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**FILED**

**APR 23 2018**

**BUREAU OF REAL ESTATE**

By *Sybil Danner*

7  
8 **BEFORE THE BUREAU OF REAL ESTATE**

9 **STATE OF CALIFORNIA**

10 \* \* \*

11 In the Matter of the Accusation of )

No. H-41014 LA

12 HECTOR J.S. CORREA, individually and )  
13 as former designated officer of )  
14 ESC Investments & Realty, )

**ACCUSATION**

15  
16 Respondent.  
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18 The Complainant, Maria Suarez, a Supervising Special Investigator of the State of  
19 California, for cause of Accusation against HECTOR J.S. CORREA, alleges as follows:

20 1.

21 The Complainant, Maria Suarez, a Supervising Special Investigator of the State of  
22 California, makes this Accusation in her official capacity.

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2.

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

**BRE LICENSE HISTORY**

3.

**HECTOR J S CORREA**

A. Respondent HECTOR J S CORREA ("CORREA") is presently licensed and/or has license rights under the Real Estate Law (Part 1 of Division 4 of the Code) as a real estate broker ("REB"), California Bureau of Real Estate ("BRE" or "Bureau" or "CalBRE") license ID 01190304.

B. CORREA was originally licensed by the BRE as a REB on or about September 22, 2001. CORREA was previously licensed by the BRE as a RES on or about November 28, 1994.

C. CORREA's BRE mailing and main address of record are the same: 9900 Lakewood Blvd., Ste #102, Downey, CA 90240.

D. According to BRE records to date, CORREA has two active DBAs under his BRE license: KBC Enterprises Systems ("KBC"), active as of November 15, 2013 and Streyas5 Real Estate Services ("Streyas5"), active as of May 24, 2012.

E. According to BRE records to date, CORREA has no branch offices under his BRE license.

F. CORREA was the designated officer ("D.O.") of record for ESC Investments and Realty (CalBRE license ID 01361961) until his officer affiliation was cancelled as of February 28, 2018.

G. CORREA is currently the D.O. of record for Rock Maunting Inc (CalBRE license ID 01526824) until his officer expiration date of September 2, 2018. According to BRE

1 records to date, the BRE mailing and main address of record for Rock Maunting Inc is the same  
2 as CORREA's BRE mailing and main address of record.

3 H. On or about February 14, 2011, in CalBRE case H-37069 LA, the BRE filed  
4 an Accusation against HECTOR J.S. CORREA, d.b.a. The New Pacific Escrow and The New  
5 Pacific A Non Independent Broker Escrow and Ramon Montoya. The Accusation alleged that  
6 CORREA violated Code Section 10137, 10145, 10148 and 10161.8, and was subject to license  
7 suspension or revocation pursuant to Code Sections 10137, 10165, 10176(a), 10177(d), and/or  
8 10177(g). On or about January 9, 2012, Respondent CORREA was publicly reprovved and  
9 indefinitely suspended. On or about May 24, 2012, the suspension on CORREA's license was  
10 released and terminated.

11 I. CORREA's BRE license will expire on September 21, 2021.

12 4.

13 ESC Investments & Realty (Unlicensed/Surrendered)

14 A. ESC Investments & Realty ("ESCIR") was licensed and/or had license rights  
15 under the Real Estate Law (Part 1 of Division 4 of the Code) as a REB (corporation), CalBRE  
16 license ID 01361961.

17 B. ESCIR was originally licensed by the BRE on or about December 27, 2002.

18 C. According to BRE records, ESCIR had one (1) active DBA under its BRE  
19 license: ESC A Non Independent Broker Escrow.

20 D. On or about February 28, 2018, ESCIR surrendered its BRE license in  
21 connection with the BRE's investigation in Case No. H-40945 LA.

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

3 (e) This section shall remain in effect only until January 1, 2018, and as of that  
4 date is repealed, unless a later enacted statute, that is enacted before January 1, 2018 deletes or  
5 extends that date."

6 6.

7 Pursuant to Regulation 2773 *Disclosure of License Identification Number on*  
8 *Solicitation Materials – First Point of Contact with consumers:*

9 "(a) A real estate broker or salesperson, when engaging in acts for which a license  
10 is required, shall disclose its, his or her eight (8) digit real estate license identification number on  
11 all solicitation materials intended to be the first point of contact with consumers. If the name of  
12 more than one licensee appears in the solicitation, the license identification number of each  
13 licensee shall be disclosed. The license numbers of employing brokers or corporate brokers  
14 whose names or logos or trademarks appear on solicitation materials along with the names and  
15 license numbers of licensed employees or broker associates do not need to appear on those  
16 materials.

17 Solicitation materials intended to be the first point of contact with consumers, and  
18 in which a licensee must disclose a license identification number, include the following:

- 19 (1) Business cards;  
20 (2) Stationery;  
21 (3) Websites owned, controlled, and/or maintained by the soliciting real estate  
22 licensee; and  
23 (4) Promotional and advertising fliers, brochures, email and regular mail,  
24 leaflets, and any marketing or promotional materials designed to solicit the  
25 creation of a professional relationship between the licensee and a  
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1 consumer, or which is intended to incentivize, induce or entice a consumer  
2 to contact the licensee about any service for which a licensee is required.

3 The type size of the license identification number shall be no smaller than the  
4 smallest size type used in the solicitation material.

5 (b) For the purpose of Business and Professions Code Section 10140.6,  
6 solicitation materials do not include the following:

7 (1) Advertisements in electronic media (including, without limitation,  
8 radio, cinema and television ads, and the opening section of streaming  
9 video and audio);

10 (2) Print advertising in any newspaper or periodical; and

11 (3) "For Sale" signs placed on or around a property intended to alert the  
12 public the property is available for lease, purchase or trade."

