assist in
2 administering the provisions of this section so long as the broker does not relinquish overall
3 responsibility for supervision of the acts of salespersons licensed to the broker.”

4 31.

5 **Further Grounds for Disciplinary Action**

6 (Code Section 10177)

7 Pursuant to Code Section 10177 *Further Grounds for Disciplinary Action*:

8 “The commissioner may suspend or revoke the license of a real estate licensee,
9 delay the renewal of a license of a real estate licensee, or deny the issuance of a license to an
10 applicant, who has done any of the following, or may suspend or revoke the license of a
11 corporation, delay the renewal of a license of a corporation, or deny the issuance of a license to
12 a corporation, if an officer, director, or person owning or controlling 10 percent or more of the
13 corporation’s stock has done any of the following:

14 (a) Procured, or attempted to procure, a real estate license or license
15 renewal, for themselves or a salesperson, by fraud, misrepresentation, or
16 deceit, or by making a material misstatement of fact in an application
17 for a real estate license, license renewal, or reinstatement.

18 (b) (1) Entered a plea of guilty or no contest to, or been found guilty of,
19 or been convicted of, a felony, or a crime substantially related to the
20 qualifications, functions, or duties of a real estate licensee, and the time
21 for appeal has elapsed or the judgment of conviction has been affirmed
22 on appeal, irrespective of an order granting probation following that
23 conviction, suspending the imposition of sentence, or of a subsequent
24 order under Section 1203.4 of the Penal Code allowing that licensee to
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

withdraw that licensee’s plea of guilty and to enter a plea of not guilty, or dismissing the accusation or information.

(2) Notwithstanding paragraph (1), and with the recognition that sentencing may not occur for months or years following the entry of a guilty plea, the commissioner may suspend the license of a real estate licensee upon the entry by the licensee of a guilty plea to any of the crimes described in paragraph (1). If the guilty plea is withdrawn, the suspension shall be rescinded and the license reinstated to its status prior to the suspension. The department shall notify a person whose license is subject to suspension pursuant to this paragraph of that person’s right to have the issue of the suspension heard in accordance with Section 10100.

(c) Knowingly authorized, directed, connived at, or aided in the publication, advertisement, distribution, or circulation of a material false statement or representation concerning their designation or certification of special education, credential, trade organization membership, or business, or concerning a business opportunity or a land or subdivision, as defined in Chapter 1 (commencing with Section 11000) of Part 2, offered for sale.

(d) Willfully disregarded or violated the Real Estate Law (Part 1 (commencing with Section 10000)) or Chapter 1 (commencing with Section 11000) of Part 2 or the rules and regulations of the commissioner for the administration and enforcement of the Real Estate Law and Chapter 1 (commencing with Section 11000) of Part 2.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

(e) Willfully used the term “realtor” or a trade name or insignia of membership in a real estate organization of which the licensee is not a member.

(f) Acted or conducted themselves in a manner that would have warranted the denial of their application for a real estate license, or either had a license denied or had a license issued by another agency of this state, another state, or the federal government revoked, surrendered, or suspended for acts that, if done by a real estate licensee, would be grounds for the suspension or revocation of a California real estate license, if the action of denial, revocation, surrender, or suspension by the other agency or entity was taken only after giving the licensee or applicant fair notice of the charges, an opportunity for a hearing, and other due process protections comparable to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340), Chapter 4 (commencing with Section 11370), and Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and only upon an express finding of a violation of law by the agency or entity.

(g) Demonstrated negligence or incompetence in performing an act for which the officer, director, or person is required to hold a license.

(h) As a broker licensee, failed to exercise reasonable supervision over the activities of that licensee’s salespersons, or, as the officer designated by a corporate broker licensee, failed to exercise reasonable supervision and control of the activities of the corporation for which a real estate license is required.

1 (i) Used their employment by a governmental agency in a capacity
2 giving access to records, other than public records, in a manner that
3 violates the confidential nature of the records.

4 (j) Engaged in any other conduct, whether of the same or of a different
5 character than specified in this section, that constitutes fraud or
6 dishonest dealing.

7 (k) Violated any of the terms, conditions, restrictions, and limitations
8 contained in an order granting a restricted license.

