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FILED

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DEPT. OF REAL ESTATE

By- [REDACTED]

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of

No. H-42872-LA

GREAT WALL REALTY, INC., and
HONGHUA SHANG, individually and
as designated officer of Great Wall
Realty, Inc.,

ACCUSATION

Respondents.

The Complainant, Ray Dagnino, a Supervising Special Investigator for the Department of Real Estate ("Department" or "DRE") of the State of California, for cause of Accusation against GREAT WALL REALTY, INC. ("GWRI"), and HONGHUA SHANG ("SHANG"), also known as Harry Shang, individually and as designated officer of GWRI, collectively "Respondents", alleges as follows:

1. The Complainant, Ray Dagnino, acting in his official capacity as a Supervising Special Investigator, makes this Accusation against Respondents.

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 GWRI is currently licensed by the DRE as a restricted real estate corporation ("RREC"), DRE license identification number ("License ID") 02024473. GWRI previously held a plenary license as a real estate corporation ("REC") from on or about February 17,

1 2017, through on or about August 22, 2024, at which time GWRI's REC license was revoked
2 pursuant to the Decision of the Real Estate Commissioner adopting a Stipulation and Agreement
3 executed by GWRI in DRE Case No. H-42725-LA. On or about October 10, 2024, GWRI was issued
4 a RREC license, which is scheduled to expire on October 9, 2028, unless renewed. GWRI is licensed
5 through SHANG's restricted real estate broker license, License ID 01833183, and SHANG is
6 GWRI's restricted designated officer ("D.O."). GWRI maintains the licensed fictitious business
7 name ("dba") "Echain Escrow A Non-Independent Broker Escrow," ("Echain Escrow") active as of
8 April 17, 2025. According to DRE records to date, GWRI employs one (1) broker associate, and
9 approximately fourteen (14) salespersons. GWRI has a Mortgage Loan Originator ("MLO") license
10 endorsement with the DRE with National Mortgage Licensing System and Registry ("NMLS") ID
11 2529107, which, as of December 19, 2024, is in Approved-Inactive status.

12 4. Respondent SHANG is currently licensed by the DRE as a restricted real estate
13 broker ("RREB"), License ID 01833183. SHANG previously had a plenary license as a real estate
14 broker ("REB") from on or about March 29, 2012, through on or about August 22, 2024, at which
15 time SHANG's REB license was revoked pursuant to the Decision of the Real Estate Commissioner
16 adopting a Stipulation and Agreement executed by SHANG in DRE Case No. H-42725-LA. On or
17 about October 10, 2024, SHANG was issued a RREB license, which is scheduled to expire on
18 October 9, 2028, unless renewed. SHANG has an MLO license endorsement with the DRE with
19 NMLS ID 335194, which, as of December 19, 2024, is in Approved-Inactive status. According to
20 DRE records to date:

21 a. From on or about April 20, 2012, to on or about April 19, 2024, SHANG was
22 the D.O. for REC EChain, Inc., License ID 01913795. SHANG's D.O. license for EChain,
23 Inc. expired on April 19, 2024, and was revoked on August 22, 2024.

24 b. From on or about March 2, 2018, to on or about March 1, 2022, SHANG was
25 the D.O. for REC Half Realty, Inc., License ID 02055636. SHANG's D.O. license for Half
26 Realty, Inc. expired as of March 2, 2022.

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1 c. From on or about September 21, 2018, to on or about September 21, 2022,
2 SHANG was the D.O. for REC Egosun Capital, License ID 02075356. SHANG's D.O.
3 license for Egosun Capital expired as of September 21, 2022.

4 5. EChain, Inc. was previously licensed by the DRE as an REC, License ID 01913795,
5 from on or about April 20, 2012, to April 19, 2024, at which time EChain, Inc.'s REC license
6 expired. EChain, Inc. was licensed through SHANG's REB license, and SHANG was the D.O. until
7 his D.O. license expired on April 19, 2012. EChain, Inc. previously maintained the dbas EChain
8 Financial, from April 20, 2012, to April 20, 2024, and EChain Realty, from April 20, 2012, to April
9 20, 2024. Echain, Inc. previously had an MLO license endorsement with the DRE with NMLS ID
10 915899, which expired as of January 1, 2024, and Echain, Inc. is not authorized to conduct business
11 through its MLO license endorsement.

