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**FILED**

**FEB 24 2022**

**DEPT. OF REAL ESTATE**

By *Kevin Sun*

9 BEFORE THE DEPARTMENT OF REAL ESTATE  
10 STATE OF CALIFORNIA

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12 In the Matter of the Accusation of ) No. H-42259 LA  
13 LEGACY PRIVATE FUNDING, INC., and )  
14 RAUL CRUZ, individually and as designated ) ACCUSATION  
15 officer of Legacy Private Funding, Inc., )  
16 Respondents. )

17 The Complainant, Ruth Corral, a Supervising Special Investigator of the State of  
18 California, for cause of Accusation against LEGACY PRIVATE FUNDING, INC. and RAUL  
19 CRUZ (collectively "Respondents") alleges as follows:

20 1.

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

23 2.

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

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1 LICENSE HISTORY

2 3.

3 (LEGACY PRIVATE FUNDING, INC.)

4 (a) Respondent LEGACY PRIVATE FUNDING, INC. ("LPFI") is presently  
5 licensed and/or has license rights under the Real Estate Law, Part 1 of Division 4 of the  
6 California Business and Professions Code, as a real estate corporation ("REC"), Department  
7 license ID 01923146.

8 (b) The Department originally issued LPFI's corporate license on July 14, 2014.  
9 LPFI's license is scheduled to expire on July 13, 2022, unless renewed.

10 (c) According to the Department's records to date, LPFI does not maintain any  
11 authorized fictitious business names with the Department.

12 (d) According to the Department's records to date, LPFI does not have an  
13 individual mortgage loan originator ("MLO") license endorsement under the Nationwide  
14 Mortgage Licensing System ("NMLS") with the Department or any other agencies.

15 4.

16 (RAUL CRUZ)

17 (a) Respondent RAUL CRUZ ("CRUZ") is presently licensed and/or has license  
18 rights under the Real Estate Law, Part 1 of Division 4 of the California Business and  
19 Professions Code, as a real estate broker ("REB"), Department license ID 01143761.

20 (b) The Department originally issued CRUZ's REB license on or about March  
21 23, 2015.

22 (c) CRUZ's license is scheduled to expire on March 22, 2023, unless renewed.

23 (d) According to the Department's records, CRUZ has been the designated  
24 officer of LPFI since July 14, 2018. CRUZ is currently LPFI's designated officer.

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1 (e) On or about August 4, 2020, the Department issued Respondent a MLO  
2 license endorsement, NMLS No. 1882860. Respondent's MLO license endorsement is only  
3 authorized to represent Statewide Funding Inc. and previously First Collateral, Inc.  
4 Respondent's MLO license endorsement is scheduled to expire in 2022.

5 LICENSED ACTIVITIES

6 5.

7 At all times mentioned herein, Respondent engaged in the performance of  
8 activities requiring a real estate license pursuant to Code Section 10130.

9 APPLICABLE SECTIONS OF THE REAL ESTATE LAW

10 Code Section 10159.5

11 6.

12 *Pursuant to Code Section 10166.02 Notice of Loan Activity:*

13 (a) (1) Every person applying for a license under this chapter who desires to have  
14 the license issued under a fictitious business name shall file with the application a certified copy  
15 of their fictitious business name statement filed with the county clerk pursuant to Chapter 5  
16 (commencing with Section 17900) of Part 3 of Division 7.

17 (2) A responsible broker may, by contract, permit a salesperson to do all  
18 of the following:

19 (A) File an application on behalf of a responsible broker with a  
20 county clerk to obtain a fictitious business name.

21 (B) Deliver to the department an application, signed by the  
22 responsible broker, requesting the department's approval to use a  
23 county approved fictitious business name that shall be identified  
24 with the responsible broker's license number.

25 (C) Pay for any fees associated with filing an application with a  
26 county or the department to obtain or use a fictitious business  
27 name.

1 (D) Maintain ownership of a fictitious business name, as defined  
2 in paragraph (2) of subdivision (a) of Section 10159.7, that may  
3 be used subject to the control of the responsible broker.

4 (b) (1) A salesperson using a fictitious business name authorized by subdivision  
5 (a), shall use that name only as permitted by the responsible broker.

6 (2) This section does not change a real estate broker's duties under this  
7 division to supervise a salesperson.

8 (c) A person applying to a county for a fictitious business name pursuant to  
9 subdivision (a) may file the application in the county or counties where the fictitious business  
10 name will be used.

11 (d) Advertising and solicitation materials, including business cards, print or  
12 electronic media and "for sale" signage, using a fictitious business name obtained in accordance  
13 with paragraph (2) of subdivision (a) shall include the responsible broker's identity, as defined  
14 in paragraph (1) of subdivision (a) of Section 10159.7, in a manner equally as prominent as the  
15 fictitious business name.

16 (e) Notwithstanding subdivision (b) of Section 10140.6, advertising and  
17 solicitation materials, including print or electronic media and "for sale" signage, containing a  
18 fictitious business name obtained in accordance with paragraph (2) of subdivision (a) shall  
19 include the name and license number of the salesperson who is using the fictitious business  
20 name.

21 (f) Notwithstanding Section 10185, a violation of this section is not a  
22 misdemeanor.

23 **Code Section 10166.02**

24 7.

25 *Pursuant to Code Section 10166.02 Notice of Loan Activity:*

26 (a) A real estate broker who acts pursuant to Section 10131.1 or subdivision (d)  
27 or (e) of Section 10131, and who makes, arranges, or services loans secured by real property

1 containing one to four residential units, and any salesperson who acts in a similar capacity  
2 under the supervision of that broker, shall notify the department by January 31, 2010, or within  
3 30 days of commencing that activity, whichever is later. The notification shall be made in  
4 writing, as directed, on a form that is acceptable to the commissioner.

5 (b) No individual may engage in business as a mortgage loan originator under  
6 this article without first doing both of the following:

7 (1) Obtaining and maintaining a real estate license pursuant to Article 2  
8 (commencing with Section 10150).

9 (2) Obtaining and maintaining a real estate license endorsement pursuant  
10 to this article identifying that individual as a licensed mortgage loan  
11 originator.

12 (c) License endorsements shall be valid for a period of one year and shall expire  
13 on the 31st of December each year.

14 (d) Applicants for a mortgage loan originator license endorsement shall apply in  
15 a form prescribed by the commissioner. Each form shall contain content as set forth by rule,  
16 regulation, instruction, or procedure of the commissioner.

