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FILED

AUG 21 2014

BUREAU OF REAL ESTATE

By *[Signature]*

8 BEFORE THE BUREAU¹ OF REAL ESTATE
9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation of)
12 SOUTH COAST MORTGAGE &) No. H- 39584 LA
13 INVESTMENTS INC. doing business as)
14 South Coast Loans and South Coast) ACCUSATION
15 Mortgage & Investments; and)
16 EUGENE RICHARD DORN)
17 individually and as designated)
18 officer of South Coast Mortgage &)
19 Investments Inc.,)
20 Respondents,)

21 The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State
22 of California, Bureau of Real Estate ("Bureau") for cause of Accusation against SOUTH
23 COAST MORTGAGE & INVESTMENTS INC. dba South Coast Loans and South Coast
24 Mortgage & Investments and EUGENE RICHARD DORN, individually and as designated
25 officer of South Coast Mortgage & Investments Inc., corporate and individual real estate brokers
26 collectively "Respondents,") is informed and alleges as follows:

¹ Effective July 1, 2013, the California Department of Real Estate became the Department of Consumer Affairs, Bureau of Real Estate ("Bureau"). References in this Accusation are to the successor entity.

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1.

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, makes this Accusation in her official capacity.

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All references to the "Code" are to the Part 1 of Division 4 California Business and Professions Code and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations unless otherwise stated.

License Status: Individuals and Entities

3.a

From February 13, 1998, through the present, Respondent SCMII has been licensed as a real estate corporation. From its inception and continuing through the present SCMII has been acting by and through Respondent DORN as its designated officer pursuant to Business and Professions Code ("Code") Section 10159.2 to be responsible for ensuring compliance with the Real Estate Law.

3.b

From October 29, 1988, through the present, Respondent DORN has been licensed as a real estate broker and previously as a real estate salesperson.

3.c

Respondent DORN was the subject of discipline by the former Department of Real Estate, in Case No. H-28654 LA, effective March 19, 2001, including a stayed suspension on terms and conditions as more fully set forth in Paragraph 14, below.

4.

Whenever reference is made in an allegation in this Accusation to an act or omission of "Respondents," such allegation shall be deemed to mean that the officers, directors, employees, agents and real estate licensees employed by or associated with Respondents

1 committed such act or omission while engaged in the furtherance of the business or operations
2 of Respondents and while acting within the course and scope of their corporate authority and
3 employment, including DORN.

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5 5.

6 The ownership, license status, and management of SCMII are tabled below:

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Name	Ownership Percentage	Title	Real Estate License
Eugene Richard Dorn	100%	President, Secretary, Treasurer	Broker - Designated Officer

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12 FIRST CAUSE OF ACCUSATION
13 (Mortgage Loan and Loan Servicing Audit)
14 (South Coast Mortgage & Investments Inc.)

15 6.

16 At all times mentioned, in the City of Villa Park, County of Orange, State of
17 California, Respondents SCMII and DORN acted as real estate brokers and conducted licensed
18 activities within the meaning of:

19 Code Section 10131(d). Respondents engaged in a mortgage loan brokerage and
20 loan servicing activity including conducting activities with the public wherein institutional and
21 private lenders and borrowers were solicited for loans secured directly or collaterally by liens on
22 real property, and wherein such loans were arranged, negotiated, processed, consummated,
23 packaged and serviced on behalf of others for compensation or in expectation of compensation
24 and for fees often collected in advance. In addition, SCMII solicited borrowers and lenders,
25 negotiated, escrowed and serviced mortgage loans for compensation; and
26

1 the audit period, said trust funds were deposited and/or maintained by SCMII into the bank
2 account set forth below:

3
4 BA 1:

5 Bank: JP Morgan Chase Bank

6 Bank Address: Orange, CA 92867

7 Account Name: SCMII Inc.

8 Account No.: *****9215

9 Description: Mortgage loan and loan servicing account

10 Violations of the Real Estate Law

11 9.