12 **PRIOR LICENSE DISCIPLINE – DRE CASE NO. H-41723-LA**

13 6. On or about July 7, 2020, in DRE Case No. H-41723-LA, the DRE filed an
14 Accusation against GWRI and SHANG, alleging violations of the Real Estate Law based on the
15 audit examination of GWRI in Audit No. LA180128, including violations of Code sections 10141.6,
16 10145, 10145(a), 10159.2, 10177(h), and 10177(h), and 10177(g) and 10177(d), and Regulations
17 2725, 2831, 2831.1, 2831.2, 2832, 2832.1, 2834, 2950(d), 2950(g), and 2951.

18 7. On or about August 28, 2020, in DRE Case No. H-41723-LA, the DRE filed a First
19 Amended Accusation against GWRI and SHANG, alleging the same violations against GWRI and
20 SHANG as alleged in the Accusation filed on or about July 7, 2020, and adding a new allegation
21 that on July 3, 2012, the DRE issued SHANG an MLO license endorsement, NMLS No. 335194,
22 that was scheduled to expire on April 2, 2024.

23 8. On or about April 19, 2021, in DRE Case No. H-41723-LA, the DRE filed a
24 Stipulation and Agreement as to GWRI and SHANG ("2021 Stipulation"), with an effective date of
25 May 19, 2021. In the Determination of Issues of the 2021 Stipulation, it was stipulated and agreed
26 that: Respondents' conduct was in violation of Code sections 10141.6, 10145, and Regulations 2831,
27 2831.1, 2831.2, 2832, 2832.1, 2834, 2950, and 2951, and was grounds for the suspension or

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1 revocation of Respondents' real estate licenses and license rights under Code sections 10177(d) and
2 10177(g); SHANG's conduct was in violation of Code section 10159.2 and Regulation 2725, and
3 was grounds for the suspension or revocation of SHANG's real estate licenses and license rights
4 under Code section 10177(h).

5 9. Under the 2021 Stipulation, all licenses and license rights of GWRI and SHANG
6 were suspended for a period of 60 days from the effective date of the Commissioner's Decision
7 ("Decision"), with stays subject to the following terms and conditions;

8 a. The initial 30 days of each Respondent's suspension was stayed for two years
9 upon the following terms and conditions:

10 (1) Each Respondent was required to pay a monetary penalty pursuant to
11 Code section 10175.2 at the rate of \$100.00 per day for each of the 30 days of
12 suspension for a total monetary penalty of \$3,000.00 for each Respondent.

13 (2) The payment was required to be in the form of a cashier's check made
14 payable to the Department of Real Estate. The check must be delivered to the DRE
15 prior to the effective date of the Decision.

16 (3) No further cause for disciplinary action against the real estate license
17 of each Respondent could occur within two (2) years from the effective date of the
18 Decision.

19 (4) If either Respondent failed to pay the monetary penalty in accordance
20 with the terms and conditions of the Decision, the suspension would go into effect
21 automatically with regard to the Respondent failing to pay the penalty. Neither
22 Respondent would be entitled to any repayment nor credit, prorated or otherwise, for
23 money paid to the DRE under the terms of the Decision.

24 (5) If each Respondent paid the required monetary penalty and if no
25 further cause for disciplinary action against the real estate license of that Respondent
26 occurred within two (2) years from the effective date of the Decision, the stay granted
27 would become permanent.

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1 b. The remaining 30 days of each Respondent's suspension would be stayed for
2 two years upon the following terms and conditions:

3 (1) Each Respondent was required to obey all laws, rules and regulations
4 governing the rights duties and responsibilities of a real estate licensee in the State of
5 California; and

6 (2) That no final subsequent determination be made after hearing or upon
7 stipulation, that cause of disciplinary action occurred within two (2) years from the
8 effective date of the Decision. Should such a determination be made, the
9 Commissioner may, in his discretion, vacate and set aside the stay order and re-
10 impose all or a portion of the stayed suspension. Should no such determination be
11 made, the stay imposed herein shall become permanent.

12 10. The 2021 Stipulation further provided, as to SHANG, that:

13 a. SHANG was required to within six (6) months from the effective date of the
14 Decision, take and complete the trust fund management course and file proof of completion
15 with the DRE. If SHANG failed to satisfy this condition, SHANG's license would
16 automatically be suspended until SHANG provided proof of completion.