17 (e) In order to fulfill the purposes of this article, the commissioner may establish  
18 relationships or contracts with the Nationwide Mortgage Licensing System and Registry or  
19 other entities designated by the Nationwide Mortgage Licensing System and Registry to collect  
20 and maintain records and process transaction fees or other fees related to licensees or other  
21 persons subject to this article.

22 (f) A real estate broker or salesperson who fails to notify the department  
23 pursuant to subdivision (a), or who fails to obtain a license endorsement required pursuant to  
24 paragraph (2) of subdivision (b), shall be assessed a penalty of fifty dollars (\$50) per day for  
25 each day written notification has not been received or a license endorsement has not been  
26 obtained, up to and including the 30th day after the first day of the assessment penalty. On and  
27 after the 31st day, the penalty is one hundred dollars (\$100) per day, not to exceed a total

1 penalty of ten thousand dollars (\$10,000), regardless of the number of days, until the  
2 department receives the written notification or the licensee obtains the license endorsement.

3 Penalties for violations of subdivisions (a) and (b) shall be additive.

4 (g) The commissioner may suspend or revoke the license of a real estate broker  
5 or salesperson who fails to pay a penalty imposed pursuant to this section. In addition, the  
6 commissioner may bring an action in an appropriate court of this state to collect payment of that  
7 penalty.

8 (h) All penalties paid or collected under this section shall be deposited into the  
9 Consumer Recovery Account of the Real Estate Fund and shall, upon appropriation by the  
10 Legislature, be available for expenditure for the purposes specified in Chapter 6.5 (commencing  
11 with Section 10470).

12 **Code Section 10232**

13 8.

14 *Pursuant to Code Section 10232 Application of Sections 10232.2,*  
15 *10232.25, 10233 and 10236.6:*

16 “(a) Except as otherwise expressly provided, Sections 10232.2, 10232.25,  
17 10233, and 10236.6 are applicable to every real estate broker who intends or reasonably expects  
18 in a successive 12 months to do any of the following:

19 (1) Negotiate a combination of 10 or more of the following transactions  
20 pursuant to subdivision (d) or (e) of Section 10131 or Section 10131.1 in  
21 an aggregate amount of more than one million dollars (\$1,000,000):

22 (A) Loans secured directly or collaterally by liens on real  
23 property or on business opportunities as agent for another or  
24 others.

25 (B) Sales or exchanges of real property sales contracts or  
26 promissory notes secured directly or collaterally by liens on real  
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1 property or on business opportunities as agent for another or  
2 others .

3 (C) Sales or exchanges of real property sales contracts or  
4 promissory notes secured directly or collaterally by liens on real  
5 property as the owner of those notes or contracts.

6 (2) Make collections of payments in an aggregate amount of two hundred  
7 fifty thousand dollars (\$250,000) or more on behalf of owners of  
8 promissory notes secured directly or collaterally by liens on real property,  
9 owners of real property sales contracts, or both.

10 (3) Make collections of payments in an aggregate amount of two hundred  
11 fifty thousand dollars (\$250,000) or more on behalf of obligors of  
12 promissory notes secured directly or collaterally by liens on real property,  
13 lenders of real property sales contracts, or both. Persons under common  
14 management, direction, or control in conducting the activities  
15 enumerated above shall be considered as one person for the purpose of  
16 applying the above criteria.

17 (b) The negotiation of a combination of two or more new loans and sales or  
18 exchanges of existing promissory notes and real property sales contracts of an aggregate  
19 amount of more than two hundred fifty thousand dollars (\$250,000) in any three successive  
20 months or a combination of five or more new loans and sales or exchanges of existing  
21 promissory notes and real property sales contracts of an aggregate amount of more than five  
22 hundred thousand dollars (\$500,000) in any successive six months shall create a rebuttable  
23 presumption that the broker intends to negotiate new loans and sales and exchanges of an  
24 aggregate amount that will meet the criteria of subdivision (a).

25 (c) In determining the applicability of Sections 10232.2, 10232.25, 10233, and  
26 10236.6, loans or sales negotiated by a broker, or for which a broker collects payments or  
27 provides other servicing for the owner of the note or contract, shall not be counted in

1 determining whether the broker meets the criteria of subdivisions (a) and (b) if any of the  
2 following apply:

3 (1) The lender or purchaser is any of the following:

4 (A) The Federal National Mortgage Association, the Government  
5 National Mortgage Association, the Federal Home Loan  
6 Mortgage Corporation, the Federal Housing Administration, and  
7 the United States Department of Veterans Affairs.

8 (B) A bank or subsidiary thereof, bank holding company or  
9 subsidiary thereof, trust company, savings bank or savings and  
10 loan association or subsidiary thereof, savings bank or savings  
11 association holding company or subsidiary thereof, credit union,  
12 industrial bank or industrial loan company, finance lender, or  
13 insurer doing business under the authority of, and in accordance  
14 with, the laws of this state, any other state, or the United States  
15 relating to banks, trust companies, savings banks or savings  
16 associations, credit unions, industrial banks or industrial loan  
17 companies, commercial finance lenders, or insurers, as evidenced  
18 by a license, certificate, or charter issued by the United States or a  
19 state, district, territory, or commonwealth of the United States.

20 (C) Trustees of a pension, profit-sharing, or welfare fund, if the  
21 pension, profit-sharing, or welfare fund has a net worth of not  
22 less than fifteen million dollars (\$15,000,000).

23 (D) A corporation with outstanding securities registered under  
24 Section 12 of the Securities Exchange Act of 1934 or a wholly  
25 owned subsidiary of that corporation.

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(E) A syndication or other combination of any of the entities specified in subparagraph (A), (B), (C), or (D) that is organized to purchase the promissory note.

(F) The California Housing Finance Agency or a local housing finance agency organized under the Health and Safety Code.

(G) A licensed residential mortgage lender or servicer acting under the authority of that license.

(H) An institutional investor that issues mortgage-backed securities, as specified in paragraph (11) of subdivision (i) of Section 50003 of the Financial Code.

(I) A licensed real estate broker selling all or part of the loan, the note, or the contract to a lender or purchaser specified in subparagraphs (A) to (H), inclusive.

(2) The loan or sale is negotiated, or the loan or contract is being serviced for the owner, under authority of a permit issued pursuant to applicable provisions of the Corporate Securities Law of 1968 (Division 1 (commencing with Section 25000) of Title 4 of the Corporations Code).

