6 7 8 BEFORE THE DEPARTMENT OF REAL ESTATE 9 STATE OF CALIFORNIA *** 1 10 In the Matter of the Accusation against 11 DRE No. H-41455 LA 12 CAL LOANS DIRECT, INC. and THOMAS JESUS NAVARRO, individually and as designated officer for Cal Loans 13 Direct, Inc., 14 Respondents. 15 The Complainant, Maria Suarez, a Supervising Special Investigator for the Department of Real Estate ¹ ("Department") of the State of California, makes this Accusation in her official 18 capacity for cause of Accusation against CAL LOANS DIRECT, INC. and THOMAS JESUS 19 NAVARRO, individually and as designated officer for Cal Loans Direct, Inc. (collectively "Respondents"), is informed and alleges as follows: 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1// 1//	1 2 3 4 5	Department of Real Estate 320 West 4th Street, Suite 350 Los Angeles, California 90013-1105 Telephone: (213) 576-6982 Direct: (213) 576-6914 Fax: (213) 576-6917 Attorney for Complainant	AUG - 7 2019		
8 BEFORE THE DEPARTMENT OF REAL ESTATE 9 STATE OF CALIFORNIA 10 *** 11 In the Matter of the Accusation against DRE No. H-41455 LA 11 CAL LOANS DIRECT, INC. and A C C U S A T I O N 12 THOMAS JESUS NAVARRO, individually and as designated officer for Cal Loans A C C U S A T I O N 13 Direct, Inc., Respondents. Image: Complainant, Maria Suarez, a Supervising Special Investigator for the Department of 16 The Complainant, Maria Suarez, a Supervising Special Investigator for the Department of 17 Real Estate ¹ ("Department") of the State of California, makes this Accusation in her official 18 capacity for cause of Accusation against CAL LOANS DIRECT, INC. and THOMAS JESUS 19 NAVARRO, individually and as designated officer for Cal Loans Direct, Inc. (collectively 20 "Respondents"), is informed and alleges as follows: 21 /// 22 /// 23 Image: Comparison of Consumer Affairs. 24 Textment of Consumer Affairs. 25 Page 1					
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 15	14) Respondents			
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1	1. All references to the "Code" are to the California Business and Professions Code,			
2	all references to the "Real Estate Law" are to Part 1 of Division 4 of the Code, and all references			
3	to "Regulations" are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6,			
4	California Code of Regulations.			
5	2. Respondents are presently licensed and/or have license rights under the Real			
6	Estate Law (Part 1 of Division 4 of the Code).			
7	3. On September 4, 2012, the Department issued a corporate real estate broker			
8	license to Respondent CAL LOANS DIRECT, INC. ("CLDI"), License ID 01920217.			
9	4. Respondent CLDI holds a Mortgage Loan Originator ("MLO") license			
10	endorsement, National Mortgage Licensing System and Registry ("NMLS") No. 957353.			
11	5. On June 6, 2012, the Department issued a real estate broker license to Respondent			
12	THOMAS JESUS NAVARRO ("NAVARRO"), License ID 01749223.			
13	6. Respondent NAVARRO was formerly licensed as a real estate salesperson from			
14	June 23, 2006 through June 7, 2012.			
15	7. Respondent NAVARRO holds a MLO license endorsement, ("NMLS") No.			
16	364860.			
17	8. At all times relevant herein, CLDI acted as a corporate real estate broker by and			
18	through NAVARRO as the designated officer and broker responsible for supervising the			
19	activities requiring a real estate license conducted on behalf of CLDI by CLDI's officers, agents			
20	and employees, pursuant to Code section 10159.2.			
21	9. At all times relevant herein, in the State of California, CLDI acted as a corporate			
22	real estate broker and conducted licensed activities within the meaning of the following Code			
23	section 10131, subdivision (a), including soliciting listings for, or negotiating the purchase or			
24	sale, of real property for others, for, or in expectation of, compensation, and Code section 10131,			
	Page 2			
[DRE Accusation against Cal Loans Direct, Inc., et al			