9 (l) (1) Solicited or induced the sale, lease, or listing for sale or lease of
10 residential property on the grounds, wholly or in part, of loss of value,
11 increase in crime, or decline of the quality of the schools due to the
12 present or prospective entry into the neighborhood of a person or
13 persons having a characteristic listed in subdivision (a) or (d) of Section
14 12955 of the Government Code, as those characteristics are defined in
15 Sections 12926 and 12926.1 of, subdivision (m) and paragraph (1) of
16 subdivision (p) of Section 12955 of, and Section 12955.2 of, the
17 Government Code.

18 (2) Notwithstanding paragraph (1), with respect to familial status,
19 paragraph (1) shall not be construed to apply to housing for older
20 persons, as defined in Section 12955.9 of the Government Code. With
21 respect to familial status, nothing in paragraph (1) shall be construed to
22 affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil
23 Code, relating to housing for senior citizens. Subdivision (d) of Section
24 51 and Section 4760 of the Civil Code and subdivisions (n), (o), and (p)
25 of Section 12955 of the Government Code shall apply to paragraph (1).
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

(m) Violated the Franchise Investment Law (Division 5 (commencing with Section 31000) of Title 4 of the Corporations Code) or regulations of the Commissioner of Business Oversight pertaining thereto.

(n) Violated the Corporate Securities Law of 1968 (Division 1 (commencing with Section 25000) of Title 4 of the Corporations Code) or the regulations of the Commissioner of Business Oversight pertaining thereto.

(o) Failed to disclose to the buyer of real property, in a transaction in which the licensee is an agent for the buyer, the nature and extent of a licensee's direct or indirect ownership interest in that real property. The direct or indirect ownership interest in the property by a person related to the licensee by blood or marriage, by an entity in which the licensee has an ownership interest, or by any other person with whom the licensee has a special relationship shall be disclosed to the buyer.

(p) Violated Article 6 (commencing with Section 10237).

(q) Violated or failed to comply with Chapter 2 (commencing with Section 2920) of Title 14 of Part 4 of Division 3 of the Civil Code, relating to mortgages.

If a real estate broker that is a corporation has not done any of the foregoing acts, either directly or through its employees, agents, officers, directors, or persons owning or controlling 10 percent or more of the corporation's stock, the commissioner may not deny the issuance or delay the renewal of a real estate license to, or suspend or revoke the real estate license of, the corporation, provided that any offending officer, director, or stockholder, who has done any of the foregoing acts individually and not on behalf of the corporation, has been completely disassociated from any affiliation or ownership in the corporation. A decision by the

1 commissioner to delay the renewal of a real estate license shall toll the expiration of that
2 license until the results of any pending disciplinary actions against that licensee are final, or
3 until the licensee voluntarily surrenders the licensee's license, whichever is earlier."

4 **CAUSE FOR DISCIPLINE**

5 **DRE AUDIT SD220013/SD220016**

6 **FHLC**

7 **Mortgage Loan Activities (SD220013) & Broker Escrow Activities (SD220016)**

8 **from July 1, 2021 to November 30, 2022**

9 32.

10 On April 7, 2023, the DRE completed its concurrent audit examinations of the
11 books and records of Respondent FHLC pertaining to its mortgage loan activities (Audit
12 SD220013) and its broker escrow activities (Audit SD220016), which require a real estate
13 license. The audit examination covered a period of time beginning on July 1, 2021 and ending
14 on November 30, 2022 (audit period). The audit examination was conducted from January 4,
15 2023 through and including March 10, 2023 (field work) both at the DRE's Los Angeles
16 District Office (LADO) located at 320 West 4th St., Suite 350, Los Angeles, CA 90013 and at
17 FHLC's main office at the Murphy Canyon address detailed above in Paragraph 3. The DRE's
18 auditor interviewed D.O. SALAS over the phone on December 14, 2022; also in attendance for
19 the entrance interview were Ortega, FHLC's Senior Loan Officer, FHLC's Accountant and
20 RES Lee Karl Tana Gabriel.

21 33.