(3) The transaction is subject to the requirements of Article 3 (commencing with Section 2956) of Chapter 2 of Title 14 of Part 4 of Division 3 of the Civil Code.

(d) If two or more real estate brokers who are not under common management, direction, or control cooperate in the negotiation of a loan or the sale or exchange of a promissory note or real property sales contract and share in the compensation for their services, the dollar amount of the transaction shall be allocated according to the ratio that the compensation received by each broker bears to the total compensation received by all brokers for their services in negotiating the loan or sale or exchange.

1 (e) A real estate broker who meets any of the criteria of subdivision (a) or (b)  
2 shall notify the department in writing within 30 days after that determination is made.”

3 **Code Section 10232.2**

4 9.

5 *Pursuant to Code Section 10232.2 Filing Fiscal Year Reports –*  
6 *Accounting Criteria:*

7 A real estate broker who meets the criteria of subdivision (a) of Section 10232  
8 shall annually file the reports referred to in subdivisions (a) and (c) with the Department of Real  
9 Estate within 90 days after the end of the broker’s fiscal year or within any additional time as  
10 the Real Estate Commissioner may allow for filing for good cause:

11 (a) The report of a review by a licensed California independent public  
12 accountant of trust fund financial statements, conducted in accordance with generally accepted  
13 accounting practices, which shall include within its scope the following information for the  
14 fiscal year relative to the business activities of the broker described in subdivisions (d) and (e)  
15 of Section 10131:

16 (1) The receipt and disposition of all funds of others to be applied to the  
17 making of loans and the purchasing of promissory notes or real property  
18 sales contracts.

19 (2) The receipt and disposition of all funds of others in connection with  
20 the servicing by the broker of the accounts of owners of promissory notes  
21 and real property sales contracts including installment payments and loan  
22 or contract payoffs by obligors.

23 (3) A statement as of the end of the fiscal year that shall include an  
24 itemized trust fund accounting of the broker and confirmation that the  
25 trust funds are on deposit in an account or accounts maintained by the  
26 broker in a financial institution.

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1 (b) A broker who meets the criteria of Section 10232, but who, in carrying on  
2 the activities described in subdivisions (d) and (e) of Section 10131, has not during a fiscal  
3 year, accepted for the benefit of a person to whom the broker is a trustee, any payment or  
4 remittance in a form convertible to cash by the broker, need not comply with the provisions of  
5 subdivision (a). In lieu thereof, the broker shall submit to the commissioner within 30 days after  
6 the end of the broker's fiscal year or, within any additional time as the commissioner may allow  
7 for a filing for good cause, a notarized statement under penalty of perjury on a form provided by  
8 the department attesting to the fact that the broker did not receive any trust funds in cash or  
9 convertible to cash during the fiscal year.

10 (c) A report of all of the following aspects of the business conducted by the  
11 broker while engaging in activities described in subdivisions (d) and (e) of Section 10131 and  
12 in Section 10131.1:

- 13 (1) Number and aggregate dollar amount of loan, trust deed sales, and  
14 real property sales contract transactions negotiated.
- 15 (2) Number and aggregate dollar amount of promissory notes and  
16 contracts serviced by the broker or an affiliate of the broker.
- 17 (3) Number and aggregate dollar amount of late payment charges,  
18 prepayment penalties, and other fees or charges collected and retained by  
19 the broker under servicing agreements with beneficiaries and obligees.
- 20 (4) Default and foreclosure experience in connection with promissory  
21 notes and contracts subject to servicing agreements between the broker  
22 and beneficiaries or obligees.
- 23 (5) Commissions received by the broker for services performed as agent  
24 in negotiating loans and sales of promissory notes and real property sales  
25 contracts.
- 26 (6) Aggregate costs and expenses as referred to in Section 10241 paid by  
27 borrowers to the broker.

1 (d) The commissioner shall adopt regulations prescribing the form and content  
2 of the report referred to in subdivision (c) with appropriate categories to afford a better  
3 understanding of the business conducted by the broker.

4 (e) If the broker fails to file either of the reports required under subdivisions (a)  
5 and (c) within the time permitted herein, the commissioner may cause an examination and  
6 report to be made and may charge the broker one and one-half times the cost of making the  
7 examination and report. In determining the hourly cost incurred by the commissioner for  
8 conducting an examination and preparing the report, the commissioner may use the estimated  
9 average hourly cost for all department audit staff performing audits of real estate brokers. If a  
10 broker fails to pay the above amount within 60 days of the mailing of a notice of billing, the  
11 commissioner may suspend the broker's license or deny renewal of the broker's license. The  
12 suspension or denial shall remain in effect until the above amount is paid or the broker's right  
13 to renew a license has expired. The commissioner may maintain an action for the recovery of  
14 the above amount in any court of competent jurisdiction.

15 (f) The reports referred to in subdivisions (a) and (c) are exempted from any  
16 requirement of public disclosure by paragraph (2) of subdivision (d) of Section 6254 of the  
17 Government Code. The commissioner shall annually make and file as a public record, a  
18 composite of the annual reports and any comments thereon that are deemed to be in the public  
19 interest.

20 **Code Section 10232.25**

21 10.

22 *Pursuant to Code Section 10232.25 Trust Funds Status Report -*

23 *Contents:*

24 (a) A real estate broker who meets the criteria of subdivision (a) of Section  
25 10232 shall, within 30 days after the end of each of the first three fiscal quarters of the broker's  
26 fiscal year, or within any additional time as the Real Estate Commissioner may allow for good  
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1 cause, file with the commissioner a trust funds status report as of the last day of the fiscal  
2 quarter which shall include the following:

3 (1) A representation that the form and content of the trust account  
4 records of the broker are in compliance with the regulations of the  
5 commissioner.

6 (2) A representation that the broker's trust fund bank account is  
7 maintained in compliance with the regulations of the commissioner.

8 (3) A statement of the broker's aggregate accountability for trust funds.

9 (4) A report of trust funds in the broker's custody consisting of the trust  
10 account bank statements as of the bank's accounting date immediately  
11 preceding the end of the fiscal quarter and a schedule of withdrawals and  
12 deposits adjusting the account to its true balance as of the end of the  
13 fiscal quarter.

14 (5) A statement explaining any difference in amount between the  
15 broker's total accountability under paragraph (3) above and the adjusted  
16 trust account bank balance under paragraph (4) above.

