

**FILED**

**AUG 08 2022**

**DEPT. OF REAL ESTATE**

**By** \_\_\_\_\_

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BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

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In the Matter of the Accusation of  
MICHAEL Y. WU,  
Respondent.

No. H-42323-LA  
ACCUSATION

The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the Department of Real Estate ("Department" or "DRE") of the State of California, for cause of Accusation against MICHAEL Y. WU ("WU" or "Respondent"), is informed and alleges as follows:

1. The Complainant, Veronica Kilpatrick, acting in her official capacity as a Supervising Special Investigator, makes this Accusation against Respondent.
  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.
- LICENSE HISTORY**
3. Respondent WU is presently licensed and/or has license rights under the Code, as a real estate broker ("REB") with Department license ID 01403896.
  4. Respondent's license was originally issued on January 26, 2004, and is scheduled to expire on January 25, 2024, unless renewed. According to Department records to date, WU has been a broker associate for real estate corporation ("REC") Compass California, Inc., License ID

ACCUSATION

1 01991628, from July 8, 2020 through the present. WU was previously a broker associate for REC  
2 L Alley Loans Inc., License ID 01864758, from April 25, 2018 to July 27, 2020.

3 5. Respondent previously held a Mortgage Loan Originator (“MLO”) license  
4 endorsement with the Department with National Mortgage Licensing System and Registry  
5 (“NMLS”) No. 351578, from on or about November 1, 2012 through December 31, 2015, and  
6 January 5, 2016 through December 31, 2019, and Respondent held an inactive MLO license  
7 endorsement from January 2, 2020 through December 31, 2020, and also from January 9, 2021  
8 through December 31, 2021.

9 6. Respondent’s MLO license endorsement was terminated as of January 1, 2022.  
10 Pursuant to Regulation 2758.7(c), Respondent could have requested reinstatement until March 31,  
11 2022. Because Respondent did not request reinstatement by March 31, 2022, his MLO license  
12 endorsement was terminated as of January 1, 2022. Pursuant to Regulation 2945.4 and Code  
13 section 10103, the Department retains jurisdiction over Respondent’s lapsed MLO license  
14 endorsement.

15 **STATEMENT OF FACTS**

16 7. At the time of the violations described herein, Respondent was employed by and  
17 authorized through his MLO license endorsement to represent the following companies:

18 a. REB Ashrif J. Hammad (“Hammad”), License ID 01700230, who  
19 previously held a MLO license endorsement, NMLS No. 362847, from December 28, 2010  
20 through October 30, 2017. Respondent was authorized to represent Hammad from  
21 November 7, 2012 through December 31, 2016.

22 b. REC L Alley Loans, Inc. (“LALI”), License ID 01864758, which has held a  
23 MLO license endorsement, NMLS No. 339255, from December 9, 2010 through the  
24 present. Respondent was authorized to represent LALI from November 7, 2012 through  
25 December 31, 2019.

26 8. Respondent violated the NMLS student Rules of Conduct (“ROC”) by using the  
27 services of Danny Yen, d/b/a Real Estate Educational Services (“REES”) to complete his NMLS-  
28 approved online pre-licensure (“PE”) and continuing education (“CE”) courses, which constitutes

1 a violation of the licensing requirements of this state and under federal law. Specifically,  
2 Respondent used and compensated REES to obtain credit through an in-person fraud scheme.  
3 Under the in-person fraud scheme, Respondent used REES to annually report completion of an in-  
4 person course for four years from 2017 to 2020. REES did not teach the in-person course and  
5 Respondent never attended the in-person course nor completed the required exam or course work  
6 to receive course credit.

7 9. All of the courses for which Respondent received course credit were completed by  
8 REES through an IP address associated with REES, rather than an IP address associated with  
9 Respondent.

#### 10 NMLS Pre-Licensing and Continuing Education

11 10. The State Regulatory Registry LLC (“SRR”), which owns and operates the NMLS,  
12 administers PE and CE and Uniform State Test protocols. Title V of Public Law 110-289, the  
13 Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“the SAFE Act”), requires that  
14 state-licensed MLOs complete PE prior to initial licensure and annual CE thereafter. (See Code  
15 section 10166.06.)