17 b. SHANG's MLO license endorsement was revoked, provided, however, a
18 restricted MLO license endorsement would be issued to SHANG and would be subject to all
19 of the provisions of Code section 10156.7 and to the following limitations, conditions and
20 restrictions imposed under authority of Code section 10156.6:

21 (1) The restricted MLO license endorsement shall not confer any property
22 right in the privileges to be exercised including the right of renewal, and the
23 Commissioner may by appropriate order suspend the right to exercise any privileges
24 granted under the restricted license in the event of:

25 (a) Respondent's conviction (including a plea of nolo contendere)
26 of a crime which bears a substantial relationship to Respondent's fitness or
27 capacity as a real estate licensee; or

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(b) The receipt of evidence that Respondent has violated provisions of the California Real Estate Law, the Subdivided Lands Law, Regulations of the Commissioner or conditions attaching to the restricted license

(2) SHANG was not eligible to petition for the issuance of an unrestricted MLO license endorsement, nor the removal of any of the conditions, limitations, or restrictions attaching to the restricted MLO license endorsement until two (2) years elapsed from the date of issuance of the restricted MLO license endorsement to Respondent. Respondent was and is not eligible to apply for any unrestricted MLO license endorsement until all restrictions attaching to the MLO license endorsement have been removed.

11. The 2021 Stipulation further required that GWRI and SHANG: pay the sum of \$2,710.60 for the Commissioner's reasonable costs of the investigation and enforcement that led to the disciplinary action, prior to the effective date of the Decision; pay the Commissioner's reasonable costs for the audit that led to the disciplinary action in the amount of \$11,518.82, within 90 days of receiving an invoice therefor; and pay the Commissioner's reasonable costs, not to exceed \$14,398.53, for a subsequent audit to determine if Respondents had corrected the violations found in the 2021 Stipulation, within 60 days of receiving an invoice therefor.

PRIOR LICENSE DISCIPLINE – DRE CASE NO. H-42725-LA

12. On or about October 18, 2023, in DRE Case No. H-42725-LA, the DRE filed an Accusation against GWRI and SHANG, alleging violations of the Real Estate Law based on the audit examination of GWRI in Audit No. LA220105, including violations of Code sections 10145, 10145(a), 10159.2, 10177(h), and 10177(d) and/or 10177(g), and Regulations 2725, 2831.1, 2831.2, 2832, and 2832.1.

13. On or about August 2, 2024, in DRE Case No. H-42725-LA, the DRE filed a Stipulation and Agreement as to GWRI and SHANG ("2024 Stipulation"), with an effective date of August 22, 2024. In the Determination of Issues of the 2024 Stipulation, it was stipulated and agreed that: GWRI's conduct was in violation of Code sections 10145, and Regulations 2831.1, 2831.2,

1 2832, and 2832.1, and was a basis for discipline of GWRI's licenses and license rights pursuant to
2 Code sections 10177(d) and/or 10177(g); SHANG's conduct was in violation of Code sections
3 10145 and 10159.2 and Regulations 2725, 2831.1, 2831.2, 2832, and 2832.1, and was a basis for
4 discipline of SHANG's real estate licenses and license rights under Code sections 10177(d),
5 10177(g), and/or 10177(h).

6 14. Under the 2024 Stipulation, all licenses and license rights of GWRI and SHANG
7 were revoked, provided, however, that a RREC was issued to GWRI, and a RREB was issued to
8 SHANG, each for a period of one (1) year from the effective date of the Commissioner's Decision
9 ("Decision"), provided that GWRI and SHANG each made application to the DRE, and paid the
10 appropriate fees for their restricted licenses within 90 days from the effective date, subject to the
11 following limitations, conditions, and restrictions for each Respondent, beginning with GWRI:

12 a. The restricted license issued to GWRI may be suspended prior to hearing by
13 Order of the Real Estate Commissioner in the event of GWRI's conviction or plea of nolo
14 contendere to a crime which is substantially related to GWRI's fitness or capacity as a real
15 estate licensee.

16 b. The restricted license issued to GWRI may be suspended prior to hearing by
17 Order of the Real Estate Commissioner on evidence satisfactory to the Commissioner that
18 GWRI has violated provisions of the California Real Estate Law, the Subdivided Lands Law,
19 Regulations of the Real Estate Commissioner or conditions attaching to the restricted license.

20 c. GWRI shall not be eligible to apply for the issuance of an unrestricted real
21 estate license nor for the removal of any of the conditions, limitations or restrictions of a
22 restricted license until one (1) year has elapsed from the effective date of the Decision and
23 Order. GWRI shall not be eligible to apply for any unrestricted licenses until all restrictions
24 attaching to the license have been removed.

25 15. SHANG is subject to the following limitations, conditions, and restrictions in the
26 2024 Stipulation:

27 a. The restricted license issued to SHANG may be suspended prior to hearing
28 by Order of the Real Estate Commissioner in the event of SHANG's conviction or plea of

1 nolo contendere to a crime which is substantially related to SHANG's fitness or capacity as
2 a real estate licensee.