17 (b) Each report made pursuant to subdivision (a) shall include the following:

18 (1) The name, address, and position or capacity of the person who  
19 prepared the report.

20 (2) A declaration under penalty of perjury by the broker that the  
21 information and representations in the report are true, complete, and  
22 correct to the best of the broker's knowledge and belief. The declaration  
23 in a report submitted on behalf of a corporate broker shall be signed by a  
24 broker-officer through whom the corporation is licensed as a real estate  
25 broker and by the chief executive officer of the corporation if he or she is  
26 not the signing broker-officer.  
27

1 (c) If a broker fails to file a report required under subdivision (a) within the time  
2 permitted, the commissioner may cause an examination and report to be made and may charge  
3 the broker one and one-half times the cost of making the examination and report. In  
4 determining the hourly cost incurred by the commissioner for conducting an examination and  
5 preparing the report, the commissioner may use the estimated average hourly cost for all  
6 department audit staff performing audits of real estate brokers. If a broker fails to pay the above  
7 amount within 60 days of the mailing of a notice of billing, the commissioner may suspend the  
8 broker's license or deny renewal of the broker's license. The suspension or denial shall remain  
9 in effect until the above amount is paid or the broker's right to renew a license has expired. The  
10 commissioner may maintain an action for the recovery of the above amount in any court of  
11 competent jurisdiction.

12 (d) A broker who meets the criteria of Section 10232, but who, in carrying on  
13 the activities described in subdivisions (d) and (e) of Section 10131, did not during a fiscal  
14 quarter, accept for the benefit of a person to whom the broker is trustee, any payment or  
15 remittance in a form convertible to cash by the broker, need not comply with the provisions of  
16 subdivision (a). In lieu thereof, the broker shall submit to the commissioner within 30 days after  
17 the end of the fiscal quarter or within any additional time as the commissioner may allow for  
18 good cause, a statement under penalty of perjury on a form provided by the department attesting  
19 to the fact that the broker did not receive any trust funds in cash or convertible to cash during  
20 the fiscal quarter.

21 (e) Any real estate broker who engages in any of the activities specified in  
22 subdivision (d) or (e) of Section 10131, but who is not required by this section to file trust  
23 funds status reports with the commissioner and who is not exempt therefrom under subdivision  
24 (d), shall complete trust funds status reports in accordance with either (1) the requirements of  
25 subdivisions (a) and (b) applicable to trust funds status reports filed with the commissioner, or  
26 (2) the requirements established by the lender or note owner, if the lender or note owner does  
27 all of the following: (i) requires monthly reconciliations of trust account balances; (ii) requires

1 annual, CPA-audited financial statements; and (iii) maintains a contractual right to audit the  
2 trust accounts held by the broker on behalf of the lender or note owner.

3 The broker shall retain all trust funds status reports prepared under this subdivision on file at  
4 the broker's offices, where they shall be subject to inspection by representatives of the  
5 commissioner upon 24 hours' notice.

6 **Code Section 10232.3**

7 11.

8 *Pursuant to Code Section 10232.3 Loan to Value and Other Requirements:*

9 “(a) Any transaction that involves the sale of or offer to sell a note secured  
10 directly by an interest in one or more parcels of real property or the sale of an undivided interest  
11 in a note secured directly by one or more parcels of real property shall adhere to all of the  
12 following:

13 (1) Except as provided in paragraph (2), the aggregate principal amount  
14 of the note or interest sold, together with the unpaid principal amount of  
15 any encumbrances upon the real property senior thereto, shall not exceed  
16 the following percentages of the current market value of each parcel of  
17 the real property, as determined in writing by the broker or appraiser  
18 pursuant to Section 10232.6, plus the amount for which the payment of  
19 principal and interest in excess of the percentage of current market value  
20 is insured for the benefit of the holders of the note or interest by an  
21 insurer admitted to do business in this state by the Insurance

22 Commissioner:

23 (A) Single-family residence, owner

24 occupied.....80%

25 (B) Single-family residence, not owner occupied.....75%

26 (C) Commercial properties and income-producing properties not  
27 described in (B) or (E).....65%

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(D) Single-family residentially zoned lot or parcel that has installed offsite improvements including drainage, curbs, gutters, sidewalks, paved roads, and utilities as mandated by the political subdivision having jurisdiction over the lot or parcel.....65%

(E) Land that produces income from crops, timber, or minerals.....60%

(F) Land that is not income producing but has been zoned for (and if required, approved for subdivision as) commercial or residential development.....50%

(G) Other real property.....35%

(2) The percentage amounts specified in paragraph (1) may be exceeded when and to the extent that the broker determines that the encumbrance of the property in excess of these percentages is reasonable and prudent considering all relevant factors pertaining to the real property. However, in no event shall the aggregate principal amount of the note or interest sold, together with the unpaid principal amount of any encumbrances upon the property senior thereto, exceed 80 percent of the current fair market value of improved real property or 50 percent of the current fair market value of unimproved real property, except in the case of a single-family zoned lot or parcel as defined in paragraph (1), which shall not exceed 65 percent of the current fair market value of that lot or parcel, plus the amount insured as specified in paragraph (1). A written statement shall be prepared by the broker that sets forth the material considerations and facts that the broker relies upon for his or her determination, which shall be retained as a part of the broker's record of the transaction. Either a copy of the statement or the information



1 contained therein shall be included in the disclosures required pursuant to  
2 Section 10232.5.

3 (3) A copy of the appraisal or the broker's evaluation, for each parcel of  
4 real property securing the note or interest, shall be delivered to the  
5 purchaser. The broker shall advise the purchaser of his or her right to  
6 receive a copy. For purposes of this paragraph, "appraisal" means a  
7 written estimate of value based upon the assembling, analyzing, and  
8 reconciling of facts and value indicators for the real property in question.  
9 A broker shall not purport to make an appraisal unless he or she is  
10 qualified on the basis of special training, preparation, or experience.

11 (4) For construction or rehabilitation loans, where the amount withheld  
12 for construction or rehabilitation at the start of the project exceeds one  
13 hundred thousand dollars (\$100,000), the term "current market value"  
14 may be deemed to be the value of the completed project if all of the  
15 following safeguards are met:

16 (A) An independent neutral third-party escrow holder is used for  
17 all deposits and disbursements relating to the construction or  
18 rehabilitation of the secured property.

19 (B) The loan is fully funded, with the entire loan amount to be  
20 deposited in escrow prior to the recording of the deed or deeds of  
21 trust.

