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DEPARTMENT OF REAL ESTATE

By B. dent

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BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

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In the Matter of the Accusation of

CASCO FINANCIAL, INC. and  
JAMES RUDOLPH CASTELLANOS,

Respondents.

No. H-12749 SF

ACCUSATION

The Complainant, STEPHANIE YEE, acting in her official capacity as a  
Supervising Special Investigator of the State of California, for cause of Accusation against  
Respondents CASCO FINANCIAL, INC.: (CFI) and JAMES RUDOLPH CASTELLANOS  
(CASTELLANOS), sometimes collectively referred to as Respondents, is informed and alleges  
as follows:

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

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At all times mentioned, CFI was and is licensed by the State of California  
Department of Real Estate (Department) as a restricted real estate broker corporation. Effective  
April 25, 2023, CFI's restricted real estate broker corporation license expired. CFI'S restricted  
real estate corporation license was not renewed until October 27, 2023.

At all times mentioned herein, CASTELLANOS was and is licensed by the Department as a restricted real estate broker. Effective April 25, 2023, CASTELLANOS' restricted real estate broker license expired. CASTELLANOS' restricted real estate broker license was not renewed until January 18, 2024.

At all times mentioned herein, CASTELLANOS was and is licensed as the restricted designated broker officer of CFI. As the designated broker officer, CASTELLANOS was responsible, pursuant to Section 10159.2 of the Code, for the supervision of the activities of officers, agents, real estate licensees and employees of CFI for which a real estate license is required to ensure the compliance of the corporation with the Real Estate Law and Regulations.

Whenever reference is made to an allegation in this Accusation to an act or omission of CFI, such allegation shall be deemed to mean that the officers, directors, employees, agents and real estate licensees employed by or associated with CFI committed such acts or omissions while engaged in furtherance of the business or operation of CFI and while acting within the course and scope of their corporate authority and employment.

At all times herein mentioned, Respondents engaged in the business of, acted in the capacity of, advertised, or assumed to act as real estate brokers within the State of California, including the operation and conduct of a mortgage loan brokerage business with the public wherein Respondents:

- (a) Solicited borrowers or lenders for or negotiated loans or collected payments or performed 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 pursuant to Section 10131 (d) of the Code; and/or
- (b) Sold or offered to sell, bought or offered to buy, or exchange or offered 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 performed services for the holders thereof pursuant to Section 10131 (e) of the Code.

#### FIRST CAUSE OF ACTION

(Trust Fund Handling and Trust Account Designation)

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Each and every allegation in Paragraphs 1 through 5, inclusive, is incorporated by this reference as if fully set forth herein.

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Beginning on January 10, 2024, and continuing intermittently through April 9, 2024, an audit was conducted of the records of CFI's mortgage loan activities. The Department's auditor examined the records for the period of January 1, 2023, through November 30, 2023 (the audit period).

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While acting as a real estate broker as described in Paragraph 5, above, and within the audit period, Respondents accepted or received funds in trust (trust funds) from or on behalf of property owners, lessees and others in connection with property management activities, and deposited or caused to be deposited, or directed that the trust funds be deposited into the following bank accounts maintained by Respondents, identified as follows:

##### Bank Account #1

Bank: Comerica Bank, 444B N. Santa Cruz Ave., Los Gatos, CA 95030-4365  
Account No.: XXXXXX5615  
Account Name: Casco Financial, Inc.  
"Loan Servicing Account"  
Signatories: James Rudolph Castellanos

##### Bank Account #2

Bank: Comerica Bank, 444B N. Santa Cruz Ave., Los Gatos, CA 95030-4365  
Account No.: XXXXXX5607  
Account Name: Casco Financial, Inc.  
"Funding Account"  
Signatories: James Rudolph Castellanos

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### Bank Account #4

and thereafter, from time-to-time disbursed, cause to be disbursed, or directed disbursements of said trust funds.

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In the course of Respondents' mortgage loan activities described in Paragraph 5, in connection with the collection and disbursement of trust funds during the audit period, Respondents failed to properly designate Bank Accounts #1 and #2 as trust fund accounts and in the name of the broker as trustee, as required by Section 10145 of the Code, and Section 2832 of Chapter 6, Title 10, California Code of Regulations (Regulations).

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The acts and/or omissions described above constitute violations of Sections 2832 (Bank Account Not Properly Designated as Trust Account) of the Regulations, and of Sections 10145 (Trust Fund Handling) of the Code, and are grounds for discipline under Sections 10177(d) (Willful Disregard of Real Estate Laws) and/or 10177(g) (Negligence/Incompetence Licensee) of the Code.

