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8 *Attorney for Complainant*

**FILED**

**DEC 08 2022**

**DEPT. OF REAL ESTATE**

By



9 BEFORE THE DEPARTMENT OF REAL ESTATE  
10 STATE OF CALIFORNIA

11 \* \* \*

12 In the Matter of the Accusation Against ) DRE No. H-42437 LA  
13 )  
14 ARMEN VARTANIAN, )  
15 Respondent. ) FIRST AMENDED ACCUSATION  
16 \_\_\_\_\_ )

17 This First Amended Accusation amends the Accusation filed on July 26, 2019.  
18 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the State of  
19 California, for cause of Accusation against ARMEN VARTANIAN ("Respondent") alleges as  
20 follows:

21 1.

22 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the  
23 State of California, makes this Accusation in her official capacity.

24 2.

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

27 ///

ACCUSATION

1 LICENSE HISTORY

2 3.

3 a. Respondent is presently licensed and/or has license rights under the Code, as a  
4 real estate broker with Department of Real Estate ("Department") license ID 01845697.

5 b. Respondent's broker license was originally issued on December 23, 2009, and  
6 is scheduled to expire on December 27, 2025, unless renewed.

7 c. Respondent is presently licensed and/or has license rights to Mortgage Loan  
8 Originator (MLO) license endorsement with the Department with the assigned National  
9 Mortgage Licensing System and Registry ("NMLS") No. 346117.

10 STATEMENT OF FACTS

11 4.

12 Respondent violated the NMLS student Rules of Conduct ("ROC") by using the  
13 services of Danny Yen, dba Real Estate Educational Services ("REES") to complete his  
14 NMLS-approved continuing education ("CE") courses, which constitutes a violation of the  
15 licensing requirements of this state and under federal law. Specifically, Respondent used REES  
16 to obtain credit through an in-person fraud scheme. Under the in-person fraud scheme,  
17 Respondent used REES to annually report completion of an in-person course for four years  
18 from 2017 to 2020. REES did not teach the in-person course and Respondent never attended  
19 the in-person course nor completed the required exam or course work to receive course credit.

20 NMLS Pre-Licensing and Continuing Education

21 5.

22 The State Regulatory Registry LLC ("SRR"), which owns and operates the  
23 NMLS, administers pre-licensing education ("PE") and CE and Uniform State Test protocols.  
24 Title V of Public Law 110-289, the Secure and Fair Enforcement for Mortgage Licensing Act  
25 of 2008 (the SAFE Act), requires that state-licensed MLOs complete PE prior to initial  
26 licensure and annual CE thereafter. (See Code section 10166.06.)

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ACCUSATION

1 6.

2 In order to meet PE requirements contemplated under the SAFE Act, state-  
3 licensed MLOs must complete twenty (20) hours of NMLS–approved education. (Code section  
4 10166.06(a).)

5 7.

6 In order to meet CE requirements contemplated under the SAFE Act, state-  
7 licensed MLOs must complete eight (8) hours of NMLS–approved education. (Code section  
8 10166.10(a).)

9 REES

10 8.

11 REES, with NMLS course provider number 1405046, was an NMLS–approved  
12 course provider during the years 2017 to 2020.

13 9.

14 The NMLS had approved REES to offer one in-person 8-hour “DBO-SAFE Act  
15 Comprehensive: Mortgage Continuing Education” course in a classroom format located at  
16 15751 Brookhurst Street, Suite 230, Westminster, California (Westminster address).

17 10.

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

19 11.

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

22 REES Investigation

23 12.

24 The Mortgage Testing and Education Board (“MTEB”), which was created by  
25 SRR, has approved “Administrative Action Procedures for S.A.F.E. Testing and Education  
26 Requirements” (“AAP”), which extends administrative authority to the MTEB to investigate  
27 alleged violations of the NMLS student Rules of Conduct (“ROC”).

13.

The AAP also extends administrative authority to the MTEB and SRR to investigate alleged violations of the NMLS Standards of Conduct (“SOC”), which apply to all NMLS–Approved course providers.

14.