22 (C) A comprehensive, detailed draw schedule is used to ensure  
23 proper and timely disbursements to allow for completion of the  
24 project.

25 (D) The disbursement draws from the escrow account are based  
26 on verification from an independent qualified person who  
27 certifies that the work completed to date meets the related codes

1 and standards and that the draws were made in accordance with  
2 the construction contract and draw schedule. For purposes of this  
3 subparagraph, "independent qualified person" means a person  
4 who is not an employee, agent, or affiliate of the broker and who  
5 is a licensed architect, general contractor, structural engineer, or  
6 active local government building inspector acting in his or her  
7 official capacity.

8 (E) An appraisal is completed by a qualified and licensed  
9 appraiser in accordance with the Uniform Standards of  
10 Professional Appraisal Practice (USPAP).

11 (F) The documentation includes a detailed description of the  
12 actions that may be taken in the event of a failure to complete the  
13 project, whether that failure is due to default, insufficiency of  
14 funds, or other causes.

15 (G) The entire amount of the loan does not exceed two million  
16 five hundred thousand dollars (\$2,500,000).

17 (5) For construction or rehabilitation loans, where the amount withheld  
18 for construction or rehabilitation at the start of the project is one hundred  
19 thousand dollars (\$100,000) or less, the term "current market value" may  
20 be deemed to be the value of the completed project if all of the following  
21 safeguards are met:

22 (A) The loan is fully funded, with the entire loan amount to be  
23 deposited in escrow prior to recording of the deed or deeds of  
24 trust.

25 (B) A comprehensive, detailed draw schedule is used to ensure  
26 proper and timely disbursements to allow for completion of the  
27 project.

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(C) An appraisal is completed by a qualified and licensed appraiser in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

(D) The documentation includes a detailed description of the actions that may be taken in the event of a failure to complete the project, whether that failure is due to default, insufficiency of funds, or other causes.

(E) The entire amount of the loan does not exceed two million five hundred thousand dollars (\$2,500,000).

(6) If a note or an interest will be secured by more than one parcel of real property, for the purpose of determining the maximum amount of the note or interest, each security property shall be assigned a portion of the note or interest that shall not exceed the percentage of current market value determined by, and in accordance with, the provisions of paragraphs (1) and (2).

(b) The note or interest shall not be sold, unless the purchaser meets one or both of the qualifications of income or net worth set forth below and signs a statement, which shall be retained by the broker for four years, conforming to the following:

“Transaction Identifier: \_\_\_\_\_

Name of Purchaser: \_\_\_\_\_ Date: \_\_\_\_\_

Check either one of the following, if true:

( ) My investment in the transaction does not exceed 10% of my net worth, exclusive of home, furnishings, and automobiles.

( ) My investment in the transaction does not exceed 10% of my adjusted gross income for federal income tax purposes for my last tax year or, in the alternative, as estimated for the current year.

\_\_\_\_\_

1 Signature””

2 Code Section 10232.4

3 12.

4 Pursuant to Code Section 10232.4 Disclosure Statement – Delivery – Exception  
5 – Funds Handling:

6 “(a) In making a solicitation to a particular person and in negotiating with that  
7 person to make a loan secured by real property or to purchase a real property sales contract or a  
8 note secured by a deed of trust, a real estate broker shall deliver to the person solicited the  
9 applicable completed statement described in Section 10232.5 as early as practicable before that  
10 person becomes obligated to make the loan or purchase and, except as provided in subdivision  
11 (c), before the receipt by or on behalf of the broker of any funds from that person. The  
12 statement shall be signed by the prospective lender or purchaser and by the real estate broker, or  
13 by a real estate salesperson licensed to the broker, on the broker’s behalf. When so executed, an  
14 exact copy shall be given to the prospective lender or purchaser, and the broker shall retain a  
15 true copy of the executed statement for a period of three years.

16 (b) The requirement of delivery of a disclosure statement pursuant to subdivision  
17 (a) shall not apply with respect to the following persons:

18 (1) The prospective purchaser of a security offered under authority of a  
19 permit issued pursuant to applicable provisions of the Corporate  
20 Securities Law of 1968 (Division 1 (commencing with Section 25000) of  
21 Title 4 of the Corporations Code) that require that each prospective  
22 purchaser of a security be given a prospectus or other form of disclosure  
23 statement approved by the department issuing the permit.

24 (2) The seller of real property who agrees to take back a promissory note  
25 of the purchaser as a method of financing all or a part of the purchase of  
26 the property.

27

1 (3) The prospective purchaser of a security offered pursuant to and in  
2 accordance with a regulation duly adopted by the Commissioner of  
3 Business Oversight granting an exemption from qualification under the  
4 Corporate Securities Law of 1968 for the offering if one of the conditions  
5 of the exemption is that each prospective purchaser of the security be  
6 given a disclosure statement prescribed by the regulation before the  
7 prospective purchaser becomes obligated to purchase the security.

8 (4) A prospective lender or purchaser, if that lender or purchaser is any of  
9 the following:

10 (A) The United States or any state, district, territory, or  
11 commonwealth thereof, or any city, county, city and county,  
12 public district, public authority, public corporation, public entity,  
13 or political subdivision of a state, district, territory, or  
14 commonwealth of the United States, or any agency or corporate  
15 or other instrumentality of any one or more of the foregoing,  
16 including the Federal National Mortgage Association, the  
17 Government National Mortgage Association, the Federal Home  
18 Loan Mortgage Corporation, the Federal Housing Administration,  
19 and the Veteran's Administration.

20 (B) Any bank or subsidiary thereof, bank holding company or  
21 subsidiary thereof, trust company, savings bank or savings and  
22 loan association or subsidiary thereof, savings bank or savings  
23 association holding company or subsidiary thereof, credit union,  
24 industrial bank or industrial loan company, finance lender, or  
25 insurance company doing business under the authority of, and in  
26 accordance with, the laws of this state, any other state, or of the  
27 United States relating to banks, trust companies, savings banks or

1 savings banks or industrial loan companies, commercial finance  
2 lenders, or insurance companies, as evidenced by a license,  
3 certificate, or charter issued by the United States or any state,  
4 district, territory, or commonwealth of the United States.

5 (C) Trustees of pension, profitsharing, or welfare fund, if the  
6 pension, profitsharing, or welfare fund has a net worth of not less  
7 than fifteen million dollars (\$15,000,000).