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1 SECOND CAUSE OF ACTION

2 (Real Estate Law Violations Relating to Loan Origination)

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4 Each and every allegation in Paragraphs 1 through 10, inclusive, is incorporated  
5 by this reference as if fully set forth herein.

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7 In the course of the activities described above in Paragraph 5, Respondents  
8 arranged, negotiated and originated the following privately funded loan transactions, including,  
9 but not limited to:

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Loan No.	Closing Date	Borrower	Property Address
2533	6/26/2023	705A Investors LLC	770 San Pedro Avenue, Morgan Hill
2542	6/26/2023	San Lorenzo Homes, LLC	315 Walnut Street, Santa Cruz
2553	8/4/2023	IDREC, LLC	0 Southside, Hollister
2561	10/18/2023	Sea Chalet Investments, LLC	402 Hillcrest Drive, Aptos

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17 In the course of the activities described in Paragraphs 5 and 12, Respondents  
18 violated the Real Estate Law as follows:

- 19 (a) Respondents failed to disclose the existing encumbrance(s) of the secured  
20 property on the Lender-Purchaser Disclosure Statement provided to the  
21 prospective lenders for Loan Nos. 2533 and 2553, in accordance with Section  
22 10232.5 (a)(6) of the Code, and as required by Section 10232.4 of the Code;  
23 (b) Respondents failed to obtain Income-Net Worth Qualification Statements  
24 from the prospective lenders for Loan Nos. 2533 and 2553, as required by  
25 Section 10232.3 (b) of the Code; and

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(c) Respondents failed to name the lender(s) who funded the loans as the beneficiary or beneficiaries on the recorded Deed of Trust for Loan Nos. 2542 and 2561, as required by Sections 10234 (a) and 10238 (g) of the Code.

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The acts and or omissions described above constitute violations of Sections 10232.3 (b) (Income/Net Worth Qualification Statement), 10232.4 (Delivery of Disclosure Statement), 10232.5 (a)(6) (Disclosure Statement Content), 10234 (a) (Recordation of Trust Deeds), and 10238 (g) (Recordation of Lender's Interest) of the Code, and are grounds for discipline under Section 10177 (d) and/or 10177 (g) of the Code.

THIRD CAUSE OF ACTION

(Real Estate Law Violations Relating to Sale of Existing Note)

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Each and every allegation in Paragraphs 1 through 14, inclusive, is incorporated by this reference as if fully set forth herein.

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In the course of the activities described above in Paragraph 5, Respondents arranged, negotiated and sold existing notes in the following loan transactions, including, but not limited to:

Loan No.	Sales Date	Seller	Property Address
2542	6/28/2023 - 7/6/2023	Willow Gardens LTD, LLC	315 Walnut Street, Santa Cruz
2561	10/19/2023	Willow Gardens LTD, LLC	402 Hillcrest Drive, Aptos

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In the course of the activities described in Paragraphs 5 and 16, Respondents failed to provide the Lender-Purchaser Disclosure Statement: Sale of Existing Note (RE 851B) to the prospective purchasers of the notes for Loan Nos. 2542 and 2561, as required by Sections 10232.5 and 10238 (l)(A), and Section 2846 of the Regulations.

The acts and or omissions described above constitute violations of Section 2846 (Approved Lender/Purchaser Disclosure Statement) of the Regulations, and Sections 10232.5, and 10238 (l)(A) (Lender Purchaser Disclosure Statement) of the Code, and are grounds for discipline under Section 10177 (d) and/or 10177 (g) of the Code.

#### FOURTH CAUSE OF ACTION

(Unlicensed Activity)

Each and every allegation in Paragraphs 1 through 18, inclusive, is incorporated by this reference as if fully set forth herein.

Respondents performed the mortgage loan activities described in paragraphs 5, 12, and 16 while the licenses of CFI and CASTELLANOS were expired.

In the course of the mortgage loan activities described above in Paragraph 5, Respondents collected monthly payments and principal payoffs from borrowers while the licenses of CFI and CASTELLANOS were expired, including, but not limited to:

Loan No.	Date Received	Borrower	Amount
2535	6/30/2023	The Mesarchik Family Trust	\$411,200.00
2506	7/5/2023	DB and NK Developments, Inc.	\$757,491.65
2533	8/14/2023	705A Investors LLC	\$5,958.33
2542	8/15/2023	San Lorenzo Homes, LLC	\$7,083.33
2531	9/6/2023	Mark A. W.	\$45,305.00
2550	10/26/2023	Priya H. and Thomas H.	\$225,066.67

In the course of the mortgage loan activities described above in Paragraph 5, Respondents collected investors' funds while the licenses of CFI and CASTELLANOS were expired, including, but not limited to:

Loan No.	Date Received	Investor	Amount
2533	6/21/2023	Sherman N. Tran Trust	\$650,000.00
2542	6/26/2023	Willow Gardens LTD, LLC	\$850,000.00
2553	8/3/2023	CDF Parkway, LLC	\$1,500,000.00
2561	10/10/2023 - 10/19/2023	Various	\$720,000.00

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The acts and/or omissions described above constitute grounds for the suspension or revocation of the licenses and license rights of Respondents under Sections 10130 (Unlicensed Activity), 10177(d) and/or 10177(g) of the Code.

