

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,

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 Audit LA 170195

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

1 Bank Accounts

2 16. According to the NAVARRO, CLDI did not maintain any trust accounts related
3 to its mortgage loan activity during the audit period. CLDI maintained the following general
4 bank accounts during the audit period.

5 GA #1

6 Bank: Bank of America
7 Account: Cal Loans Direct Inc.
8 Account No. XXXXXXXX1806
9 Description: GA 1 was used for receipt and deposit of some credit report fees collected
10 and commissions earned.

11 GA #2

12 Bank: Bank of America
13 Account: Cal Loans Direct Inc.
14 Account No. XXXXXXXX4092
15 Description: GA 2 was used for receipt and deposit of some credit report fees collected
16 and commissions earned.

17 Violations

18 17. In the course of CLDI's mortgage loan activities during the audit period of
19 January 1, 2017 through April 30, 2018, Respondent CLDI acted in violation of the Code and the
20 Regulations as described below.

21 Code sections 10145, 10176(e), and Regulation 2832. Trust fund handling/commingling.

22 18. During the audit period, CLDI collected credit report fees at the close of escrow.
23 The credit report fees (along with the loan commissions/fees earned) were deposited into CLDI's
24 general accounts GA 1 and GA 2, and were commingled with CLDI's general funds in the
general accounts until CLDI paid the credit report companies for services rendered. Said acts or
omissions are in violation of Code sections 10145 and 10176, subdivision (e), and Regulation
2832.

///

///

1 19. Examples of the commingled credit report fees include, without limitation, the
2 following:

| 3 Loan # | Borrower | Commission Deposit Date | Credit Report Fee Collected | Date Invoice was Paid | # of days |
|--------------|-------------------|----------------------------|--------------------------------|--------------------------|-----------|
| 4 3394003572 | J.S. ¹ | 01/02/2018 | \$44.08 | 01/05/2018 | 3 |
| 5 504872872 | E.T.S., Jr. | 4/18/2018 | \$100.00 | 5/02/2018 | 14 |
| 6 121707573 | C.J.S-M. | 5/12/2017 | \$62.99 | 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 ///

21 ///

22 ///

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 December 31, 2017, in violation of Code section 10166.07, 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 following, without limitation:

| Borrower | Amount of Loan | Loan Application Date | Date Closed |
|-------------------|-----------------------|------------------------------|--------------------|
| J.S. | \$365,000 | 11/29/2017 | 12/28/2017 |
| S.L. | \$450,000 | 08/24/2017 | 09/27/2018 |
| C.J.S-M. & A.D.M. | \$220,000 | 04/10/2017 | 05/11/2018 |
| N.D.W. | \$300,000 | 09/30/2017 | 10/17/2017 |
| R.A. & C.D.A. | \$647,100 | 10/17/2017 | 11/06/2017 |
| B.M. | \$589,000 | 03/05/2018 | 04/11/2018 |
| M.R. & M.R. | \$300,000 | 01/29/2018 | 02/23/2018 |
| S.S. | \$130,0000 | 10/25/2017 | 11/22/2017 |
| C.T. | \$412,0000 | 11/07/2017 | 12/28/2017 |
| TOTAL | \$3,413,130 | | |

1 Code section 10236.4(b). Disclosure of license number in advertisement: License number and
2 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, 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 consumers.

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

1 Health and Safety Code section 35800, et seq. Fair Lending Notice requirements.

2 28. During the audit period, CLDI provided Fair Lending Notices to borrowers in
3 loan transactions that omitted the Department's contact information where complaints may be
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 | 11/12/2017 | 11/13/2017 |
| 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 <u>PARAGRAPH</u> | <u>PROVISIONS VIOLATED</u> |
|---------------------|--|
| 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 23-24 | Code 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 of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement
2 of the case.

3 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this
4 Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
5 against all licenses and/or license rights of Respondents under the Real Estate Law (Part 1 of
6 Division 4 of the Business and Professions Code), for the costs of the audit, investigation, and
7 enforcement as permitted by law, and for such other and further relief as may be proper under
8 other provisions of law.

9 Dated at Los Angeles, California this 30 day of July, 2019.

11
12 
13 MARIA SUAREZ
14 Supervising Special Investigator

15 cc: Cal Loans Direct, Inc.
16 Thomas Jesus Navarro
17 Maria Suarez
18 Sacto
19 Audits/Chambers Tse
20
21
22
23
24