22 The final audit report dated April 7, 2023 revealed violations of the Code and
23 the Regulations as set forth in the following paragraphs, and more fully discussed in Audit
24 Report LA22013/SD220016 (both audit reports are collectively printed on DRE Form RE
25 4511 (Rev. 7/18) (Short Form Audit Report).

1 34.

2 Background

3 At the time of Audit SD220013/SD220016, according to DRE licensing records
4 dated December 14, 2022 and April 6, 2023, HLC was a corporation licensed to act as a RREB
5 until its restricted license expiration date of April 11, 2023. SALAS was the D.O. with RREB
6 until her restricted license expiration date of April 11, 2023. FHLC had two (2) licensed
7 employees and one (1) fictitious business name (FBN) for "San Diego Private Money" (active
8 as of August 11, 2017).

9 35.

10 Corporate Structure

11 According to the DRE auditor's discussions with D.O. SALAS, the corporate
12 structure of FHLC is as follows: SALAS is the 100% owner and the CEO, CFO and Secretary.

13 36.

14 Business Activities

15 According to the DRE auditor's discussions with D.O. SALAS, FHLC was
16 engaged in negotiating hard money loans for borrowers and private investors. During the last
17 twelve (12) months of the audit period, from December 1, 2021 to November 30, 2022, FHLC
18 closed about forty-nine (49) non-institutional loans with an aggregate loan amount totaling
19 about \$13.7 million, for a total of about 115 investors. HLC performed the escrows on all loan
20 transactions and collected about \$14.5 million in escrow trust funds. According to D.O.
21 SALAS, all of the hard money loans that FHLC negotiated were for investment, construction
22 and rehabilitation purposes and were never non-owner occupied.

23 ///

24 ///

25 ///

26

27

1 37.

2 FHLC also performed collection services for borrowers and lenders, and during
3 the last twelve (12) months of the audit period (12/01/21 to 11/30/22), FHLC collected
4 monthly loan payments and principal payoffs for approximately 159 loans, with a principal
5 balance of about \$48.5 million for about 469 investors. The total collections during this
6 twelve-month period were approximately \$25 million.

7 38.

8 Audit SD220013/SD1220016 was limited to FHLC's mortgage loan servicing,
9 mortgage loan brokerage, and broker escrow activities.

10 39.

11 The findings of the concurrent DRE audits were discussed with D.O. SALAS
12 on March 10, 2023 at FHLC's office and SALAS signed the non-compliance on the same day.

13 40.

14 Bank Accounts

15 According to D.O. SALAS, FHLC maintained four (4) bank accounts that
16 handled trust funds during the audit period in connection with the mortgage loan servicing,
17 mortgage loan brokerage, and broker escrow activities:

18 T/A 1

- 19 * Bank: Home Street Bank (HSB)
- * Bank Address: 277 Rancheros Drive, Suite 300, San Marcos, CA 92069
- 20 * Account No. #####6018
- * Date of Bank Reconciliation: 11/30/22
- * Adjusted Bank Balance/Accountability: FHLC's Funds \$16,366.53
- 21 * Shortage or Overage: \$0.00

22 T/A 1 was for multiple beneficiaries and was maintained for handling the receipts and
23 disbursements of trust funds in connection with FHLC's mortgage loan servicing activity
24 (SD220013). T/A 1 was in balance and had FHLC's funds allowed totaling \$193.06 as of
25 November 30, 2022 (SD220013).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

T/A 2

- * Bank: HSB
- * Bank Address: 277 Rancheros Drive, Suite 300, San Marcos, CA 92069
- * Account No. #####6015
- * Date of Bank Reconciliation: 11/30/22
- * Adjusted Bank Balance/Accountability: FHLC's Funds \$315,978.91
- * Shortage or Overage: \$0.00

T/A 2 was for multiple beneficiaries and was maintained for handling the receipts and disbursements of trust funds in connection with FHLC's mortgage loan brokerage activity (SD220013), for FHLC's fund control/construction loans. T/A 2 was in balance and had FHLC's funds allowed totaling \$94.27 as of November 30, 2022 (SD220013).