13 **Trust Fund Handling/Trust Fund Handling When Broker Handles Escrow –**  
14 **Code Section 10141.6 and 10145 and Regulations 2831, 2831.1, 2831.2, 2834, 2950, and 2951**

15 7.

16 Pursuant to Code Section 10141.6 *Notification of Escrow Activities*:

17 "(a) A real estate broker who engages in escrow activities for five or more  
18 transactions in a calendar year pursuant to the exemption from the Escrow Law contained in  
19 Section 17006 of the Financial Code, or whose escrow activities pursuant to that exemption  
20 equal or exceed one million dollars (\$1,000,000) in a calendar year, shall file with the department  
21 a report, within 60 days following the completion of the calendar year, documenting the number  
22 of escrows conducted and the dollar volume escrowed during the calendar year in which the  
23 threshold was met. This report shall be made on a form acceptable to the commissioner.

24 (b) A real estate broker subject to this section and Section 10232.2 may file  
25 consolidated reports that include all of the information required under this section and Section  
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1 10232.2. Those consolidated reports shall clearly indicate that they are intended to satisfy the  
2 requirements of both sections.

3  
4 (c) A real estate broker who fails to submit the report required pursuant to  
5 subdivision (a) shall be assessed a penalty of fifty dollars (\$50) per day for each day the report  
6 has not been received by the department, up to and including the 30th day after the first day of  
7 the assessment penalty. On and after the 31st day, the penalty shall be one hundred dollars (\$100)  
8 per day, not to exceed a total penalty of ten thousand dollars (\$10,000), regardless of the number  
9 of days, until the department receives the report.

10 (d) The commissioner may suspend or revoke the license of a real estate broker  
11 who fails to pay a penalty imposed pursuant to this section. In addition, the commissioner may  
12 bring an action in an appropriate court of this state to collect payment of that penalty.

13 (e) All penalties paid or collected under this section shall be deposited into the  
14 Recovery Account of the Real Estate Fund and shall, upon appropriation by the Legislature, be  
15 available for expenditure for the purposes specified in Chapter 6.5 (commencing with Section  
16 10470).

17  
18 (f) The reports described in this section are exempted from any requirement of  
19 public disclosure by paragraph (2) of subdivision (d) of Section 6254 of the Government Code.

20 (g) This section shall become operative on July 1, 2012.”

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22 8.

23 Pursuant to Code Section 10145 *Handling of Trust Funds* (selected portions):

24 “(a)(1): A real estate broker who accepts funds belonging to others in connection  
25 with a transaction subject to this part shall deposit all those funds that are not immediately placed  
26 into a neutral escrow depository or into the hands of the broker’s principal, into a trust fund  
27 account maintained by the broker in a bank or recognized depository in this state. All funds

1 deposited by the broker in a trust account shall be maintained there until disbursed by the broker  
2 in accordance with instructions from the person entitled to the funds.

3 (2) Withdrawals may be made from a trust fund account of an individual broker  
4 only upon the signature of that broker, or in the case of a corporate broker, only upon the  
5 signature of an officer through whom the corporation is licensed pursuant to Section 10158 or  
6 10211, or one, or more, of the following persons if specifically authorized in writing by the  
7 individual broker or officer:

8 (A) A real estate salesperson licensed to the broker.

9 (B) Another broker acting pursuant to a written agreement with the  
10 individual broker that conforms to the requirements of this part and any  
11 regulations promulgated pursuant to this part.

12 (C) An unlicensed employee of the individual broker, if the broker has  
13 fidelity bond coverage equal to at least the maximum amount of the trust  
14 funds to which the unlicensed employee has access at any time. For  
15 purposes of this section, bonds providing coverage may be written with a  
16 deductible of up to 5 percent of the coverage amount. For bonds with a  
17 deductible, the employing broker shall have evidence of financial  
18 responsibility that is sufficient to protect members of the public against a  
19 loss subject to the deductible amount.

20 Evidence of financial responsibility shall include one or more of the  
21 following:

22 (i) Separate fidelity bond coverage adequate to cover the amount  
23 of the fidelity bond deductible.

24 (ii) A cash deposit held in a separate account, apart from other  
25 funds of the broker, the broker's employees, or the broker's  
26 principals, in a bank or recognized depository in this state adequate  
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1 to cover the amount of the fidelity bond deductible and held  
2 exclusively and solely for the purpose of paying the fidelity bond  
3 deductible amount.

4 (iii) Any other evidence of financial responsibility approved by the  
5 commissioner.

6 (3) An arrangement under which a person enumerated in subparagraph (A),(B),  
7 or (C) of paragraph (2) is authorized to make withdrawals from a trust fund account of a broker  
8 shall not relieve an individual broker, nor the broker-officer of a corporate broker licensee, from  
9 responsibility or liability as provided by law in handling trust funds in the broker's custody.

10 (4)(b) A real estate broker acting as a principal pursuant to Section 10131.1<sup>1</sup>  
11 shall place all funds received from others for the purchase of real property sales contracts or  
12 promissory notes secured directly or collaterally by liens on real property in a neutral escrow  
13 depository unless delivery of the contract or notes is made simultaneously with the receipt of the  
14 purchase funds.

15 (4)(g) The broker shall maintain a separate record of the receipt and disposition of  
16 all funds described in subdivisions (a) and (b), including any interest earned on the funds..."

17 9.

18 Pursuant to Regulation 2831 *Trust Fund Records To Be Maintained*:

19 "(a) Every broker shall keep a record of all trust funds received, including  
20 uncashed checks held pursuant to instructions of his or her principal. This record, including  
21 records maintained under an automated data processing system, shall set forth in chronological  
22 sequence the following information in columnar form:

23 (1) Date trust funds received.

24 (2) From whom trust funds received.

25  
26 <sup>2</sup>Code Section 10131.1 states, "(a) A real state broker within the meaning of this part is also a person who engages as  
27 a principal in the business of making loans or buying from, selling to, or exchanging with the public, real property  
sales contracts or promissory notes secured directly or collaterally by liens on real property..."