8 (D) Any corporation with outstanding securities registered under  
9 Section 12 of the Securities Exchange Act of 1934 or any wholly  
10 owned subsidiary of that corporation.

11 (E) Any syndication or other combination of any of the entities  
12 specified in subparagraph (A), (B), (C), or (D) which is organized  
13 to purchase the promissory note.

14 (F) A licensed real estate broker engaging in the business of  
15 selling all or part of the loan, note, or contract to a lender or  
16 purchaser to whom no disclosure is required pursuant to this  
17 subdivision.

18 (G) A licensed residential mortgage lender or servicer when  
19 acting under the authority of that license.

20 (c) When the broker has custody of funds of a prospective lender or purchaser  
21 which were received and are being maintained with the express permission of the owner and in  
22 accordance with law, and the broker retains the funds in an escrow depository or a trust fund  
23 account pending receipt of the owner's express written instructions to disburse the funds for a  
24 loan or purchase, the broker shall cause the disclosure statement to be delivered to the owner  
25 and shall obtain the owner's written consent to the proposed disbursement before making the  
26 disbursement. Unless the broker has a written agreement with the owner as provided in Section  
27 10231.1, the broker shall transmit to the owner not later than 25 days after receipt, all funds

1 then in the broker's custody for which the owner has not given written instructions authorizing  
2 disbursement."

3 **Code Section 10232.45**

4 13.

5 *Pursuant to Code Section 10232.45 Investor Questionnaire/Suitability:*

6 (a) Any broker subject to the provisions of Section 10232.3 or Article 6  
7 (commencing with Section 10237) shall make reasonable efforts to ensure all of the following  
8 with respect to the offer or sale of notes or interest in notes to be secured by a lien on real  
9 property or a business opportunity:

10 (1) All persons to whom notes or interests are sold can be reasonably  
11 assumed to have the capacity to understand the fundamental aspects of  
12 the investment, by reason of their educational, business, or financial  
13 experience.

14 (2) All persons to whom notes or interests are sold can bear the economic  
15 risk of the investment.

16 (3) The investment in the notes or interests is suitable and appropriate for  
17 the purchaser, given the purchaser's investment objectives, portfolio  
18 structure, and financial situation.

19 (b) A broker shall make this determination on the basis of information he or she  
20 obtains from the purchaser. Relevant information for this purpose includes, at least, the age,  
21 investment objective, investment experience, income, net worth, financial situation, and other  
22 investments of the prospective purchaser, as well as any other pertinent factors the  
23 commissioner shall establish through regulation.

24 (c) A broker shall maintain records of the information used to determine that an  
25 investment is suitable and appropriate for each purchaser and shall retain these records for at  
26 least four years.

27 (d) A broker that complies with all of the following shall be deemed to have

1 complied with subdivision (a):

2 (1) Obtains from each person to whom notes and deeds of trust or  
3 interests therein are offered or sold, at least two business days and not  
4 more than one year prior to completing each sale, a completed investor  
5 questionnaire in a form approved by the commissioner. After obtaining  
6 an initial questionnaire, any subsequent questionnaire from the same  
7 person need only reflect any updates from the immediately preceding  
8 questionnaire obtained by the broker.

9 (2) Uses the responses in that questionnaire as an aid in complying with  
10 subdivision (a).

11 (e) Nothing in this section shall be construed to require a broker to utilize an  
12 investor questionnaire to ensure compliance with subdivision (a). Reliance of a broker on an  
13 investor questionnaire in a form approved by the commissioner shall not prohibit that broker  
14 from utilizing additional information to ensure compliance with subdivision (a).

15 14.

16 **Code Section 10238**

17 *Pursuant to Code Section 10238:*

18 (a) A notice in the following form and containing the following information  
19 shall be filed with the commissioner within 30 days after the first transaction and within 30  
20 days of any material change in the information required in the notice:

21 TO: Real Estate Commissioner

22 Mortgage Loan Section

23 1651 Exposition Boulevard

24 Sacramento, CA 95815



1 This notice is filed pursuant to Sections 10237 and 10238 of the Business and Professions  
2 Code.

3  
4 ( ) Original Notice( ) Amended Notice  
5

6 1. Name of the Broker conducting transaction under Section 10237:  
7

8 2. Broker license identification number:  
9

10 3. List the month the fiscal year ends:  
11

12 4. Broker's telephone number:  
13

14 5. Firm name (if different from "1"):  
15

16 6. Street address (main location): # and Street City State ZIP Code  
17

18 7. Mailing address (if different from "6"):  
19

20  
21 Servicing agent: Identify by name, address, and telephone number the person or entity  
22 8. who will act as the servicing agent in transactions pursuant to Section 10237 (including  
23 the undersigned Broker if that is the case):  
24

25 9. Total number of multilender notes arranged:  
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10. Total number of interests sold to investors on the multilender's notes: \_\_\_\_\_

11. Inspection of trust account (before answering this question, review the provisions of paragraph (3) of subdivision (k) of Section 10238).

CHECK ONLY ONE OF THE FOLLOWING:

( ) The undersigned Broker is (or expects to be) required to file reports of inspection of its trust account(s) with the Real Estate Commissioner pursuant to paragraph (3) of subdivision (k) of Section 10238.

Amount of Multilender Payments Collected Last Fiscal Quarter:

Total Number of Investors Due Payments Last Fiscal Quarter:

( ) The undersigned Broker is NOT (or does NOT expect to be) required to file reports of inspection of its trust account(s) with the Real Estate Commissioner pursuant to paragraph (3) of subdivision (k) of Section 10238.

12. Signature. The contents of this notice are true and correct.

Date

Type Name of Broker

Signature of Broker or of Designated Officer of Corporate Broker

Type Name of Person(s) Signing This Notice

NOTE: AN AMENDED NOTICE MUST BE FILED BY THE BROKER WITHIN 30 DAYS OF ANY MATERIAL CHANGE IN THE INFORMATION REQUIRED TO BE SET FORTH HEREIN.

...

(k) The notes or interests shall be sold subject to a written agreement that obligates a licensed real estate broker, or a person exempted from the licensing requirement for real estate brokers under this chapter, to act as agent for the purchasers or lenders to service the note or notes and deed of trust, including the receipt and transmission of payments and the institution of foreclosure proceedings in the event of a default. A copy of this servicing agreement shall be delivered to each purchaser. The broker shall offer to the lenders or purchasers the services of the broker or one or more affiliates of the broker, or both, as servicing agent for each transaction conducted pursuant to this article. The agreement shall require all of the following:

(1) (A) That payments received on the note or notes be deposited immediately to a trust account maintained in accordance with this section and with the provisions for trust accounts of licensed real estate brokers contained in Section 10145 and Article 15 (commencing with Section 2830.1) of Chapter 6 of Title 10 of the California Code of Regulations.