3 b. The restricted license issued to SHANG may be suspended prior to hearing
4 by Order of the Real Estate Commissioner on evidence satisfactory to the Commissioner that
5 SHANG has violated provisions of the California Real Estate Law, the Subdivided Lands
6 Law, Regulations of the Real Estate Commissioner or conditions attaching to the restricted
7 license.

8 c. SHANG shall not be eligible to apply for the issuance of an unrestricted real
9 estate license nor for the removal of any of the conditions, limitations or restrictions of a
10 restricted license until one (1) year has elapsed from the effective date of the Decision and
11 Order. SHANG shall not be eligible to apply for any unrestricted licenses until all restrictions
12 attaching to the license have been removed.

13 d. SHANG shall, within nine (9) months from the effective date of the Decision
14 and Order, present evidence satisfactory to the Commissioner that SHANG has, since the
15 most recent issuance of an original or renewal real estate license, taken and successfully
16 completed the continuing education requirements of Article 2.5 of Chapter 3 of the Real
17 Estate Law for renewal of a real estate license. If SHANG fails to satisfy this condition,
18 SHANG's real estate license shall automatically be suspended until SHANG presents
19 evidence satisfactory to the Commissioner of having taken and successfully completed the
20 continuing education requirements. Proof of completion of the continuing education courses
21 must be delivered to the Department of Real Estate, Flag Section at 651 Bannan Street, Suite
22 500-D, Sacramento, CA 95811.

23 e. SHANG further agrees to provide proof satisfactory to the Commissioner of
24 having taken and successfully completed the continuing education course on trust fund
25 accounting and handling specified in Paragraph (3) of subdivision (a) of Section 10170.5 of
26 the Business and Professions Code. Proof of satisfaction of this requirement includes
27 evidence that SHANG has successfully completed the trust fund accounting and handling
28 continuing education course within 120 days prior to the effective date of the Decision and

1 Order in this matter. Proof of completion of the trust fund accounting and handling course
2 must be delivered to the Department of Real Estate, Flag Section at 651 Bannon Street, Suite
3 500-D, Sacramento, CA 95811, within thirty (30) days from the effective date of the Decision
4 and Order. If SHANG fails to satisfy this condition in a timely manner as provided for in the
5 2024 Stipulation, all licenses and license rights of SHANG shall be automatically suspended
6 unless or until SHANG presents evidence satisfactory to the Commissioner of having taken
7 and successfully completed the continuing education course.

8 16. The 2024 Stipulation further provided that:

9 a. All licenses and licensing rights of GWRI and SHANG were indefinitely
10 suspended unless or until Respondents, jointly and severally, paid the Commissioner's
11 reasonable costs of the follow-up audit (Audit No. LA220108) in Case No. H-41723-LA
12 (Invoice #CA-M5044) totaling \$5,340.22. Said payment to be in the form of a cashier's
13 check made payable to the Department of Real Estate and delivered to the Department of
14 Real Estate, Flag Section at 651 Bannon Street, Suite 500-D, Sacramento, CA 95811, prior
15 to the effective date of the Decision and Order in the 2024 Stipulation. If Respondents failed
16 to satisfy this condition in a timely manner as provided for in the 2024 Stipulation,
17 Respondents' real estate licenses would automatically be suspended until payment is made
18 in full, or until a decision providing otherwise was adopted following a hearing held pursuant
19 to this condition.

20 b. Pursuant to Code section 10148, Respondents were required to pay, jointly
21 and severally, the Commissioner's reasonable costs for the audit which led to the disciplinary
22 action in Case No. H-42725-LA. The total amount of said audit costs was \$4,251.50.
23 Respondents were required to pay such costs within sixty (60) days of receiving an invoice
24 therefor from the Commissioner. Payment of the audit costs should not have been made until
25 Respondents received the invoice. If Respondents failed to satisfy this condition in a timely
26 manner as provided for in the 2024 Stipulation, Respondents' real estate licenses would
27 automatically be suspended until payment is made in full, or until a decision providing
28 otherwise was adopted following a hearing held pursuant to this condition.