T/A 3

- * Bank: HSB
- * Bank Address: 277 Rancheros Drive, Suite 300, San Marcos, CA 92069
- * Account No. #####6016
- * Date of Bank Reconciliation: 11/30/22
- * Adjusted Bank Balance/Accountability: FHLC's Funds \$29,675.07
- * Shortage or Overage: \$0.00

T/A 3 was for multiple beneficiaries and was maintained for handling the receipts and disbursements of trust funds in connection with FHLC's mortgage loan brokerage activity (SD220013), for delinquent property taxes, any fees/claims submitted by the City or the County, delinquent insurance, and insurance claims/settlements. T/A 3 was in balance and had FHLC's funds allowed totaling \$190.00 as of November 30, 2022 (SD220013).

T/A 4

- * Bank: HSB
- * Bank Address: 277 Rancheros Drive, Suite 300, San Marcos, CA 92069
- * Account No. #####6012
- * Date of Bank Reconciliation: 11/30/22
- * Adjusted Bank Balance/Accountability: FHLC's Funds \$517,447.52
- * Shortage or Overage: \$0.00

T/A 4 was for multiple beneficiaries and was maintained for handling the receipts and disbursements of trust funds in connection with FHLC's broker escrow activity (SD220016).

1 T/A 4 was in balance and had FHLC's funds allowed totaling \$173.73 as of November 30,
2 2022 (SD220016).

3
4 41.

5 According to D.O. SALAS and the DRE's records, FHLC meets the threshold
6 criteria and reports to the DRE as a threshold/multi-lender broker. During the audit period,
7 FHLC submitted all the required quarterly and annual reports to the DRE.

8 ///

9 ///

10 ///

11 ///

12 ///

13 ///

14 ///

15 ///

16 ///

17 ///

18 ///

19 ///

20 ///

21 ///

22 ///

23 ///

24 ///

25 ///

26

27

1 **CAUSE FOR DISCIPLINE**

2 **AUDIT FINDINGS: VIOLATIONS OF THE REAL ESTATE LAW**

3 42.

4 In the course of the real estate activities (mortgage loan and broker escrow
5 activities) described in paragraph 36 during the subject audit examination period described in
6 paragraph 32, above, the DRE's auditor made findings that FHLC violated the Code and the
7 Regulations, as described below, and more fully discussed in the DRE's Audit Report for
8 Audit SD220013/Audit SD220016 dated April 7, 2023.

9 43.

10 **Audit SD220013**

11 **Identifying the Loan Transaction – Claim of Exemption from Securities Qualification**

12 (Code Sections 10236.7(a) and 10236.7(b))

13 FHLC arranged multi-lender loans and did not clearly indicate in the
14 transaction file the Code section, qualification, or exemption under which said multi-loan
15 transaction as being conducted/arranged, as required by, and thus, in violation of, **Code**
16 **Section 10236.7(a)**. There was no proof in the transaction file that the investors were given
17 written notice of the Code section, qualification, or exemption under which the multi-loan
18 transaction was being conducted/arranged, as required by, and thus, in violation of, **Code**
19 **Section 10236.7(b)**. Examples of said failures to indicate or provide qualification notice are:

20

Loan No.	Loan Amount	Date Funded
9268	\$1,162,000.00	08/01/2022
9257K	\$1,142,000.00	12/02/2021
9269K	\$ 435,000.00	02/25/2022
9323K	\$ 295,000.00	10/11/2022

25 ///

1 44.

2 **Audit SD220013**

3 **Investor Questionnaire/Suitability**

4 **(Code Sections 10232.45(c) and 10232.45(d))**

5 FHLC did not obtain and retain investor questionnaires or determine investor
6 suitability (DRE Form RE870) from the investors for the following sampled loans that were
7 funded between November 2021 and September 2022, as required in most of the single-lender
8 loan files and the multi-lender loan files sampled for examination in connection with the
9 mortgage loan brokerage activity, in violation of **Code Sections 10232.45(c) and 10232.45(d)**.
10 FHLC obtained most of the investor questionnaires (RE870) from the investors during the
11 course of the audit:

12

<u>Loan No.</u>	<u>Investor Name.</u>	<u>Date Signed</u>
9268	Galina C.	01/15/2023
9268	Andrew F.	12/28/2022
9268	Gary G.	01/16/2023
9268	Marvin K.	01/13/2023
9268	Nga A.	12/30/2022
9268	Queen S.	01/04/2023
9277K	Ernesto Vazquez	01/02/2023
9257K	Charron C.	01/08/2023
9257K	Marc P.	12/30/2022
9257K	Peter P.	01/12/2023
9269K	Heather C.	12/30/2022
9269K	Helen R.	01/11/2023

13
14
15
16
17
18
19
20
21
22
23
24
25
26

9323K	Mark H.	01/01/2023
9308K	Janet J.	12/29/2022

45.