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1	subdivision (d), including soliciting borrowers or lenders for, negotiating loans for, collecting		
2	payments, offering to or performing services for borrowers, lenders or note owners, in		
3	connection with loans secured directly or collaterally by liens on real property or on a business		
4	opportunities.		
5	FIRST CAUSE OF ACCUSATION		
6	<u>Audit LA 170195</u>		
7	10. On or about June 20, 2018, the Department completed an audit examination of the		
8	books and records of Respondent CLDI's real estate sales and mortgage broker activities, which		
9	require a real estate license pursuant to Code section 10131, subdivisions (a) and (d).		
10	11. The audit examination covered the period of time from January 1, 2017 through		
11	April 30, 2018 ("audit period").		
12	12. The audit examination was limited to CLDI's mortgage loan activities.		
13	13. The audit examination revealed violations of the Code and the Regulations as set		
14	forth in the following paragraphs, and more fully discussed in Audit Report LA 170195 and the		
15	exhibits and work papers attached to said audit report.		
16	Background		
17	14. According to Respondent NAVARRO and based on the audit work papers		
18	examined, Respondent CLDI solicited borrowers, negotiated and arranged loans for borrowers		
19	and submitted the loans to various financial institutional lenders and mortgage bankers during		
20	the audit period.		
21	15. CLDI collected credit report fees at the close of escrow. The credit report fees		
22	(along with the loan commission fees earned) were deposited into CLDI's general accounts until		
23	CLDI paid the credit report companies for services rendered.		
24			
	Page 3		
	DRE Accusation against Cal Loans Direct, Inc., et al		

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Correction .			
1	Bank Accounts		
2	16. According to the NAVARRO, CLDI did not maintain any trust accounts related		
3			
4	to its mortgage loan activity during the audit period. CLDI maintained the following general		
	bank accounts during the audit period.		
5	Bank: Bank of America		
6	Account: Cal Loans Direct Inc. Account No. XXXXXX1806		
7	Description: GA 1 was used for receipt and deposit of some credit report fees collected and commissions earned.		
8	GA #2		
9	Bank:Bank of AmericaAccount:Cal Loans Direct Inc.		
10	Account No. XXXXXX4092		
11	Description: GA 2 was used for receipt and deposit of some credit report fees collected and commissions earned.		
12	Violations		
13	17. In the course of CLDI's mortgage loan activities during the audit period of		
14	January 1, 2017 through April 30, 2018, Respondent CLDI acted in violation of the Code and the		
15	Regulations as described below.		
16	Code sections 10145, 10176(e), and Regulation 2832. Trust fund handling/commingling.		
17	18. During the audit period, CLDI collected credit report fees at the close of escrow.		
18	The credit report fees (along with the loan commissions/fees earned) were deposited into CLDI's		
19	general accounts GA 1 and GA 2, and were commingled with CLDI's general funds in the		
20	general accounts until CLDI paid the credit report companies for services rendered. Said acts or		
21	omissions are in violation of Code sections 10145 and 10176, subdivision (e), and Regulation		
22	2832.		
23	111		
24	///		
	Page 4 DRE Accusation against Cal Loans Direct, Inc., et al		

19. Examples of the commingled credit report fees include, without limitation, the 1 2 following: 3 Loan # Commission **Credit Report Date Invoice** # of days Borrower **Deposit Date Fee Collected** was Paid 4 3394003572 J.S.¹ 01/05/2018 3 01/02/2018 \$44.08 5 504872872 E.T.S., Jr. 4/18/2018 \$100.00 5/02/2018 14 6 121707573 C.J.S-M. \$62.99 5/12/2017 6/02/2017 21 7 3389294021 N.D.W. 10/18/2017 \$41.08 11/03/2017 16 8 TOTAL \$248.15 9 10 Code section 10145 and Regulation 2831. Trust fund records to be maintained. 11 20. During the audit period, CLDI failed to maintain an accurate columnar record for 12 the credit report fees collected at the close of escrow from the lender or escrow companies, in 13 violation of Code section 10145 and Regulation 2831. Examples of the credit report fees include 14 those noted above in Paragraph 19. 15 Code section 10145 and Regulation 2831.1. Separate records for each beneficiary or transaction. 16 21. During the audit period, CLDI failed to maintain accurate separate records for 17 each beneficiary or transaction for the credit report fees collected at the close of escrow from the 18 lender or escrow companies, in violation of Code section 10145 and Regulation 2831.1. 19 Examples of the credit report fees include those noted above in Paragraph 19. 20 111 21 11122 111 23 24 ¹ Initials are used in place of individuals' full names to protect their privacy. Documents containing individuals' full names will be provided during the discovery phase of this case to Respondent(s) and/or their attorneys, after service of a timely and proper request for discovery on Complainant's counsel.