1 c. Pursuant to Code section 10148, Respondents were required to pay, jointly
2 and severally, the Commissioner's reasonable cost, not to exceed \$6,675.27, for an audit to
3 determine if Respondents have corrected the violation(s) found in the Determination of
4 Issues in the 2024 Stipulation. In calculating the amount of the Commissioner's reasonable
5 cost, the Commissioner may use the estimated average hourly salary for all persons
6 performing audits of real estate brokers, and shall include an allocation for travel time to and
7 from the auditor's place of work. Respondents were required to pay such cost within sixty
8 (60) days of receiving an invoice therefor from the Commissioner. Payment of the audit costs
9 should not have been made until Respondents received the invoice. If Respondents failed to
10 satisfy this condition in a timely manner as provided for in the 2024 Stipulation,
11 Respondents' real estate licenses would automatically be suspended until payment is made
12 in full, or until a decision providing otherwise was adopted following a hearing held pursuant
13 to this condition.

14 d. Respondents were required to, jointly and severally, pay the Commissioner's
15 reasonable costs of the investigation and enforcement that led to the disciplinary action. The
16 total amount of said investigation (\$2,334.99) and enforcement (\$963.60) costs was
17 \$3,298.59. Said payment to be in the form of a cashier's check made payable to the
18 Department of Real Estate. The investigation and enforcement costs were to be delivered to
19 the Department of Real Estate, Flag Section at 651 Bannon Street, Suite 500-D, Sacramento,
20 CA 95811, prior to the effective date of the Decision and Order in the 2024 Stipulation. If
21 Respondents failed to pay the costs of the investigation and enforcement in accordance with
22 the terms and conditions of the Decision and Order in the 2024 Stipulation, all licenses and
23 license rights of Respondents would automatically be suspended unless or until Respondents
24 paid the costs of the investigation and enforcement.

25 e. Respondents were required to disburse the remaining funds in the trust
26 account (xxx8554) at East West Bank, referred to as TA2 in the Accusation in Case No.
27 H-42725-LA, to the beneficiaries of the funds prior to closing the account. Respondents were
28 further required to send proof satisfactory to the Commissioner of having closed said account

1 to the Department of Real Estate, Flag Section at 651 Bannon Street, Suite 500-D,
2 Sacramento, CA 95811, within thirty (30) days from the effective date of the Decision and
3 Order in the 2024 Stipulation. If Respondents failed to satisfy this condition in a timely
4 manner as provided for in the 2024 Stipulation, all licenses and license rights of Respondents
5 would automatically be suspended unless or until Respondents provided proof satisfactory
6 to the Commissioner of having closed said account.

7 **BROKERAGE: GWRI**

8 17. At all times mentioned, GWRI was engaged in the business of, acted in the capacity
9 of, advertised or assumed to act as a REC, within the meaning of Code sections 10131(a), 10131(b),
10 and 10131(d):

11 a. Selling or offering to sell, buying or offering to buy, soliciting prospective
12 sellers or buyers of, soliciting or obtaining listings of, or negotiating the purchase, sale, or
13 exchange of real property or a business opportunity, for compensation or in expectation of
14 compensation, for another or others;

15 b. Leasing or renting, or offering to lease or rent, or placing for rent, or soliciting
16 for prospective tenants, or negotiating the sale, purchase or exchanges of leases on real
17 property, or on a business opportunity, or collecting rents from real property, or
18 improvements thereon, or from business opportunities, for compensation or in expectation
19 of compensation, for another or others; and

20 c. Soliciting borrowers or lenders for or negotiating loans or collecting
21 payments or performing services for borrowers or lenders or note owners in connection with
22 loans secured directly or collaterally by liens on real property or on a business opportunity,
23 for compensation or in expectation of compensation, for another or others.

24 In addition, GWRI conducted broker-controlled escrows under the exemption set forth in California
25 Financial Code section 17006(a)(4) for real estate brokers performing escrows incidental to a real
26 estate transaction where the broker is a party and where the broker is performing acts for which a
27 real estate license is required. At all times mentioned, GWRI was acting by and through SHANG as

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1 its designated officer pursuant to Code section 10159.2 who was responsible for ensuring
2 compliance with the Real Estate Law.

3 **FACTS DISCOVERED BY THE DRE**

4 18. Complainant is informed and believes and on such information and belief alleges that
5 from in or around February 2022 through at least May 22, 2023, GWRI and SHANG engaged in a
6 long-term, extended, continuous course of conduct of failing to provide or disclose material facts
7 to, and conceal material facts from, L.D. and his daughter P.D. ("Buyers")^{1/} in order to induce them
8 to take actions against their interests, and in the interests of SHANG to financially benefit SHANG.