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- (3) Amount received.
- (4) With respect to funds deposited in an account, date of said deposit.
- (5) With respect to trust funds previously deposited to an account, check number and date of related disbursement.
- (6) With respect to trust funds not deposited in an account, identity of other depository and date funds were forwarded.
- (7) Daily balance of said account.

(b) For each bank account which contains trust funds, a record of all trust funds received and disbursed shall be maintained in accordance with subdivision (a) or (c).

(c) Maintenance of journals of account cash receipts and disbursements, or similar records, or automated data processing systems, including computer systems and electronic storage and manipulation of information and documents, in accordance with generally accepted accounting principles, shall constitute compliance with subdivision (a) provided that such journals, records, or systems contain the elements required by subdivision (a) and that such elements are maintained in a format that will readily enable tracing and reconciliation in accordance with Section 2831.2.

d) Nothing in this section shall be construed to permit a violation of Section 10145 of the Code.

(e) A broker is not required to keep records pursuant to this section of checks which are written by a principal, given to the broker and made payable to third parties for the provision of services, including but not limited to escrow, credit and appraisal services, when the total amount of such checks for any transaction from that principal does not exceed \$1,000. Upon request of the Bureau or the maker of such checks, a broker shall account for the receipt and distribution of such checks. A broker shall retain for three years copies of receipts issued or obtained in connection with the receipt and distribution of such checks.”

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1  
2 Pursuant to Regulation 2831.1 *Separate Record for Each Beneficiary or*  
3 *Transaction:*

4 “(a) A broker shall keep a separate record for each beneficiary or transaction,  
5 accounting for all funds which have been deposited to the broker’s trust bank account and  
6 interest, if any, earned on the funds on deposit. The record shall include information sufficient to  
7 identify the transaction and the parties to the transaction. Each record shall set forth in  
8 chronological sequence the following information in columnar form:

- 9 (1) Date of deposit.  
10 (2) Amount of deposit.  
11 (3) Date of each related disbursement.  
12 (4) Check number of each related disbursement.  
13 (5) Amount of each related disbursement.  
14 (6) If applicable, dates and amounts of interest earned and credited to the  
15 account.  
16 (7) Balance after posting transactions on any date.

17 (b) Maintenance of trust ledgers of separate beneficiaries or transactions, or  
18 similar records, or automated data processing systems, including computer systems and  
19 electronic storage and manipulation of information and documents, in accordance with generally  
20 accepted accounting principles will constitute compliance with subdivision (a), provided that  
21 such ledgers, records, or systems contain the elements required by subdivision (a) and that such  
22 elements are maintained in a format that will readily enable tracing and reconciliation in  
23 accordance with Section 2831.2.”

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11.

Pursuant to Regulation 2831.2 *Trust Account Reconciliation:*

“The balance of all separate beneficiary or transaction records maintained pursuant to the provisions of Section 2831.1 must be reconciled with the record of all trust funds received and disbursed required by Section 2831, at least once a month, except in those months when the bank account did not have any activities. A record of the reconciliation must be maintained, and it must identify the bank account name and number, the date of the reconciliation, the account number or name of the principals or beneficiaries or transactions, and the trust fund liabilities of the broker to each of the principals, beneficiaries or transactions.”

12.

Pursuant to Regulation 2832.1 *Trust Fund Handling for Multiple Beneficiaries:*

“The written consent of every principal who is an owner of the funds in the account shall be obtained by a real estate broker prior to each disbursement if such a disbursement will reduce the balance of the funds in the account to an amount less than the existing aggregate trust fund liability of the broker to all owners of the funds.”

13.

Pursuant to Regulation 2834 *Trust Account Withdrawals:*

“(a) Withdrawals may be made from a trust fund account of an individual broker only upon the signature of the broker or one or more of the following persons if specifically authorized in writing by the broker:

(1) a salesperson licensed to the broker.

(2) a person licensed as a broker who has entered into a written agreement pursuant to Section 2726 with the broker.

(3) an unlicensed employee of the broker with fidelity bond coverage at least equal to the maximum amount of the trust funds to which the employee has access at any time.

1 (b) Withdrawals may be made from the trust fund account of a corporate broker  
2 only upon the signature of:

3 (1) an officer through whom the corporation is licensed pursuant to Section  
4 10158 or 10211 of the Code or

5 (2) one of the persons enumerated in paragraph (1), (2) or (3) of subdivision  
6 (a) above, provided that specific authorization in writing is given by the officer through whom  
7 the corporation is licensed and that the officer is an authorized signatory of the trust fund  
8 account.

9 (c) An arrangement under which a person enumerated in paragraph (1), (2) or (3)  
10 of subdivision (a) above is authorized to make withdrawals from a trust fund account of a broker  
11 shall not relieve an individual broker, nor the broker-officer of a corporate broker licensee, from  
12 responsibility or liability as provided by law in handling trust funds in the broker's custody.”

13 14.

14 Pursuant to Regulation 2950 *When Broker Handles Escrow*:

15 “The following acts in the handling of an escrow by a real estate broker exempted from the  
16 provisions of the Escrow Law (by Section 17006(a)(4) of the Financial Code) are prohibited and  
17 may be considered grounds for disciplinary action:

18 (a) Soliciting or accepting an escrow instruction (or amended or supplemental  
19 escrow instruction) containing any blank to be filled in after signing or initialing of such escrow  
20 instruction (or amended or supplemental escrow instruction).

21 (b) Permitting any person to make any addition to, deletion from, or alteration of  
22 an escrow instruction (or amended or supplemental escrow instruction) received by such  
23 licensee, unless such addition, deletion or alteration is signed or initialed by all persons who had  
24 signed or initialed such escrow instruction (or amended or supplemental escrow instruction) prior  
25 to such addition, deletion or alteration.