16 11. In order to meet PE requirements contemplated under the SAFE Act, state-licensed  
17 MLOs must complete 20 hours of NMLS–approved education. (Code section 10166.06(a).)

18 12. In order to meet CE requirements contemplated under the SAFE Act, state-licensed  
19 MLOs must complete eight hours of NMLS–approved education. (Code section 10166.10(a).)

#### 20 REES

21 13. REES, with NMLS course provider number 1405046, was an NMLS–approved  
22 course provider during the years 2017 to 2020.

23 14. The NMLS had approved REES to offer one in-person 8-hour “DBO-SAFE Act  
24 Comprehensive: Mortgage Continuing Education” course in a classroom format located at 15751  
25 Brookhurst Street, Suite 230, Westminster, California (Westminster address).

26 15. REES was never approved by the NMLS to offer online PE or CE to MLOs.

27 16. During all times relevant herein, REES had its primary place of business located at  
28 3643 Adams Street, Carlsbad, California.

1 17. During all times relevant herein, REES, by and through Danny Yen, maintained  
2 with his Internet Service Provider an IP address at 76.88.84.139 ("the IP Address"). The IP  
3 Address assigned to Danny Yen is associated with REES' business address, 3643 Adams Street,  
4 Carlsbad, California.

5 REES Investigation

6 18. The Mortgage Testing and Education Board ("MTEB"), which was created by  
7 SRR, has approved "Administrative Action Procedures for S.A.F.E. Testing and Education  
8 Requirements" ("AAP"), which extends administrative authority to the MTEB to investigate  
9 alleged violations of the NMLS student Rules of Conduct ("ROC").

10 19. The AAP also extends administrative authority to the MTEB and SRR to  
11 investigate alleged violations of the NMLS Standards of Conduct ("SOC"), which apply to all  
12 NMLS-Approved course providers.

13 20. In late 2020, SRR obtained information concerning suspicious activity and that that  
14 information identified a possible MLO education cheating scheme coordinated by and  
15 implemented through REES and its owners and operators, including Danny Yen. Based on that  
16 information, and pursuant to the AAP, SRR initiated an investigation into the matter.

17 Findings of SRR and Department Investigation

18 21. On or about December 15, 2020, SRR staff were informed of suspected individuals  
19 completing online NMLS-approved education courses on behalf of another.

20 22. Additional investigation revealed evidence that REES fraudulently provided course  
21 credit to MLOs who had never attended and completed REES' 8-hour in-person CE course in  
22 Westminster, California in the in-person fraud scheme.

23 23. Respondent was identified in NMLS records as receiving course credit for REES'  
24 8-hour in-person CE course in 2017, 2018, 2019, and 2020. It was determined that none of these  
25 in-person courses ever took place and Respondent never attended an in-person course  
26 corresponding to the course credits Respondent received. Consequently, Respondent never took a  
27 knowledge examination required for course credit. It was determined that Respondent had used

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1 REES to obtain four years of course credits from 2017 to 2020 in violation of the ROC under the  
2 in-person fraud scheme.

3 24. The ROC provide in relevant part:

4 ROC 3: I understand that the SAFE Act and state laws require me to spend  
5 a specific amount of time in specific subject areas. Accordingly, I will not attempt  
6 to circumvent the requirements of any NMLS approved course.

7 ROC 5: I will not seek or attempt to seek outside assistance to complete  
8 the course.

9 ROC 8: I will not engage in any capacity that would be contrary to good  
10 character or reputation, or engage in any behavior that would cause the public to  
11 believe that I would not operate in the mortgage loan business lawfully, honestly  
12 or fairly.

13 ROC 9: I will not engage in any conduct that is dishonest, fraudulent, or  
14 would adversely impact the integrity of the course(s) I am completing and the  
15 conditions for which I am seeking licensure or renewal of licensure.