#### FIFTH CAUSE OF ACTION

(Failure to Provide Broker Supervision)

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Each and every allegation in Paragraphs 1 through 23, inclusive, is incorporated by this reference as if fully set forth herein

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Respondent CASTELLANOS failed to exercise reasonable supervision and control over the mortgage loan activities of CFI. In particular, CASTELLANOS permitted, ratified and/or caused the conduct described above to occur, and failed to take reasonable steps, including but not limited to, the handling of trust funds, supervision of employees, and the implementation of policies, rules and systems to ensure compliance of the business with the Real Estate Law and the Regulations.

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The above acts and/or omissions of CASTELLANOS violate Section 2725 (Broker Supervision) of the Regulations and Section 10159.2 (Responsibility/Designated Officer) of the Code and constitute grounds for disciplinary action under the provisions of Sections 10177(d), 10177(g) and/or 10177(h) (Broker Supervision) of the Code.

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1 PRIOR ADMINISTRATIVE ACTIONS

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3 Effective April 25, 2019, in Case No. H-12248 SF, before the Department, the  
4 Real Estate Commissioner revoked all licenses, and licensing rights of CFI. However, CFI was  
5 granted the right to the issuance of a restricted real estate broker corporation license, subject to  
6 terms, conditions and restrictions imposed pursuant to Sections 10156.6 and 10156.7 of the Code  
7 for the following violations: Sections 10177 (d), 10177 (g), and 10232.2 (Failure to File Fiscal  
8 Year Reports) of the Code.

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10 Effective April 25, 2019, in Case No. H-12248 SF, before the Department, the  
11 Real Estate Commissioner revoked all licenses, and licensing rights of CASTELLANOS.  
12 However, CASTELLANOS was granted the right to the issuance of a restricted real estate broker  
13 license, subject to terms, conditions and restrictions imposed pursuant to Sections 10156.6 and  
14 10156.7 of the Code for the following violations: Section 2725 of the Regulations, and Sections  
15 10159.2, 10232.2, 10177 (d), 10177 (g), and 10177 (h) of the Code.

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17 Effective May 24, 1993, in Case No. H-6622 SF, before the Department of Real  
18 Estate of the State of California, the Real Estate Commissioner revoked the license and licensing  
19 rights of CASTELLANOS, but granted the right to a restricted real estate broker license for the  
20 following violations: Sections 10161.8 (Salesperson Employment and Termination), 10177 (d),  
21 (g) and (h) of the Code, and Sections 2725 (a) (Review of Instruments), 2831 (Control Records),  
22 2831.1 (Separate Beneficiary Records), 2831.2 (Trust Account Reconciliation) of the  
23 Regulations.

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1 COST RECOVERY

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3 Audit Costs

4 The acts and/or omissions of Respondents, as alleged above, entitle the  
5 Department to reimbursement of the costs of its audits pursuant to Section 10148(b) (Audit Costs  
6 for Trust Fund Handling Violations) of the Code.

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8 Costs of Investigation and Enforcement

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

13 WHEREFORE, Complainant prays that a hearing be conducted on the  
14 allegations of this Accusation and that upon proof thereof a decision be rendered imposing  
15 disciplinary action against all licenses and license rights of Respondents under the Real Estate  
16 Law, for the cost of the investigation and enforcement as permitted by law, for the cost of the  
17 audit as permitted by law, and for such other and further relief as may be proper under other  
18 provisions of law.

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20 STEPHANIE YEE  
21 Supervising Special Investigator

22 Dated at Oakland, California,  
23 this 12th day of May, 2025.

24 DISCOVERY DEMAND

25 Pursuant to Sections 11507.6, *et seq.* of the *Administrative Procedure Act*, the  
26 Department of Real Estate hereby makes demand for discovery pursuant to the guidelines set  
27 forth in the *Administrative Procedure Act*. Failure to provide Discovery to the Department of  
Real Estate may result in the exclusion of witnesses and documents at the hearing or other  
sanctions that the Office of Administrative Hearings deems appropriate.