(B) That payments deposited pursuant to subparagraph (A) shall not be commingled with the assets of the servicing agent or used for any transaction other than the transaction for which the funds are received.

(2) That payments received on the note or notes shall be transmitted to the purchasers or lenders pro rata according to their respective interests within 25 days after receipt thereof by the agent. If the source for the payment is not the maker of the note, the agent shall inform the

1 purchasers or lenders in writing of the source for payment. A broker or  
2 servicing agent who transmits to the purchaser or lenders the broker's or  
3 servicing agent's own funds to cover payments due from the borrower  
4 but unpaid as a result of a dishonored check may recover the amount of  
5 the advances from the trust fund when the past due payment is received.  
6 However, this article does not authorize the broker, servicing agent, or  
7 any other person to issue, or to engage in any practice constituting, any  
8 guarantee or to engage in the practice of advancing payments on behalf  
9 of the borrower.

10 (3) If the broker or person who is or becomes the servicing agent for  
11 notes or interests sold pursuant to this article upon which the payments  
12 due during any period of three consecutive months in the aggregate  
13 exceed one hundred twenty-five thousand dollars (\$125,000) or the  
14 number of persons entitled to the payments exceeds 120, the trust  
15 account or accounts of that broker or affiliate shall be inspected by an  
16 independent certified public accountant at no less than three-month  
17 intervals during the time the volume is maintained. Within 30 days after  
18 the close of the period for which the review is made, the report of the  
19 accountant shall be forwarded as provided in paragraph (6) of  
20 subdivision (j). If the broker is required to file an annual report pursuant  
21 to subdivision (o) or pursuant to Section 10232.2, the quarterly report  
22 pursuant to this subdivision need not be filed for the last quarter of the  
23 year for which the annual report is made. For the purposes of this  
24 subdivision, an affiliate of a broker is any person controlled by,  
25 controlling, or under common control with the broker.

26 (4) Unless the servicing agent will receive notice pursuant to Section  
27 2924b of the Civil Code, the servicing agent shall file a written request

1 for notice of default upon any prior encumbrances and promptly notify  
2 the purchasers or lenders of any default on the prior encumbrances or on  
3 the note or notes subject to the servicing agreement.

4 (5) The servicing agent shall promptly forward copies of both of the  
5 following to each purchaser or lender:

6 (A) Any notice of trustee sale filed on behalf of the purchasers or lenders.

7 (B) Any request for reconveyance of the deed of trust received on behalf of the purchasers or  
8 lenders.”

9 **Code Section 10240**

10 15.

11 *Pursuant to Code Section 10240 Written Disclosure Statement:*

12 (a) Every real estate broker, upon acting within the meaning of subdivision (d) of  
13 Section 10131, who negotiates a loan to be secured directly or collaterally by a lien on real  
14 property shall, within three business days after receipt of a completed written loan application  
15 or before the borrower becomes obligated on the note, whichever is earlier, cause to be  
16 delivered to the borrower a statement in writing, containing all the information required by  
17 Section 10241. It shall be personally signed by the borrower and by the real estate broker  
18 negotiating the loan or by a real estate licensee acting for the broker in negotiating the loan.  
19 When so executed, an exact copy thereof shall be delivered to the borrower at the time of its  
20 execution. The real estate broker negotiating the loan shall retain on file for a period of three  
21 years a true and correct copy of the statement as signed by the borrower.

22 No real estate licensee shall permit the statement to be signed by a borrower if any information  
23 required by Section 10241 is omitted.

24 (b) For the purposes of applying the provisions of this article, a real estate broker  
25 is acting within the meaning of subdivision (d) of Section 10131 if he or she solicits borrowers,  
26 or causes borrowers to be solicited, through express or implied representations that the broker  
27 will act as an agent in arranging a loan, but in fact makes the loan to the borrower from funds

1 belonging to the broker.

2 (c) In a federally regulated residential mortgage loan transaction in which the  
3 principal loan amount exceeds the principal loan levels set forth in Section 10245, a real estate  
4 broker satisfies the requirements of this section if the borrower receives (1) a "good faith  
5 estimate" that satisfies the requirements of the Real Estate Settlement Procedures Act of 1974  
6 (12 U.S.C.A. 2601 et seq.), and that sets forth the broker's real estate license number and a  
7 clear and conspicuous statement on the face of the document stating that the "good faith  
8 estimate" does not constitute a loan commitment, (2) all applicable disclosures required by the  
9 Truth in Lending Act (15 U.S.C.A. 1601 et seq.), and (3) if the loan contains a balloon payment  
10 provision, the disclosure described in subdivision (h) of Section 10241, the balloon disclosure  
11 required for that loan by Fannie Mae or Freddie Mac, or an alternative disclosure determined by  
12 the commissioner to satisfy the requirements of the Truth in Lending Act.

13 Prior to becoming obligated on the loan the borrower shall acknowledge, in writing, receipt of  
14 the "good faith estimate" and all applicable disclosures required by the Truth in Lending Act.

15 The real estate broker shall retain on file for a period of three years a true and correct copy of  
16 the signed acknowledgment and a true and correct copy of the "good faith estimate" and all  
17 applicable disclosures required by the Truth in Lending Act as acknowledged by the borrower.

18 Grounds for Disciplinary Action – Code Section 10177

19 16.

20 Pursuant to Code Section 10177, "The commissioner may suspend or revoke the  
21 license of a real estate licensee, delay the renewal of a license of a real estate licensee, or deny  
22 the issuance of a license to an applicant, who has done any of the following:

23 . . .

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

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

(h) As a broker licensee, failed to exercise reasonable supervision over the activities of that licensee's salespersons, or, as the officer designated by a corporate broker licensee, failed to exercise reasonable supervision and control of the activities of the corporation for which a real estate license is required. . . ."

FACTS DISCOVERED BY THE DEPARTMENT

17.

On or about December 29, 2020, the Department sent LPFI a Declaration form (RE518A), regarding the mortgage loan transactions that LPFI closed in 2020.

18.