Audit SD220013/SD220016

Safeguards for Construction Loans – Single-Lender and Multi-Lender Loans

(Code Sections 10232.3(a)(4)(A) and 10238(h)(4)(A))

FHLC did not use an independent neutral third-party escrow holder to handle all receipts and disbursements for single-lender construction loans where the amount withheld for construction or rehabilitation at the start of the project exceeds one hundred thousand dollars (\$100,000.00), and for multi-lender construction loans if the value of the project after completion is disclosed as the current market value to the lenders in the project, in violation of

Code Sections 10232.3(a)(4)(A) and 10238(h)(4)(A). Examples of such failures include:

<u>Loan No.</u>	<u>Loan Amount</u>	<u>Date Funded</u>	<u>Construction Loan Type</u>
9257K	\$1,142,000.00	12/02/2021	Multi-Lender
9269K	\$ 435,000.00	02/25/2022	Multi-Lender
9323K	\$ 295,000.00	10/11/2022	Multi-Lender
9261K	\$ 210,000.00	01/20/2022	Single Lender
9308K	\$ 250,000.00	07/28/2022	Single Lender
9277K	\$ 250,000.00	03/31/2022	Single Lender

///
///
///
///
///
///

Audit SD220013/SD220016

Place of Business: Contact information/Business and Mailing Addresses of Licensees

(Code Sections 10162 and Regulation 2715)

FHLC used the mailing addresses at P.O. Box 421217, San Diego, CA 92142 during the audit period and did not notify the DRE, in violation of **Code Section 10162 and Regulation 2715**. Use of said mailing address includes the following instances:

A. [Audit SD220013] FHLC used said mailing address on mortgage loan files sampled for examination, including on documents such as: the note, the deed of trust, fair lending notice, real estate loan agreement, all borrower disclosures including the mortgage loan disclosure statement, and all lender disclosures including the lender/purchaser disclosure statement.

B. [Audit SD220013] FHLC used said mailing address on loan servicing files sampled for examination, on documents such as: the servicing agreement, lender's statements, and cancelled checks of T/A 1.

C. [Audit SD220016] FHLC used said mailing address on escrow files sampled for examination, on documents such as: the estimated escrow closing statement, final escrow closing statement, and on lender's and borrower's escrow instructions.

///

///

///

///

///

///

///

1 47.

2 **Additional Violations of the Real Estate Law**

3 **(Code Sections 10177(d) and (h))**

4 The overall conduct of Respondents is in violation of the Real Estate Law and
5 constitutes cause for the suspension or revocation of the real estate licenses and license rights
6 of FHLIC under the provisions of **Code Section 10177(d)** (for willful disregard of the Real
7 Estate Law) and [as to SALAS only] **Code Section 10177(h)** (failure to exercise reasonable
8 supervision).

9 **COSTS**

10 48.

11 **Investigation & Enforcement Costs**

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

17 ///

18 ///

19 ///

20 ///

21 ///

22 ///

23 ///

24 ///

25 ///

26


27

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

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 the license and license rights of Respondents **FEDERAL HOME LOANS CORPORATION** and **EVANGELINE MICHAEL SALAS** under the Real Estate Law (Part 1 of vision 4 of the Business and Professions Code), for the cost of investigation and enforcement as permitted by law, and for such other and further relief as may be proper under other provisions of law, and for costs of audit.

Dated at Los Angeles, California

this 10 day of October, 2023.



Veronica Kilpatrick
Supervising Special Investigator

cc: Federal Home Loans Corporation
Evangeline Michael Salas
Enforcement - SD
Audits – SD
Sacto.