9 19. Complainant is informed and believes and on such information and belief alleges that
10 from in or around February 2022 through at least May 22, 2023, GWRI and SHANG engaged in a
11 long-term, extended, continuous course of conduct to:

12 a. Induce the Buyers to Hire GWRI and SHANG as their real estate broker in a
13 dual agency capacity in the purchase of 3228 Vineland Ave., Baldwin Park, California
14 ("Vineland Property"), owned by SHANG and his wife P.C. ("Sellers"), while GWRI and
15 SHANG represented the Sellers, without properly disclosing to and advising the Buyers of
16 SHANG's potential conflict of interest in acting as a dual agent when he was also a principal
17 in the transaction;

18 b. Induce the Buyers to purchase the Vineland Property, owned by SHANG and
19 his wife P.C.;

20 c. Induce the Buyers to Agree to use GWRI's non-independent broker
21 controlled escrow as the escrow holder without properly disclosing to and advising the
22 Buyers of SHANG's potential conflict of interest in acting as the escrow holder as a dual
23 agent for the Buyers and Sellers, when SHANG is the owner of GWRI and was a principal
24 in the transaction;

25 d. Induce the Buyers to Wire transfer a \$300,000 down payment into SHANG's
26 personal bank account, and subsequently GWRI and SHANG only listed the Buyers' down

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28 ^{1/} Initials are used in place of an individual's full name to protect their privacy. Documents containing the individual's full name will be provided during the discovery phase of this case to Respondents and/or their attorney(s), after service of a timely and proper request for discovery on Complainant's counsel.

1 payment as \$270,000.00, paid outside of escrow, in the Buyers Final Settlement Statement
2 without the Buyers' consent, and allowing SHANG to convert \$30,000.00 for his personal
3 use, without the Buyers' knowledge or consent;

4 e. Induce the Buyers to agree to a private short term "bridge loan" of \$460,000
5 from a private investor—a private investor to whom SHANG owed \$250,000.00—an
6 amount that was \$33,400 more than the Buyers needed, which involved SHANG having the
7 Buyers sign a loan document without stating the amount of the loan, SHANG later writing
8 in the amount as \$460,000.00, which the Buyers did not discover this amount until in or
9 about July 2022, at which time they requested a \$33,400 refund from SHANG, which
10 SHANG agreed to, but repeatedly delayed repaying until on or about May 22, 2023;

11 f. Induce the Buyers to agree to an additional conventional loan from East West
12 Bank for \$444,000, to be used to pay off the "bridge loan," necessitating a second escrow
13 and additional costs,.

14 20. Complainant is also informed and believes and on such information and belief alleges
15 that GWRI's and SHANG's long-term, extended, continuous course of conduct of failing to provide
16 or disclose, and to suppress, material facts to the Buyers was in furtherance of Respondents' plan to
17 avoid accountability for violations of the Real Estate Law.

18 21. On or about September 16, 2022, the DRE received a complaint from P.D., against
19 SHANG and GWRI, alleging that SHANG sold his own property located at 3228 Vineland Ave.,
20 Baldwin Park, California ("Vineland Property") to P.D. and L.D. ("Buyers") for \$726,600.00. P.D.
21 and L.D. are daughter and father. The Buyers alleged that SHANG represented them as a dual agent
22 for the Buyers and Sellers. According to the Buyers, they paid SHANG \$300,000.00 as a down
23 payment, with the remaining \$426,600.00 to be financed by a loan. The Buyers allege that SHANG
24 convinced them to obtain a private loan, after SHANG advised them that they would not get
25 approval from a bank. According to the Buyers, when they signed a loan application, SHANG left
26 the amount blank, and, without the knowledge or consent of the Buyers, SHANG thereafter filled
27 in the loan amount as \$460,000.00, which was \$33,400.00 more than required.

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1 22. The Buyers allege that they speak limited English and SHANG took advantage of
2 this fact by obligating the Buyers to pay a loan that was \$33,400.00 more than required, telling the
3 Buyers that signing the loan application was required to complete the deal and there was nothing to
4 be worried about. The Buyers allege that SHANG did not allow the Buyers a chance to review the
5 loan terms, and that they did not learn that the loan was for \$460,000.00 until they received the final
6 settlement statement. When the Buyers discovered the amount that SHANG had obligated them to
7 pay, they contacted SHANG in July 2022 to complain. SHANG agreed to refund the excess amount
8 of the loan by August 5, 2022. On August 5, 2022, SHANG had not refunded the excess amount of
9 the loan to the Buyers, and they contacted SHANG again. After more than 20 phone calls from the
10 Buyers, SHANG called the Buyers back to tell them he would pay their refund before the end of
11 August 2022. However, SHANG did not pay the refund before the end of August 2022 as promised.
12 On or about August 30, 2022, SHANG called the Buyers to tell them he would pay them back in
13 three months. When the Buyers demanded immediate payment, SHANG hung up on them. On or
14 about May 22, 2023, approximately 15 months after SHANG received the proceeds of the
15 \$460,000.00 loan, including the excess \$33,400.00, SHANG wrote a check to the Buyers for
16 \$33,000.00, as discussed in further detail in Paragraph 47 below.