1 (c) Failing to deliver at the time of execution of any escrow instruction or  
2 amended or supplemental escrow instruction a copy thereof to all persons executing the same.

3 (d) Failing to maintain books, records and accounts in accordance with accepted  
4 principles of accounting and good business practice.

5 (e) Failing to maintain the office, place of books, records, accounts, safes, files,  
6 and papers relating to such escrows freely accessible and available for audit, inspection and  
7 examination by the commissioner.

8 (f) Failing to deposit all money received as an escrow agent and as part of an  
9 escrow transaction in a bank, trust account, or escrow account on or before the close of the next  
10 full working day after receipt thereof.

11 (g) Withdrawing or paying out any money deposited in such trustee account or  
12 escrow account without the written instruction of the party or parties paying the money into  
13 escrow.

14 (h) Failing to advise all parties in writing if he has knowledge that any licensee  
15 acting as such in the transaction has any interest as a stockholder, officer, partner or owner of the  
16 agency holding the escrow.

17 (i) Failing upon closing of an escrow transaction to render to each principal in the  
18 transaction a written statement of all receipts and disbursements together with the name of the  
19 person to whom any such disbursement is made.

20 (j) Delivering or recording any instrument which purportedly transfers a party's  
21 title or interest in or to real property without first obtaining the written consent of that party to the  
22 delivery or recording."

23 15.

24 Pursuant to Regulation 2951 *Record Keeping and Trust Funds Handling*:

25 "The provisions of Sections 2831, 2831.1, 2831.2, 2832, 2832.1, 2834 and 2835 of  
26 these regulations shall apply to the handling of funds and the keeping of records by a real estate  
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CalBRE Accusation – Hector J S Correa

1 broker who is not licensed under the Escrow Law (Section 17000, et seq., of the Financial Code)  
2 when acting in the capacity of an escrow holder in a real estate purchase and sale, exchange or  
3 loan transaction in which the broker is performing acts for which a real estate license is  
4 required.”

5 **Records Retention - Code Section 10148**

6 16.

7 Pursuant to Code Section 10148 *Retention of Records – Chargeable Audits Cost*  
8 *Recovery – Penalties for Unlawful Destruction of Records:*

9 “(a) A licensed real estate broker shall retain for three years copies of all listings,  
10 deposit receipts, canceled checks, trust records, and other documents executed by him or her or  
11 obtained by him or her in connection with any transactions for which a real estate broker license  
12 is required. The retention period shall run from the date of the closing of the transaction or from  
13 the date of the listing if the transaction is not consummated. After notice, the books, accounts,  
14 and records shall be made available for examination, inspection, and copying by the  
15 commissioner or his or her designated representative during regular business hours; and shall,  
16 upon the appearance of sufficient cause, be subject to audit without further notice, except that the  
17 audit shall not be harassing in nature. This subdivision shall not be construed to require a  
18 licensed real estate broker to retain electronic messages of an ephemeral nature, as described in  
19 subdivision (d) of Section 1624 of the Civil Code.

20 (b) The commissioner shall charge a real estate broker for the cost of any audit, if  
21 the commissioner has found, in a final desist and refrain order issued under Section 10086 or in a  
22 final decision following a disciplinary hearing held in accordance with Chapter 5 (commencing  
23 with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code that the broker  
24 has violated Section 10145 or a regulation or rule of the commissioner interpreting Section  
25 10145.

26 ///

1 (c) If a broker fails to pay for the cost of an audit as described in subdivision (b)  
2 within 60 days of mailing a notice of billing, the commissioner may suspend or revoke the  
3 broker's license or deny renewal of the broker's license. The suspension or denial shall remain in  
4 effect until the cost is paid or until the broker's right to renew a license has expired.

5 (d) The commissioner may maintain an action for the recovery of the cost of an  
6 audit in any court of competent jurisdiction. In determining the cost incurred by the  
7 commissioner for an audit, the commissioner may use the estimated average hourly cost for all  
8 persons performing audits of real estate brokers.

9 (e) The bureau may suspend or revoke the license of any real estate broker, real  
10 estate salesperson, or corporation licensed as a real estate broker, if the real estate broker, real  
11 estate salesperson, or any director, officer, employee, or agent of the corporation licensed as a  
12 real estate broker knowingly destroys, alters, conceals, mutilates, or falsifies any of the books,  
13 papers, writings, documents, or tangible objects that are required to be maintained by this section  
14 or that have been sought in connection with an investigation, audit, or examination of a real  
15 estate licensee by the commissioner.”

16 **Broker Supervision – Code Section 10159.2 and Regulation 2725**

17 17.

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

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

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

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

6 18.

7 Pursuant to Regulation 2725 *Broker Supervision*:

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

11 (a) Transactions requiring a real estate license.

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

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

15 (d) The handling of trust funds.

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

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

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

20 The form and extent of such policies, rules, procedures and systems shall take into  
21 consideration the number of salespersons employed and the number and location of branch  
22 offices.

23 A broker shall establish a system for monitoring compliance with such policies,  
24 rules, procedures and systems. A broker may use the services of brokers and salespersons to  
25 assist in administering the provisions of this section so long as the broker does not relinquish  
26 overall responsibility for supervision of the acts of salespersons licensed to the broker.”  
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1 (1) Name and business address of the broker.

2 (2) Mailing address of the salesperson, if different from the business  
3 address.

4 (3) Date when the salesperson entered the employ of the broker.

5 (4) Certification by the salesperson that he has complied with the  
6 provisions of Section 10161.8(d) of the Business and Professions Code.

7 (5) Name and business address of the real estate broker to whom the  
8 salesperson was last licensed and the date of termination of that  
9 relationship.

10 (6) Certification by the salesperson that the predecessor broker has notice  
11 of the termination of the relationship.