1	Code section 10166.07(a). Mortgage loan business activity reports.			
2	22. In 2017, CLDI closed approximately 108 loan transactions with a total of			
3	\$42,906,463.00. CLDI failed to file a business activity report with the Department within ninety			
4	(90) days from Decemb	oer 31, 2017, in violat	ion of Code section 10166.0	7, subdivision (a).
5	Code section 10240 and Regulation 2840. Written Disclosure Statement			
6	23. Based on a review of sampled loan transactions during the audit period, CLDI			
7	failed to provide the Mortgage Loan Disclosure statements to borrowers after receipt of			
8	completed written loan applications, in violation of Code section 10240 and Regulation 2840.			
9	24. According to NAVARRO, CLDI provided the borrowers with loan estimates;			
10	however, the loan estimate, California Addendum to Loan Estimate, and California REL			
11	Supplemental Disclosures were not signed by CLDI's loan agent. Examples of the loan			
12	transactions include the	e following, without li	imitation:	
13	Borrower	Amount of Loan	Loan Application Date	Date Closed
14	J.S.	\$365,000	11/29/2017	12/28/2017
15	S.L.	\$450,000	08/24/2017	09/27/2018
16	C.J.S-M. & A.D.M.	\$220,000	04/10/2017	05/11/2018
17	N.D.W.	\$300,000	09/30/2017	10/17/2017
18	R.A. & C.D.A.	\$647,100	10/17/2017	11/06/2017
19	B.M.	\$589,000	03/05/2018	04/11/2018
20	M.R. & M.R.	\$300,000	01/29/2018	02/23/2018
21	S.S.	\$130,0000	10/25/2017	11/22/2017
22	С.Т.	\$412,0000	11/07/2017	12/28/2017
23	TOTAL	\$3,413,130		
24				
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				st Cal Loans Direct, Inc., et al

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1	Code section 10236.4	Code section 10236.4(b). Disclosure of license number in advertisement; License number and			
2	DRE license informat	DRE license information, telephone number on disclosure statements			
3	25. CLDI's loan agents failed to disclose their license number on the loan estimates				
4	provided for the audit	provided for the audit, in violation of Code section 10236.4, subdivision (b). Examples of the			
5	loan transactions include the following, without limitation:				
6	Borrower Amount of Loan Loan Application Date Date Closed				
7	B.M.	\$589,000	03/05/2018	04/11/2018	
8	M.R. & M.R.	\$300,000	01/29/2018	02/23/2018	
9	S.S.	\$130,000	10/25/2017	11/22/2017	
10	C.T.	<u>\$412,000</u>	11/07/2017	12/28/2017	
11	TOTAL	\$1,431,000			
12					
13	Code section 10140.6(b) and Regulation 2773. Disclosure of license status in advertising /				
14	Disclosure of license identification number on solicitation material – first point of contact with				
15	<u>consumers.</u>				
16	26. During the audit, NAVARRO, CLDI's designated officer, provided a business				
17	card (which is the first point of contact) that omitted the Department License ID and NMLS				
18	numbers for CLDI and NAVARRO, in violation of Code section 10140.6, subdivision (b), and				
19	Regulation 2773.				
20	Regulation 2726. Broker-salesperson relationship agreement.				
21	27. During the audit period, CLDI failed to maintain a written broker-salesperson				
22	agreement with salesperson and loan processor, Veronica Orendain, in violation of Regulation				
23	2726.				
24					
	Page 7 DRE Accusation against Cal Loans Direct, Inc., et a				