16 25. By using the services of another to complete his CE, Respondent violated ROC 3,  
17 5, 8, and 9, and engaged in conduct that was dishonest, fraudulent, and that adversely impacted the  
18 integrity of the courses he completed and the conditions and qualifications for which Respondent  
19 sought licensure or renewal of licensure.

20 Voluntary Survey

21 26. On or about July 13, 2021, Respondent was provided an opportunity via a survey  
22 to disclose information about his participation in the REES online PE and CE education fraud.  
23 Respondent did not respond to the survey request. On August 11, 2021, a license item request was  
24 placed on Respondent's NMLS account and Respondent was reminded of his opportunity to  
25 disclose information via the survey about his participation in the REES online PE and CE  
26 education fraud. But Respondent failed to respond to the survey request.

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1 Financial Responsibility, Character, and General Fitness

2 27. Pursuant to Code section 10166.05(c), the Commissioner must deny a MLO license  
3 endorsement if the licensee fails to meet the minimum criteria for licensure, which includes a  
4 requirement that the applicant “has demonstrated such financial responsibility, character and  
5 general fitness as to command the confidence of the community and to warrant a determination  
6 that the [MLO] will operate honestly, fairly, and efficiently within the purposes of this division.”

7 28. As described in paragraphs 21 through 26 above, Respondent violated ROC 3, 5, 8  
8 and 9 by using the services of another, REES, to falsely obtain course credits through an in-person  
9 course that Respondent never attended for the years 2017 to 2020.

10 29. In violating the ROC by using the services of another to falsely obtain course  
11 credits, Respondent does not meet the minimum criteria for licensure under Code section  
12 10166.05(c). The conduct of Respondent, as alleged above, is grounds for the suspension or  
13 revocation of Respondent’s license, MLO license endorsement, and license rights pursuant to the  
14 provisions of Code sections 10166.051(a), 10166.051(b), 10177(d), 10177(g) and/or 10177(j).

15 GROUND FOR DISCIPLINARY ACTION

16 30. **Code Section 10166.05** provides in pertinent part:

17 Notwithstanding any other provision of law, the commissioner shall not  
18 issue a license endorsement to act as a mortgage loan originator to an applicant  
19 unless the commissioner makes all of the following findings:

20 (c) The applicant has demonstrated such financial responsibility, character,  
21 and general fitness as to command the confidence of the community and  
22 warrant a determination that the mortgage loan originator will operate  
23 honestly, fairly, and efficiently within the purposes of this article.

24 31. **Code Section 10166.051** provides in pertinent part:

25 [T]he commissioner may do one or more of the following, after appropriate notice  
26 and opportunity for hearing:

27 (a) Deny, suspend, revoke, restrict, or decline to renew a mortgage loan  
28 originator license endorsement for a violation of this article, or any rules  
or regulations adopted hereunder.

(b) Deny, suspend, revoke, condition, or decline to renew a mortgage loan  
originator license endorsement, if an application or endorsement holder  
fails at any time to meet the requirements of Section 10166.05 or  
10166.09, or withholds information or makes a material misstatement in  
an application for a license endorsement or license endorsement renewal.

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32. **Code section 10177** provides in pertinent part:

The Commissioner may suspend or revoke the license of a real estate licensee, delay the renewal of a license of a real estate licensee, or deny the issuance of a license to an applicant, who has done any of the following . . . :

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

(g) Demonstrated negligence or incompetence in performing an act for which the officer, director, or person is required to hold a license.

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

**COSTS**

(COSTS OF INVESTIGATION AND ENFORCEMENT)

33. **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 may request the administrative law judge to direct a licensee found to have committed a violation of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

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 against all the licenses and license rights of Respondent MICHAEL Y. WU under the Real Estate Law, for the costs of investigation and enforcement as permitted by law, and for such other and further relief as may be proper under other applicable provisions of law.

Dated at San Diego, California this 8 day of August, 2022.

*Veronica Kilpatrick*  
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Veronica Kilpatrick  
Supervising Special Investigator

cc: MICHAEL Y. WU  
Compass California, Inc.  
Veronica Kilpatrick  
Sacto.