On or about January 5, 2021, CRUZ, on behalf of LPFI, filled out and signed the RE518A form. According to the RE518A form, from January 2020 through December 2020, LPFI closed at least 10 non-qualified mortgage, private money loans. The loans were for the purchase, refinance, of non-owner occupied investment properties only. It was also disclosed on the RE518A form that LPFI closed two (2) loans totaling \$620,000 in January 2020.

19.

In response to the request for the last three (3) transaction files for 2020, on or about January 5, 2021, CRUZ submitted paper files for the properties located at (1) 15506 Mondamon Road in Apple Valley California ("Mondamon Road Property"), (2) 653 Jackson Street in Red Bluff, California ("Jackson Street Property"), and (3) the empty corner lot on Leon Road and Keller Road, APN 480-010-020 ("Leon Road Property").

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20.

Upon review of the documents, the Department's special investigator ("SI") discovered that the Mondamon Road Property transaction file was missing (1) an appraisal and/or documents substantiating the value of the property, (2) Lender-Purchaser Disclosure Statements, (3) investor questionnaire, and (4) investor qualification statement.

21.

Upon review of the documents, the SI discovered that the Jackson Street Property transaction file was missing (1) an appraisal and/or documents substantiating the value of the property, (2) Lender-Purchaser Disclosure Statements, (3) investor questionnaire, and (4) investor qualification statement. Further, the Mortgage Loan Disclosure Statement was signed greater than three (3) business days after the signing of the mortgage loan application.

22.

Upon review of the documents, the SI discovered that the Leon Road Property transaction file was missing (1) an appraisal and/or documents substantiating the value of the property, (2) Lender-Purchaser Disclosure Statements, (3) investor questionnaire, and (4) investor qualification statement. Further, the Mortgage Loan Disclosure Statement was signed greater than three (3) business days after the signing of the mortgage loan application.

23.

The SI also discovered that LPFI failed to file required reports and notifications with the Department, namely (1) Threshold Notification, (2) Multi-lender Notification, (3) Quarterly Threshold Reports, (4) Annual Trust Account Review Report, (5) Annual Business Activity Report, and (6) Report of Mortgage Loan Activity (RE866).

24.

Upon further investigation, the SI discovered that LFPI's website also contained various violations, including (1) using a unlicensed fictitious business name, (2) operating without an approved mortgage loan originator endorsement, (3) failing to disclose a license number on advertisement, (4) the required statement "Real Estate Broker, California



1 Department of Real Estate” not being in a font type size no smaller than the smallest print, (5)  
2 using ambiguous superlatives/comparative including “low loan-to-value” and “higher returns”,  
3 and (6) failure to include the required statement “investments in trust deeds secured by one or  
4 more interest in real property are subject to risk of loss.”

5 VIOLATIONS OF THE REAL ESTATE LAW – CAUSES FOR DISCIPLINE

6 25.

7 In the course of the activities described above in Paragraph 5, and based on the  
8 facts discovered by the Department in Paragraphs 17 through 24, above, Respondents acted in  
9 violation of the Code and Regulations, as described below.

10 26.

11 Respondents failed to include an appraisal, Broker Price Opinion, and/or  
12 supporting documentation to substantiate the loan-to-value, leaving the loan-to-value  
13 undetermined, of the Mondamon Road Property, Jackson Street Property, and Leon Road  
14 Property in violation of **Code Section 10232.3.**

15 27.

16 Respondents failed to keep in their transaction files for the Mondamon Road  
17 Property, Jackson Street Property, and Leon Road Property the required Lender-Purchaser  
18 Disclosure Statement in violation of **Code Section 10232.4.**

19 28.

20 Respondents failed to keep in their transaction files for the Mondamon Road  
21 Property, Jackson Street Property, and Leon Road Property the required investor questionnaire in  
22 violation of **Code Section 10232.45.**

23 29.

24 Respondents failed to keep in their transaction files for the Mondamon Road  
25 Property, Jackson Street Property, and Leon Road Property the required investor qualification  
26 statement in violation of **Code Section 10238(f)(1).**

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30.

Respondents failed to obtain signatures from borrowers within three (3) business days, for Jackson Street Property and Leon Road Property, the required Mortgage Loan Disclosure Statement in violation of **Code Section 10240**.

31.

Respondents failed to timely file a Threshold Notification with the Department in January 2020 after the two (2) private money loan transactions closed in violation of **Code Section 10232**.

32.

Respondents failed to timely submit LPFI's Multi-Lender Transaction Notice in 2020 in a violation of **Code Section 10238**.

33.

Respondents failed to timely submit LPFI's Quarterly Threshold Reports for the 1<sup>st</sup> quarter of 2020 (due no later than April 30, 2020), 2<sup>nd</sup> quarter of 2020 (due no later than July 31, 2020), and 3<sup>rd</sup> quarter of 2020 (due no later than October 31, 2020) in violation of **Code Section 10232.25(d) and Regulations 2846.8**.

34.

Respondents failed to timely submit LPFI's Annual Trust Account Review Report (RE854) for the fiscal year ending on December 31, 2020 (due no later than January 31, 2021) in violation of **Code Section 10232.2(c) and Regulations 2849.01 and 2849.1**.

35.

Respondents failed to timely submit LPFI's Annual Business Activity Report for the fiscal year ending on December 31, 2020 (due no later than March 31, 2021) in violation of **Code Section 10232.2(b)**.

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36.

Respondents failed to timely notify the Department of LPFI's mortgage loan activities for residential properties within 30 days of commencing the activity in 2020 in violation of **Code Section 10166.02**.

37.

LPFI used the unlicensed fictitious business name of "Legacy Private Funding" on its website homepage. The name does not show up in the Department's records as licensed fictitious business name registered to LPFI in violation of **Code section 10159.5 and Regulations section 2731**.

38.

LPFI's website advertisement indicates that LPFI can provide loans on single family residential properties, which are family owned. LPFI does not have an approved mortgage loan originator endorsement in violation of **Code section 10166.02**.

39.

LPFI's website does not provide its Department ID number in violation of **Regulations 2773**.

40.

LPFI's website does not provide the required statement "Real Estate Broker, California Department of Real Estate" in type size no smaller than the smallest print in the website advertisement in violation of **Regulations 2847.3**.

41.

LPFI's website includes superlatives and comparatives "low loan-to-value" and "higher returns", which require additional information necessary to make the terms unambiguous in the context it is used in violation of **Regulations 2848(a)(2)**.

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