17 23. After receiving P.D.'s complaint, the DRE discovered the following.

18 24. On or about February 24, 2021, SHANG and P.C. signed a Residential Listing
19 Agreement ("RLA") as the Sellers of the Vineland Property ("the Sellers") granting GWRI the
20 exclusive right to sell the Vineland Property for \$799,000.00. SHANG also signed the RLA as the
21 broker on behalf of GWRI. SHANG and P.C. had been leasing the Vineland Property to tenants.

22 25. On or about January 17, 2022, the Buyers received a letter from F.P. Mortgage—
23 which describes itself as a "direct lender," and is a licensed dba for Grand Castle Inc. (DRE License
24 ID 01835960; California Finance Lender License ID 603I063)—informing L.D., "You are pre-
25 approved for a portfolio loan with a maximum loan amount of \$850,000."

26 26. On or about February 5, 2022, the Buyers and the Sellers signed a California
27 Residential Purchase Agreement and Joint Escrow Instructions ("RPA") for the Vineland Property,
28 in which the Buyers agreed to pay \$726,600.00 as the purchase price. Paragraph 3 of the RPA, titled

1 “Terms of Purchase and Allocation of Costs,” provided in relevant part that: the purchase price was
2 \$726,600.00, all cash (¶ 3(A)); Close of Escrow was February 11, 2022 (¶ 3(B)); the initial deposit
3 amount was \$20,000.00 (¶ 3(D)(1)); and that the balance of the down payment was \$706,600.00 (¶
4 3(F)). The subparts of paragraph 3 of the RPA that provided for loan terms, any additional financed
5 amount and/or finance terms, verification of loan application, were left blank. The last page of the
6 RPA listed no real estate broker representing the Buyers, and under the Escrow Holder
7 Acknowledgement, the Escrow Holder was listed as “Echain Escrow.”

8 27. On or about February 6, 2022:

9 a. On SHANG’s instruction, Buyer L.D. wire-transferred \$300,000.00 to
10 SHANG’s personal bank account with Cathay Bank, account number ending in 4959, as a
11 down payment for the Vineland Property. According to a copy of SHANG’s bank statement
12 from Cathay Bank for his account number ending in 4959, a wire transfer from L.D. in the
13 amount of \$300,000.00 was deposited on February 8, 2022. According to the Buyers, this
14 \$300,000 was meant to be their down payment / earnest money deposit, with the remaining
15 \$426,600 to be financed by a mortgage loan.

16 b. The Buyers and the Sellers signed Amended Escrow Instructions for the
17 Vineland Property, stating that Echain escrow is a Non-Independent broker escrow of
18 GWRI, and that SHANG is the broker and owner of GWRI and Echain Escrow.

19 c. The Buyers and the Sellers signed an Escrow Holder’s Supplement to the
20 RPA for the Vineland Property, Escrow No. 180320-SM, stating in pertinent part:

21 Buyer will hand GREAT WALL REALTY, INC. DBA ECHAIN ESCROW	
initial deposit in the amount of	\$20,000.00
22 Prior to close of escrow, buyer will deposit an additional amount of	\$706,000.00
23 Total Consideration	\$726,600.00

24 GWRI dba Echain Escrow prepared the Escrow Holder’s Supplement to the RPA, stating
25 that the Buyers would make an initial deposit of \$20,000.00 into escrow when SHANG knew
26 that the Buyers wanted to make a down payment of \$300,000.00, and the same day this
27 Supplement was signed, SHANG directed Buyer L.D. to wire transfer \$300,000.00 into
28 SHANG’s personal bank account outside of escrow.

d. The Buyers signed the Buyer's Estimated Settlement Statement, which showed after insurance, fees, and charges, the total estimated amount was \$731,092.30, and also showed the following:

	<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION		
Total Consideration	726,600.00	

No other amounts were listed under financial consideration in the Buyer's Estimated Settlement Statement.