12 In the course of activities described in Paragraphs 6 and 8, above, and during the
13 examination period described in Paragraph 7, Respondents SCMII and DORN acted in violation
14 of the Code and the Regulations by which Respondents:

15 (a) Permitted, allowed or caused the disbursement of trust funds from BA 1, the
16 mortgage loan and loan servicing account bank account, where the disbursement of funds
17 reduced the total of aggregate funds in BA 1, to an amount which, on July 31, 2013, was at a
18 minimum of \$1,815.64, less than the existing aggregate trust fund liability of SCMII to every
19 principal who was an owner of said funds, without first obtaining the prior written consent of the
20 owners of said funds, in violation of Code Section 10145 and Regulation 2832.1;

21
22 (b) Failed to perform a monthly reconciliation of the balance of all separate
23 beneficiary or transaction records maintained pursuant to Regulation 2831.1 with the record of
24 all trust funds received and disbursed by BA 1, in violation of Code Section 10145 and
25 Regulation 2831.2;

1 (c) Failed to place trust funds from beneficiaries into BA 1, in the name of the
2 broker as trustee at a bank or other financial institution in connection with SCMI's licensed
3 activities including mortgage loan and loan servicing, in violation of Code Section 10145 of the
4 Code and Regulation 2832(a). This violation was corrected on August 13, 2013;

5 (d) Failed to maintain an adequate, accurate and complete control record in the
6 form of a columnar record kept in chronological order of trust funds received but not deposited
7 into BA 1, in violation of Code Section 10145 and Regulation 2831;

8 (e) Failed to maintain an adequate, accurate and complete separate record for
9 each beneficiary or transaction, thereby failing to account for all trust funds received, deposited
10 and disbursed for BA 1, in violation of Code Section 10145 and Regulation 2831.1;

11 (f) Failed to provide the Bureau with Quarterly Trust Fund Status Reports, in
12 violation of Code Section 10232.25 and Regulation 2846.8. Quarterly Trust Fund Status
13 Reports were not submitted to the Bureau for quarters:

- 14 • June 30, 2009
- 15 • September 30, 2009
- 16 • March 31, 2010
- 17 • June 30, 2010
- 18 • September 30, 2010

19 (g) Failed to file reports for multi-lender payments collected during the four (4)
20 quarters of 2013, in violation of Code Section 10238(k)(3);

21 (h) Failed to retain a statement wherein investors indicated whether or not the
22 investment in the multi-investor loans the exceeded ten (10%) of the investors net worth, or does
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1 not exceed ten (10%) of their adjusted gross income² in violation of Code Section 10238(f);

2 (i) Failed to a record trust deed or assignment naming the private lenders as
3 beneficiaries of sales of single and multi-lender loans to prior to the loan funds being given to
4 the borrowers, to wit, B. Estates Group, LLC, Julie M. and V. Group LLC, secured by a trust
5 deed on real property, within ten (10) working days after receipt of funds from the lenders, in
6 violation of Code Sections 10234(a) and 10238(g). SCMII represented itself to be the sole
7 lender and recorded the deed of trust in its own name when in fact the loans were funded from
8 solely from the private lenders. At a later date after recordation, SCMII recorded deed of trust
9 assignments for the lender-beneficiaries;

10 (j) Failed to obtain written authorization from lenders of real property promissory
11 notes secured directly or collaterally by liens on real property, after undertaking to service said
12 notes, in violation of Code Sections 10233(a) and 10238(k)(3). There were no written servicing
13 agreements authorizing SCMII to act as loan servicing agent collecting and transmitting borrower
14 payments for borrowers: (1) T. Markl, and (2) Soledad O. In other instances, the loan servicing
15 agreements contained in SCMII loan servicing files were incomplete and noncompliant.
16

17 (k) Failed to deliver a written copy of SCMII's appraisal of each parcel of real
18 property securing the promissory notes, in violation of Code Sections 10238(h)(3) and 10232.6;

19 (l) Failed to notify the Bureau within 30 days of originating, making, arranging or
20 servicing mortgage loans, to obtain a Mortgage Loan Originator endorsement, in violation of
21 Code Section 10166.02(a);

22 (m) Engaged in the business of originating mortgage loans without first obtaining
23 and maintaining a real estate Nationwide Mortgage Licensing System and Registry (NMLS)
24 license endorsement as a Mortgage Loan Originator, in violation of Code Section 10166.02(b);
25

26 ² Internal Revenue Code section 62.