12 As an acceptable alternative to (5) and (6) above, the form may be utilized by the predecessor  
13 broker to give notice of the termination of the broker/salesperson relationship as required by  
14 Section 10161.8(b) of the Business and Professions Code if this notice is mailed to the  
15 commissioner not more than ten days following such termination.”

16 **Further Grounds for Disciplinary Action –**

17 **Code Section 10177 (selected portions)**

18 23.

19 Pursuant to Code Section 10177 *Further Grounds for Disciplinary Action*  
20 (selected portions):

21 “The commissioner may suspend or revoke the license of a real estate licensee,  
22 delay the renewal of a license of a real estate licensee, or deny the issuance of a license to an  
23 applicant, who has done any of the following:

24 ...

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

3 ...

4 (g) Demonstrated negligence or incompetence in performing an act for which he  
5 or she is required to hold a license.

6 (h) As a broker licensee, failed to exercise reasonable supervision over the  
7 activities of his or her salespersons, or, as the officer designated by a corporate broker licensee,  
8 failed to exercise reasonable supervision and control of the activities of the corporation for which  
9 a real estate license is required.

10 ...

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

13 **BRE Audits of ESC Investments & Realty Inc - LA 150158 and LA160069**

14 **(LA 150158: ESCIR Real Estate Sales Activities)**

15 24.

16 On December 6, 2016, the BRE completed an audit examination of the books and  
17 records of then-licensed ESCIR pertaining to its real estate activities described in Paragraphs  
18 25A. through 25C., below, which require a real estate license. The audit examination covered a  
19 period of time beginning on January 1, 2014 and ending June 30, 2016 (“audit examination  
20 period” or “audit period”), and was performed between July 6, 2016 and October 12, 2016 (“field  
21 work period”), during which the D.O. of ESCIR was CORREA. The final report of December 6,  
22 2016 revealed violations of the Code and the Regulations as set forth in the following  
23 paragraphs, and more fully discussed in Audit Report LA 150158.

24 25.

25 ///

26 ///

1                    ESCIR's Business Activities & Corporate Structure: Real Estate Sales Activities

2                    A. At all times mentioned in Los Angeles County, California, then-licensed  
3                    ESCIR acted as a REB, and ordered, caused, authorized or participated in licensed activities  
4                    within the meaning of Code Section 10131(a), by selling or offering to sell, buying or offering to  
5                    buy, soliciting prospective sellers or purchasers of, soliciting or obtaining listings of, or  
6                    negotiating the purchase, sale or exchange of real property or a business opportunity ("real estate  
7                    sales"). According to D.O. CORREA, ESCIR was only involved in residential resale activity,  
8                    representing both buyers and sellers.

9                    B. According to CORREA's signed July 6, 2016 statement, ESCIR never  
10                    conducted broker escrows: "In regards to ESC Investments & Realty Corp, and DBA, ESC a Non  
11                    Independent Broker Escrow, I certify that there is not trust account [sic] for any of the two  
12                    entities, and there has not been any escrow transactions in ESC a Non Independent Escrow since  
13                    the day it was open. [sic] I plan to operate in the future when I find an escrow manager with  
14                    experience." According to CORREA's joint signed statement (with RES Esmeralda Rivera,  
15                    CalBRE license ID 01785214) ("Rivera")) of October 12, 2016, "Broker Hector Correa and, Real  
16                    Estate Agent Esmeralda Rivera are not aware if there was any escrow activity conducted by ESC  
17                    Escrow..."

18                    C. However, based on the examination of documents for LA150158, ESCIR's  
19                    files included escrow documents evidencing "ESC Escrow" handled the escrow for at least two  
20                    properties purchased by Ejidos Inc. in September 2014 and May 2015.

21                    26.

22                    Audit Field Work

23                    A. An entrance conference was held on July 6, 2016 regarding ESCIR's real estate  
24                    sales and broker escrow activities with D.O. CORREA and RES Rivera, both of whom who were  
25                    the primary individuals to provide records for the Audit LA150158. According to CORREA and  
26                    Rivera, the corporate structure for ESCIR as of July 6, 2016 was as follows:  
27

1 (1) RES Rivera: 100% owner of ESCIR;

2 (2) CORREA: Director, Vice-President, and Treasurer of ESCIR; and

3 (3) RES Flor Cecilia Portillo (CalBRE license ID 01813528): Secretary.

4 B. The records for ESCIR's broker escrow activities were also requested during  
5 the LA150158 audit field work period, and were examined and discussed in Audit Report LA  
6 160069.

7 C. According to the sales log provided, ESCIR closed ten (10) selling transactions  
8 amounting to \$3,436,500.00; two (2) listing transactions amounting to \$720,000.00 and one (1)  
9 dual agent transaction amounting to \$1,089,000.00 in the last 12 months of the audit period.

10 27.

11 Bank Account

12 Per CORREA's signed July 6, 2016 statement, ESCIR did not maintain a trust  
13 account for its real estate activities for the audit period.

14 **AUDIT LA 150158 FINDINGS: VIOLATIONS OF THE REAL ESTATE LAW**

15 28.

16 In the course of activities as described in Paragraphs 25A. through 25C, above,  
17 and during the audit examination period described in Paragraph 24, ESCIR acted in violation of  
18 the Code and the Regulations, as described below:

19 Retention of Records

20 (Code Section 10148)

21 29.

22 A *Subpoena Duces Tecum* was served on D.O. CORREA on October 12, 2016  
23 with a due date of October 26, 2016 at 10:00 A.M. at the BRE's Los Angeles District Office to  
24 produce ESCIR's real estate records for examination. ESCIR did not make the following records  
25 and documents available for examination pertaining to its real estate sales activities for the audit  
26 period for Audit LA 150158:

1 A. real estate sales transaction file for ##### Evanwood Ave., La Puente, CA  
2 91744 (closed in approximately September 2014);

3 B. real estate sales transaction file for ##### Sandra Drive, Bakersfield, CA 93304  
4 (closed in approximately May 2015);

5 C. escrow transaction file for ##### Evanwood Ave., La Puente, CA 91744 (closed  
6 in approximately September 2014);

7 D. escrow transaction file for ##### Sandra Drive, Bakersfield, CA 93304 (closed  
8 in approximately May 2015); and

9 E. columnar record, separate record; reconciliation record, deposit records and  
10 cancelled checks for the escrows.

11 ESCIR's failure to produce the aforementioned records and documents available for audit  
12 examination is in violation of **Code Section 10148.**

13 **Salesman Employment and Termination/ Notice of Change of Broker**

14 **(Code Section 10161.8 and Regulation 2752)**

15 30.