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

Findings of SRR and Department Investigation

15.

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

16.

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

17.

Respondent was identified in NMLS records as receiving course credit for REES’ 8-hour in-person CE course in 2017, 2018, 2019, and 2020. It was determined that none of these in-person courses ever took place and Respondent never attended an in-person course corresponding to the course credits Respondent received. Consequently, Respondent never took a knowledge examination required for course credit. It was determined that Respondent had used REES to obtain four years of course credits from 2017 to 2020 in violation of the ROC under the in-person fraud scheme.

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ACCUSATION

18.

The ROC provide in relevant part:

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

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

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

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

19.

By using the services of another to complete his CE and receiving fraudulent course credits through a non-existent course, Respondent violated ROC 3, 5, 8, and 9, and engaged in conduct that was dishonest, fraudulent, and that adversely impacted the integrity of the courses and the conditions and qualifications for which Respondent sought licensure or renewal of licensure.

Financial Responsibility, Character, and General Fitness

20.

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

ACCUSATION

21.

As described in paragraphs 15 through 19 above, Respondent violated ROC 3, 5, 8 and 9 by using the services of another, REES, to falsely obtain course credits through an in-person course that Respondent never attended for the years 2017 to 2020.

22.

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

#### GROUND FOR DISCIPLINARY ACTION

23.

**Section 10166.05 of the Code** provides in pertinent part, "Notwithstanding any other provision of law, the commissioner shall not issue a license endorsement to act as a mortgage loan originator to an applicant unless the commissioner makes all of the following findings:

...

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

24.

**Section 10166.051 of the Code** provides in pertinent part, "...the commissioner may do one or more of the following, after appropriate notice and opportunity for hearing:

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

1 hereunder.

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

7 25.

8 **Section 10177 of the Code** provides in pertinent part, “[t]he Commissioner may  
9 suspend or revoke the license of a real estate licensee, delay the renewal of a license of a real  
10 estate licensee, or deny the issuance of a license to an applicant, who has done any of the  
11 following...

12 ...

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

17 ...

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

20 ...

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

23 **COSTS**

24 (INVESTIGATION AND ENFORCEMENT COSTS)

25 26.

26 Section 10106 of the Code, provides, in pertinent part, that in any order issued in  
27 resolution of a disciplinary proceeding before the Department, the Commissioner may request

1 the administrative law judge to direct a licensee found to have committed a violation of this  
2 part to pay a sum not to exceed the reasonable costs of investigation and enforcement of the  
3 case.

4 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of  
5 this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary  
6 action against the license(s), MLO endorsement, and/or license rights of Respondent ARMEN  
7 VARTANIAN under the Real Estate Law, for the costs of investigation and enforcement as  
8 permitted by law and for such other and further relief as may be proper under other applicable  
9 provisions of law.

10  
11 Dated at San Diego, California this 6 day of December, 2022.  
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13  
14 *Veronica Kilpatrick*

15 Veronica Kilpatrick  
16 Supervising Special Investigator

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18 cc: ARMEN VARTANIAN  
19 Veronica Kilpatrick  
20 Sacto.  
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13 (d) Willfully disregarded or violated the Real Estate Law (Part 1 (commencing  
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23 COSTS

24 (INVESTIGATION AND ENFORCEMENT COSTS)

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26 Section 10106 of the Code, provides, in pertinent part, that in any order issued in  
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1                   WHEREFORE, Complainant prays that a hearing be conducted on the  
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3 disciplinary action against the licenses, MLO endorsement, and/or license rights of Respondent  
4 KENNY TYRON STIGLER under the Real Estate Law, for the costs of investigation and  
5 enforcement as permitted by law and for such other and further relief as may be proper under  
6 other applicable provisions of law.

7  
8 Dated at San Diego, California this 14 day of October, 2022.

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11 *Veronica Kilpatrick*

12 Veronica Kilpatrick  
13 Supervising Special Investigator  
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18 cc:   Kenny Tyrone Stigler  
19       Veronica Kilpatrick  
20       Sacto.  
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ACCUSATION