

FILED
JUL 11 2002
DEPARTMENT OF REAL ESTATE

Department of Real Estate
320 West 4th Street, Ste. 350
Los Angeles, California 90013-1105

Telephone: (213) 576-6982

By K. Niederholtz

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * *

To:

SENTRY HOME LOANS; and
HENDON MASON HARRIS,
individually and as
designated officer of
Sentry Home Loans

No. H-29593 LA

ORDER TO DESIST

AND REFRAIN

The Real Estate Commissioner of the State of California (hereinafter "Commissioner") has caused an investigation to be made of your activities as real estate brokers, and based upon the findings of that investigation, as set forth below, is of the opinion that you, SENTRY HOME LOANS, and you, HENDON MASON HARRIS, have violated Sections 10145, 10161.8 and 10229(g)(1)(C) of the California Business and Professions Code (hereinafter "Code") and Sections 2752 and 2834 of Title 10, Chapter 6,

1 California Code of Regulations (hereinafter "Regulations"). In
2 addition, you, HENDON MASON HARRIS (hereinafter "HARRIS"), have
3 violated Code Section 10159.2.

4 1.

5 At all times material herein, you, SENTRY HOME LOANS
6 (hereinafter "SENTRY"), were and now are licensed by the
7 Department of Real Estate of the State of California (hereinafter
8 "Department") as a corporate real estate broker through HARRIS as
9 the designated officer and broker responsible, pursuant to the
10 provisions of Code Section 10159.2, for supervising the
11 activities requiring a real estate license conducted on behalf of
12 SENTRY by SENTRY's officers, agents and employees.

13 2.

14 At all times material herein, you, HARRIS, were and now
15 are licensed by the Department as a real estate broker,
16 individually and as the designated officer of SENTRY. As the
17 designated broker-officer, you, HARRIS, are and at all times
18 material herein were responsible for the supervision of the
19 activities of the officers, agents and employees of SENTRY for
20 which a license is required pursuant to Code Section 10159.2.

21 3.

22 All further references to "you" include the parties
23 identified in Paragraphs 1 and 2 above, and also include the
24 officers, directors, employees, agents and real estate licensees
25 employed by or associated with said parties and who at all times
26 herein mentioned were engaged in the furtherance of the business
27

1 or operations of said parties and who were acting within the
2 course and scope of their authority and employment.

3 4.

4 At all times herein material, you, SENTRY, and you,
5 HARRIS, engaged in the business of, acted in the capacity of,
6 advertised or assumed to act as real estate brokers in the State
7 of California, within the meaning of Code Section 10131(d),
8 including the operation and conduct of a mortgage loan brokerage
9 with the public, wherein you solicited prospective borrowers or
10 lenders for and/or negotiated or serviced loans secured by a lien
11 on real property for another or others, all for or in expectation
12 of compensation. In addition, you, SENTRY, conduct broker
13 controlled escrows through your escrow division, under the
14 exemption set forth in Section 17006(a)(4) of the California
15 Financial Code for real estate brokers performing escrows
16 incidental to a real estate transaction where the broker is a
17 party and performing acts for which a real estate license is
18 required.
19

20 5.

21 On or about March 21, 2001, the Department completed an
22 examination of your books and records, SENTRY, pertaining to the
23 activities described in Paragraph 4, above, covering a period
24 from May 30, 2000 through December 29, 2000. The audit
25 examination revealed violations of the Code and the Regulations
26
27

1 as set forth below, and more fully discussed in Audit Report LA
2 000309 and exhibits/workpapers attached to said audit report.

3 6.

4 The audit examination determined that, in connection
5 with the mortgage and loan brokerage activities described in
6 Paragraph 4, above, you, SENTRY, accepted or received funds,
7 including funds in trust ("trust funds") from or on behalf of
8 actual or prospective parties to transactions handled by you and
9 thereafter made deposit or disbursement of such funds. During
10 the audit period you, SENTRY maintained nine (9) trust accounts:
11 seven of the nine were for the borrower proceeds from
12 construction loans, and two of the nine were for broker-
13 controlled escrows.

14 7.

15 In the course of activities described in Paragraphs 4
16 and 6, and during the examination period described in Paragraph
17 5, you, SENTRY, and you, HARRIS, acted in violation of the Code
18 and the Regulations in that you:
19

20 (a) Permitted H. Harris, the spouse of HARRIS, a
21 licensee not licensed to SENTRY, to be an authorized signatory on
22 two of the nine trust accounts, in violation of Code Section
23 10145 and Regulation 2834.

24 (b) Exceeded the maximum permissible loan-to-value
25 ratio for a commercial property identified by escrow number
26 224013 by SENTRY's broker-controlled escrow company. Said
27

1 commercial property's appraisal value was \$1,350,000. The
2 mortgage loan negotiated by SENTRY was \$980,000. The loan-to-
3 value ratio was therefore 72.59% whereas it should not have
4 exceeded 65%, in violation of Code Section 10229(g)(1)(C) for
5 multi-lender loans; and

6 (c) Failed to notify the Department of the termination
7 of real estate salespersons Hollis H. Hedrick and Ralph J.
8 Serpice, in violation of Code Section 10161.8 and Regulation 2752

9 8.

10 Your conduct, acts and/or omissions, HARRIS, as
11 described herein above, constitute a failure on your part, as the
12 officer designated by a corporate broker licensee, to exercise
13 the supervision and control over the licensed activities of
14 SENTRY as required by Code Section 10159.2.

15 NOW, THEREFORE, YOU, SENTRY HOME LOANS, AND YOU, HENDON
16 MASON HARRIS, ARE ORDERED TO DESIST AND REFRAIN from performing
17 any of the acts for which a real estate license is required
18 within the meaning of Code Section 10131, unless and until you
19 are in compliance with Code Sections 10145, 10161.8, and
20 10229(g)(1)(C) of the California Business and Professions Code
21 and Regulations 2752 and 2834.

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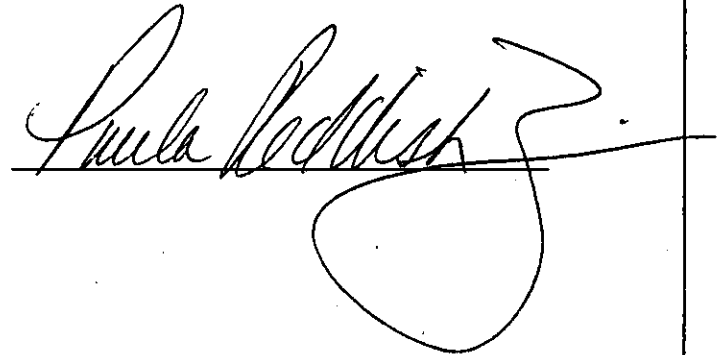
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2 AND FURTHER, YOU, HENDON MASON HARRIS, ARE ORDERED TO
3 DESIST AND REFRAIN from performing any of the acts for which a
4 real estate license is required as the designated officer of a
5 corporation, unless and until you are in compliance with Code
6 Section 10159.2.

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10 DATED: July 8, 2002

11
12 PAULA REDDISH ZINNEMANN
13 Real Estate Commissioner

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23

24 cc: Hendon Mason Harris
25 c/o Sentry Home Loans
26 187 E. Wilbur Rd., Suite 12
27 Thousand Oaks, CA 91360