16 During the audit period, ESCIR failed to notify the Commissioner within five (5)  
17 days of employment for at least one (1) RES, Jose Raul Mancia (CalBRE license ID 01263136,  
18 in violation of **Code Section 10161.8 and Regulation 2752.**

19 **Fictitious Name/ Use of False or Fictitious Name**

20 **(Code Section 10159.5 and Regulation 2731)**

21 31.

22 A. During the audit period, ESCIR conducted its real estate sales activity using  
23 unlicensed fictitious business names ("FBN") "ESC Investment & Realty Corp" and "ESC  
24 Realty Corp" on: 1) D.O. CORREA and RES Rivera's business cards; 2) on Broker-Salesman  
25 relationship agreements; 3) on E&O insurance; 4) on a Residential Purchase Agreement; 5) on a  
26  
27

1 Listing Agreement; and on f) the Disclosure Regarding Real Estate Agency Relationship, in  
2 violation of **Code Section 10159.5 and Regulation 2731.**

3 **Disclosure of Licensed Identification Number on Solicitation Materials**  
4 **(Code Section 10140.6(b) and Regulation 2773)**

5 32.

6 During the audit period, ESCIR and/or ESCIR's agents failed to disclose their  
7 CalBRE license number on their business cards and on at least one (1) of the examined  
8 Residential Purchase Agreements, in violation of **Code Section 10140.6(b) and Regulation**  
9 **2773.**

10 **Responsibility of Corporate Officer in Charge/Broker Supervision**  
11 **(Code Section 10159.2 and 10177(h) and Regulation 2725)**

12 33.

13 During the audit period, D.O. CORREA failed to exercise reasonable control and  
14 supervision over the activities conducted by his licensees and/or employees on behalf of ESCIR  
15 as necessary to secure full compliance with the Real Estate Laws and Regulations, in violation of  
16 **Code Sections 10159.2 and 10177(h) and Regulation 2725.**

17 **Dishonesty**  
18 **(Code Section 10177(i))**

19 34.

20 A. According to CORREA's joint signed statement with RES Rivera of July 8,  
21 2016, "In regards to the following listings they did not close at ESC Investments & Realty...ESC  
22 Investments & Realty did not represent either the buyer or seller for the following  
23 transactions...#### Evanwood Ave., La Puente, CA 91744 closed 1/4/16...#### Sandra Drive,  
24 Bakersfield, CA 93304 5/01/2015."

25 B. According to RES Rivera's signed statement of September 23, 2016, "I  
26 Esmeralda Rivera, Real Estate Agent hereby stated [sic] that ESC Investments & Realty and all  
27

1 its agents including myself have never received any fee from Sellers of ##### Sandra Drive,  
2 Bakersfield, CA 93304 and ##### Evanwood Avenue, Los Angeles, CA 91744 When [sic] they  
3 were sold to Ejidos Inc.”

4 C. However, based on the examination of the documents provided by Fidelity  
5 National Financial (“Fidelity”), per the Final HUD-1 Settlement Statement, ESCIR received  
6 commission of \$2,940.00 from the sales transaction for ##### Sandra Drive, Bakersfield, CA  
7 93304 (“Sandra property”) that was closed on April 30, 2015. In addition, there were escrow  
8 documents showing that “ESC Escrow” handled the escrow for both the Sandra property and for  
9 ##### Evanwood Avenue, La Puente, CA (“Evanwood property”) when they were bought by  
10 Ejidos Inc in approximately September 2014 and May 2015.

11 D. Based on the HUD-1 Final Settlement Statement provided by Fidelity,  
12 CORREA, through his DBA “KBC Enterprises Systems” was listed as one of the agents for the  
13 sales transaction of the Sandra property that closed on April 30, 2015.

14 E. Respondent CORREA’s deceitful representations to the BRE in not one, but at  
15 least two written statements constitutes dishonest dealing, in violation of **Code Section 10177(j)**.

16 **(LA 160069: ESCIR Broker Escrow Activities)**

17 35.

18 On February 27, 2017, the BRE completed an audit examination of the books and  
19 records of Respondent ESCIR pertaining to its broker escrow activities described in Paragraphs  
20 36A. through 36C., below, which require a real estate license. The audit examination period for  
21 LA 160069 covered the period beginning on January 1, 2014 and ending on June 30, 2016 and  
22 the field work period spanned the period between December 8, 2016 and February 27, 2017,  
23 during which the D.O. of ESCIR was CORREA. The final report of February 27, 2017 revealed  
24 violations of the Code and the Regulations as set forth in the following paragraphs, and more  
25 fully discussed in Audit Report LA 160069.

ESCIR's Business Activities & Corporate Structure: Broker Escrow Activities

A. At all times mentioned in Los Angeles County, California, then-licensed ESCIR acted as a REB, and ordered, caused, authorized or participated in licensed real estate sales activities within the meaning of Code Section 10131(a), and pursuant to the exception within Financial Code Section 17006(a)(4).