1 (n) Failed to retain a true and correct and complete copy of a Bureau of Real
2 Estate approved Mortgage Loan Disclosure Statement signed by the broker for borrowers V.
3 Group Inc., O. R Capital Investment, LLC and CRE P. LLC, in violation of Code Section 10240
4 and Regulations 2840 and 2842.5;

5 (o) Failed to display the license number of SCMI's loan agent(s) on the
6 Mortgage Loan Disclosure Statements, for borrowers V. Group Inc., O. R. Capital Investment,
7 LLC and CRE P. LLC, in violation of Code Section 10236.4;

8 (p) DORN failed to disclose his real estate license identification number on his
9 business card intended to be the first point of contact with customers, in violation of Code
10 Section 10140.6(b) and Regulation 2773;

11 (q) Failed to retain all records of Respondent SCMI's activity during the audit
12 period requiring a real estate broker license, in violation of Code Section 10148; and
13

14 (r) DORN failed, as the officer designated by a corporate broker licensee to be
15 responsible for the supervision and control over the activities conducted on behalf of the
16 corporation by its officers and employees as necessary, to secure full compliance with the Real
17 Estate Law including the supervision of salespersons licensed to the corporation, as required by
18 and in violation of Code Section 10159.2 and 10177(h) and Regulation 2725.
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20 10.

21 The conduct of Respondent SCMI and DORN, described in Paragraph 11,
22 above, violated the Code and the Regulations as set forth below:
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24 <u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
25 9(a)	Code Section 10145 and Regulation 2832.1
26 9(b)	Code Section 10145 and Regulation 2831.2

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- 9(c) Code Section 10145 and Regulation 2832(a)
- 9(d) Code Section 10145 and Regulation 2831
- 9(e) Code Section 10145 and Regulation 2831.1
- 9(f) Code Section 10232.25 and Regulation 2846.8
- 9(g) Code Section 10238(k)(3)
- 9(h) Code Section 10238(f)
- 9(i) Code Sections 10234 and 10238(g)
- 9(j) Code Sections 10238(k) and 10233(a)
- 9(k) Code Sections 10238(h)(3) and 10232.6
- 9(l) Code Section 10166.02(a)
- 9(m) Code Section 10166.02(b)
- 9(n) Code Section 10240 and Regulations 2840 and 2842.5
- 9(o) Code Section 10236.4(b)
- 9(p) Code Section 10140.6(b) and Regulation 2773
- 9(q) Code Section 10148
- 9(r) Code Sections 10159.2 and 10177(h) and Regulation 2725

The foregoing violations constitute cause for suspension or revocation of the real estate licenses and license rights of Respondents SCMII and DORN under the provisions of Code Sections 10177(d), 10177(g), and 10177(h).

SECOND CAUSE OF ACCUSATION
(Negligence)

11.

The overall conduct of Respondents SCMII and DORN constitutes negligence or incompetence and is cause for suspension or revocation of the real estate license and license rights of said Respondents pursuant to the provisions of Code Section 10177(g).

1 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
2 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary
3 action against all licenses and/or license rights of Respondents SOUTH COAST MORTGAGE
4 & INVESTMENTS INC. and EUGENE RICHARD DORN, individually and as designated
5 officer of South Coast Mortgage & Investments Inc. under the Real Estate Law (Part 1 of
6 Division 4 of the California Business and Professions Code) and for such other and further relief
7 as may be proper under other applicable provisions of law, including but not limited to
8 repatriation of the trust fund shortage, restitution, costs of investigation, enforcement, and audit.
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10 Dated at Los Angeles, California.

11 This 18th day of August, 2014.

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14 MARIA SUAREZ
15 Deputy Real Estate Commissioner
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23 cc: South Coast Mortgage & Investments Inc.
24 Eugene Richard Dorn D.O.
25 Maria Suarez
26 Audits – Isabel Beltran
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