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1 Health and Safety Code section 35800, et seq. Fair Lending Notice requirements. During the audit period, CLDI provided Fair Lending Notices to borrowers in 2 28. loan transactions that omitted the Department's contact information where complaints may be 3 4 filed if the borrowers wished to file a complaint, in violation of Health and Safety Code section 5 35830. 6 29. Examples of the loan transactions include the following, without limitation: 7 Borrower Amount of Loan Loan Application Date **Date Closed** 8 G.J.G. \$148,000 01/22/2017 01/23/2017 9 A.R.G. \$316,400 11/13/2017 11/12/2017 10 D.R.L. & F.R.L. \$352,750 08/24/2017 08/25/2017 11 TOTAL \$817,150 12 13 30. The conduct of Respondent CLDI as described above in Paragraphs 18 through 14 29, violated the Code and the Regulations as set forth below: 15 **PARAGRAPH PROVISIONS VIOLATED** 16 18-19 Code sections 10145, 10176(e), and Regulation 2832 17 20 Code section 10145 and Regulation 2831 18 21 Code section 10145 and Regulation 2831.1 19 22 Code section 10166.07(a) 20 23 - 24Code section 10240 and Regulation 2840 21 25 Code section 10236.4(b) 22 26 Code sections 10140.6(b) and Regulation 2773 23 27 Regulation 2726 24 28-29 Health and Safety Code section 35830

1 31. The conduct, acts, omissions, and violations described in Paragraphs 18 through 2 29 constitute cause for the suspension or revocation of the real estate licenses and license rights 3 of Respondent CLDI under the provisions of Code section 10176, subdivision (e) and Code 4 section 10177, subdivision (d) and/or (g). 5 Respondent NAVARRO- Broker Supervision 6 32. Based on the CLDI audit violations noted above in Paragraphs 18 through 29, 7 Respondent NAVARRO failed to adequately supervise the activities of CLDI's salespersons, 8 employees, or agents and failed to establish policies, rules, procedures, and systems to review, 9 oversee, inspect, and manage transactions requiring a real estate license and the handling of trust 10 funds to ensure compliance with the Real Estate Law and Regulations, in violation of Code 11 section 10159.2, Code section 10177, subdivision (h), and Regulation 2725. 12 33. The conduct, acts and/or omissions of Respondent NAVARRO as set forth above 13 in Paragraph 32, constitute cause to suspend or revoke the real estate licenses and license rights 14 of Respondent NAVARRO pursuant to Code section 10177, subdivisions (h), (d) and/or (g). 15 Audit Costs 16 34. Code section 10148, subdivision (b), provides, in pertinent part, that the 17 Commissioner shall charge a real estate broker for the cost of any audit, if the Commissioner has 18 found in a final decision following a disciplinary hearing that the broker has violated Code 19 section 10145 or a regulation or rule of the Commissioner interpreting said section. 20 Investigation/Enforcement Costs 21 35. Code section 10106 provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Department of Real Estate, the Commissioner 22 23 may request the administrative law judge to direct a licensee found to have committed a violation 24

of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement
 of the case.

3 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action 4 5 against all licenses and/or license rights of Respondents under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code), for the costs of the audit, investigation, and 6 7 enforcement as permitted by law, and for such other and further relief as may be proper under 8 other provisions of law. Dated at Los Angeles, California this 30 day of _ 9 2019. 10 11 12 MARIA SUÁREŽ Supervising Special Investigator 13 14 15 Cal Loans Direct, Inc. cc: Thomas Jesus Navarro 16 Maria Suarez Sacto 17 Audits/Chambers Tse 18 19 20 21 22 23 24 Page 10 DRE Accusation against Cal Loans Direct, Inc., et al