B. According to D.O. CORREA, ESCIR was only involved in residential resale activity, representing both buyers and sellers. According to CORREA's signed July 6, 2016 statement, ESCIR never conducted broker escrows: "In regards to ESC Investments & Realty Corp, and DBA, ESC a Non Independent Broker Escrow, I certify that there is not trust account [sic] for any of the two entities, and there has not been any escrow transactions in ESC a Non Independent Escrow since the day it was open. [sic] I plan to operate in the future when I find an escrow manager with experience." According to CORREA's joint signed statement (with Rivera) of October 12, 2016, "Broker Hector Correa and, Real Estate Agent Esmeralda Rivera re not aware if there was any escrow activity conducted by ESC Escrow..."

C. However, based on the examination of documents, ESCIR's files included escrow documents evidencing "ESC Escrow" handled the escrow for at least three sales transactions between 2014 and 2015.

Audit Field Work

An entrance conference was held on July 6, 2016 for ESCIR's real estate sales and broker escrow activities with D.O. CORREA and RES Rivera. The audit examined ESCIR's broker escrow activities based on limited records submitted to the BRE.

A. During the real estate sales audit (LA 150158), the BRE Auditor requested broker escrow records; ESCIR did not provide the broker escrow records as requested.

1 B. During the audit examination of ESCIR's broker escrow activities, RES Rivera  
2 was the primary individual to provide records for examination; D.O. CORREA did not respond  
3 to the BRE Auditor's requests for records for examination.

4 C. The BRE auditor was unable to make a determination of how many broker  
5 escrow transactions were handled by "ESC Escrow," as neither the escrow files handled by "ESC  
6 Escrow" nor the records of trust fund handling by "ESC Escrow" were made available for  
7 examination.

8 38.

9 Bank Account

10 Per CORREA's signed July 6, 2016 statement, ESCIR did not maintain a trust  
11 account for ESCIR or its DBA ESC A Non Independent Broker Escrow. CORREA's July 6,  
12 2016 statement also stated that there had not been any escrow transactions in ESC A Non  
13 Independent Escrow since inception.

14 **AUDIT LA 160069 FINDINGS: VIOLATIONS OF THE REAL ESTATE LAW**

15 39.

16 In the course of activities as described in Paragraphs 36A. through 36C., above,  
17 and during the audit examination period described in Paragraph 35, ESCIR acted in violation of  
18 the Code and the Regulations, as described below:

19 **Trust Account Balance and Accountability**

20 **(Code Section 10145)**

21 40.

22 Although CORREA maintained in his July 6, 2016 signed statement that ESCIR  
23 did not conduct broker escrow activities and that no trust account was maintained by ESCIR,  
24 based on the examination of documents submitted to the BRE for examination, there were  
25 escrow documents evidencing receipt of trust funds deposited to, and disbursements made from,  
26 a bank account maintained at Chase Bank (B/A 1, Account No. #####5771) ("B/A 1"),  
27

1 documents and correspondences identifying non-licensee Monica Santos (a.k.a. Monica Orozco,  
2 a.k.a. Monica Giron) (“Santos”) as the Escrow Officer/ Manager who issued escrow receipts and  
3 signed checks for disbursements, and that “ESC Escrow” handled the escrow for at least three  
4 sales transactions between 2014 and 2015:

5 A. Escrow No. 010261-MS for the sales transaction of ##### Sophia Ave., North  
6 Hills, CA 91343, which closed on June 25, 2015 (“Sophia property”);

7 B. Escrow No. 010082-MO for the sales transaction of the Evanwood property,  
8 which closed in approximately September 2014; and

9 C. Escrow No. 010080-MO for the sales transaction of the Sandra property, which  
10 closed on April 30, 2015.

11 Based on the documents provided and examined, the CalBRE Auditor determined that ESCIR  
12 handled the receipts and disbursements of trust funds related to escrow activities; however, trust  
13 fund records requested were not provided for examination. Trust fund accountability and bank  
14 reconciliations for the bank accounts used for said depository and disbursements of trust funds  
15 received in connection with ESCIR’s broker escrow activities under unlicensed fictitious  
16 business name “ESC Escrow” were not prepared since the escrow files handled by “ESC  
17 Escrow” and the records of trust fund handling by “ESC Escrow” were not made available for  
18 examination.

19 **Retention of Records**

20 **(Code Section 10148)**

21 41.

22 A. A *Subpoena Duces Tecum* was served on ESCIR at its main office at 9706  
23 Somerset Blvd., Bellflower, CA 90706 on December 16, 2016 with a due date of December 30,  
24 2016 at 10:00 A.M. at the BRE’s Los Angeles District Office to produce ESCIR’s broker escrow  
25 records and the sales transaction file for the Sophia property (“December 16, 2016 SDT”).  
26 Pursuant to Rivera’s request, the subpoena due dates were extended twice, to January 13, 2017  
27

1 and to January 20, 2017. The CalBRE Auditor extended the subpoena due date for the third and  
2 final time to February 3, 2017 at 4:00 PM due to the incompleteness of Rivera's January 30,  
3 2017 production. As of February 27, 2017, the CalBRE Auditor had not received any additional  
4 records.

5 B. A *Subpoena Duces Tecum* was served on Chase Bank on October 18, 2016  
6 with a due date of November 1, 2016 at 10:00 A.M. at the BRE's Los Angeles District Office to  
7 produce the records (bank signature card, bank statements, cancelled checks, debit memos,  
8 deposit tickets/deposit slips, credit memos, and wire transfers) for Chase Bank Account No.  
9 #####5771 used by "ESC Escrow" to receive trust funds. As of February 27, 2017, the CalBRE  
10 Auditor had not received any subpoenaed records from Chase Bank.

11 C. ESCIR did not make the following records and documents available for  
12 examination pertaining to the broker escrow activities for the audit period described in Paragraph  
13 32 during the course of Audit LA160069 and Audit LA150158:

- 14 1) escrow transaction file for the Sophia property (closed on June 26,  
15 2015);
- 16 2) escrow transaction file for the Evanwood property (closed in  
17 approximately September 2014);
- 18 3) escrow transaction file for the Sandra property (closed in  
19 approximately May 2015);
- 20 4) bank records for the depository of escrow trust funds (bank signature  
21 card, bank statements, deposit records, and cancelled checks)'
- 22 5) columnar record, separate record, reconciliation record, and invoices  
23 related to the trust fund disbursement.

24 In response to the BRE's December 16, 2016 SDT, ESCIR provided the following documents:  
25 Rivera's signed January 21, 2017 statement regarding the property tax refunded to the Sophia  
26 property seller, and the Sophia property sales file. The CalBRE Auditor was unable to  
27

1 determine how many or how "ESC Escrow" handled its broker escrow transactions since the  
2 escrow files and trust fund handling records were not made available for examination. ESCIR's  
3 failure to produce the aforementioned records and documents available for audit examination is  
4 in violation of **Code Section 10148.**

5 **Trust Fund Records To Be Maintained/ When Broker Handles Escrow**  
6 **(Code Section 10141.6 and 10145 and Regulations 2831, 2950, and 2951**

7 42.

8 ESCIR did not maintain a columnar record of trust funds received and disbursed  
9 for B/A 1, in violation of **Code Sections 10141.6 and 10145 and Regulations 2831, 2950, and**  
10 **2951.**

11 **Separate Record for Each Beneficiary or Transaction/ When Broker Handles Escrow**  
12 **(Code Section 10141.6 and 10145 and Regulations 2831.1, 2950, and 2951**

13 43.

14 During the audit period, ESCIR did not perform and maintain a monthly  
15 reconciliation comparing the balance of all separate beneficiary or transaction records (separate  
16 records) to the balance of the record of all trust funds received and disbursed (control record) for  
17 B/A 1, as required, in violation of **Code Sections 10141.6 and 10145 and Regulations 2831.1,**  
18 **2950, and 2951.**

19 **Trust Account Reconciliation/ When Broker Handles Escrow**  
20 **(Code Section 10141.6 and 10145 and Regulations 2831.2 , 2950, and 2951**

21 44.

22 During the audit period, ESCIR did not perform and maintain a monthly  
23 reconciliation comparing the balance of all separate beneficiary or transaction records (separate  
24 records) to the balance of the record of all trust funds received and disbursed (control record) for  
25 B/A 1, as required, in violation of **Code Sections 10141.6 and 10145 and Regulations 2831.1,**  
26 **2950, and 2951.**



1 and disbursements made from, B/A 1, documents and correspondences identifying non-licensee  
2 Santos as the Escrow Officer/Manager who issued escrow receipts and signed checks for  
3 disbursements, and that "ESC Escrow" handled the escrow for at least three (3) transactions  
4 between 2014 and 2015.

5 **When Broker Handles Escrow**

6 **(Regulation 2950(h))**

7 47.

8 ESCIR did not advise all parties in writing that ESCIR had financial ownership  
9 interest in the agency holding the escrow based on the escrow instructions for the Sophia  
10 property, in violation of **Regulation 2950(h)**.

11 **Fictitious Name/ Use of False or Fictitious Name**

12 **(Code Section 10159.5 and Regulation 2731)**

13 48.

14 During the audit period, ESCIR conducted its broker escrow activity using  
15 unlicensed FBN "ESC Escrow," in violation of **Code Section 10159.5 and Regulation 2731**.

16 **Disclosure of Licensed Identification Number on Solicitation Materials**

17 **(Code Section 10140.6(b) and Regulation 2773)**

18 49.

19 During the audit period, ESCIR and/or ESCIR's agents failed to disclose their  
20 CalBRE license number in the escrow instructions for the Sophia property, in violation of **Code**  
21 **Section 10140.6(b) and Regulation 2773**.

22 **Responsibility of Corporate Officer in Charge/Broker Supervision**

23 **(Code Section 10159.2 and 10177(h) and Regulation 2725)**

24 50.

25 During the audit period, D.O. CORREA failed to exercise reasonable control and  
26 supervision over the activities conducted by ESCIR's licensees and/or employees as necessary to  
27

1 secure full compliance with the Real Estate Laws and Regulations, in violation of Code Sections  
2 **10159.2 and 10177(h) and Regulation 2725.**

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

4 51.

5 The overall conduct of Respondent CORREA is violative of the Real Estate Law  
6 and constitutes cause for the suspension or revocation of his real estate licenses and license rights  
7 under the provisions of Code Section 10177(g) for negligence and Code Section 10177(d) for  
8 willful disregard of the Real Estate Law.

9 **COSTS**

10 **Investigation and Enforcement Costs**

11 52.

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

17 **Audit Costs**

18 53.

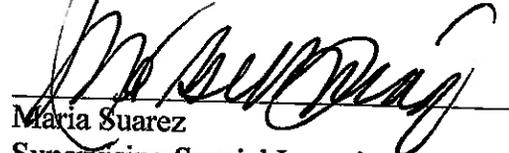
19 Code Section 10148(b) provides, in pertinent part, the Commissioner shall charge  
20 a real estate broker for the cost of any audit, if the Commissioner has found in a final decision  
21 following a disciplinary hearing that the broker has violated Code section 10145 or a regulation  
22 or rule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

23 WHEREFORE, Complainant prays that a hearing be conducted on the allegations  
24 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary  
25 action against the licenses and license rights of Respondent HECTOR J S CORREA under the  
26 Real Estate Law (Part 1 of vision 4 of the Business and Professions Code), for the cost of  
27

1 investigation and enforcement as permitted by law, and for such other and further relief as may  
2 be proper under other provisions of law, and for costs of audit.

3 Dated at Los Angeles, California

4 this 18<sup>th</sup> day of April, 2018.

5  
6   
7 Maria Suarez  
8 Supervising Special Investigator

9  
10  
11 cc: HECTOR J S CORREA  
12 Enforcement – M. Suarez  
13 Audits – A. Wijaya, J. Lin  
14 Sacto.

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