28. On or about February 7, 2022:

a. The Buyers and Sellers signed the Agent Visual Inspection Disclosure form, in which SHANG signed as the broker representing the Sellers, and as the broker representing the Buyers.

b. The Buyers and Sellers signed the Statewide Buyer and Seller Advisory form, in which SHANG signed on behalf of GWRI as the broker representing the Sellers, and as the broker representing the Buyers.

c. The Buyers and Sellers signed the Lead-Based Paint and Lead-Based Paint Hazards Disclosure, Acknowledgement and Addendum form, in which SHANG signed on behalf of GWRI as the broker representing the Sellers, and as the broker representing the Buyers.

d. Buyers L.D. and P.D. signed a Short Form Deed of Trust and Assignment of Rents as joint tenants for the Vineland Property, listing First American Title Company as Trustee, and Margarit Hsu as the beneficiary, and also signed a Note Secured by Deed of Trust, with a promise to pay Margaret Hsu, the principal sum of \$460,000.00, with interest from March 1, 2022, on unpaid principal at the rate of 7.0000 per cent per annum, payable in monthly installments of interest only or more on the first day of each month beginning on March 1, 2022, and continuing to May 30, 2022, at which time the entire principal balance together with interest due thereon, would be due and payable.

29. On or about February 11, 2022, the Buyers and Sellers signed an Extension of Time Addendum, extending the scheduled Close of Escrow to March 1, 2022.

1 30. During the audit examination of GWRI, Audit No. LA220108, discussed below, the
2 DRE's auditor obtained copies of escrow transaction documents for the Vineland Property, Escrow
3 Nos. 180320-SM, and 180340-SM.

4 31. Among the documents contained in Escrow No. 180320-SM, was an undated single-
5 page document signed by lender Margaret Hsu and Sellers SHANG and P.C., stating the following:

6 PROPERTY ADDRESS: 3228 Vineland Ave Baldwin Park, CA 91706

7 ESCROW NO.: 180320-SM Borrower/Buyer: L.D. and P.D.

8 Loan Amount: \$460,000.

9 This is Margaret Hsu, the lender of subject transaction as well as the lender to the
10 seller Honghua Shang and P.C. As the seller has a loan of \$250,000 to payoff to
11 me, I instructs [sic] Echain Escrow to deduct the payoff amount of \$250,000
directly from the funding amount of \$460,000. Therefore, the actual funding
amount will be \$210,000, the loan amount on L.D. and P.D.'s deed of trust is still
\$460,000.

12 32. On or about February 25, 2022, Margaret Hsu wrote a personal check, check number
13 439, in the amount of \$210,000, payable to Echain Escrow, with the memo "For: 3228 Vineland
14 Ave. B.P." The escrow file for Escrow No. 180320-SM contains a receipt from Echain Escrow dated
15 February 28, 2022, for Hsu's \$210,000 check, as received on behalf of "Buyer/Borrower" for the
16 Vineland Property.

17 33. On or about February 28, 2022, SHANG and/or GWRI caused \$253,000.00 from
18 GWRI's (dba Echain Escrow) East West Bank broker escrow trust account ending in 3667 to be wire-
19 transferred to First American Title Company's account ending in 0000, with First American Trust,
20 FSB,

21 34. On or about March 2, 2022, First American Title Company issued a Disbursement
22 Statement to GWRI dba Echain Escrow, for Escrow No. 180320-SM, showing receipt of \$253,000.00
23 from East West Bank on February 28, 2022.

24 35. On or about March 9, 2022, GWRI dba Echain Escrow issued the Buyer's Final
25 Settlement Statement for Escrow No. 180320-SM, stating the following in pertinent part:

26 ///

27 ///

28 ///

PROPERTY: 3228 Vineland Ave
Baldwin Park, CA 91706

DATE: March 9, 2022

CLOSING/RECORD DATE: March 1, 2022

CLOSE/SIGNING DATE: February 7, 2022

DISBURSEMENT DATE: March 9, 2022

BUYER: L.D. and P.D.

ESCROW NO.: 180320-SM

	<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION		
Total Consideration	726,600.00	
Paid Outside of Escrow		270,000.00
New 1 st Trust Deed – Margaret Hsu		460,000.00
PRORATIONS/ADJUSTMENTS		
County Taxes at \$3,115.88/semi-annually from 01/01/2022 to 03/01/2022		1,038.63
OTHER DEBITS/CREDITS		
TOPCO INSURANCE AGENCY INC. for Homeowner's Insurance	1,106.15	
TITLE/TAXES/RECORDING CHARGES – First American Title Company [Total]	[296.20]	
ESCROW CHARGES – Great Wall Realty, Inc. DBA Echain Escrow		
Title – Escrow Fee	2,479.80	
Title – Signing Fee	150.00	
Title – Messenger Fee	50.00	
Title – Wire Fee	50.00	
Total Refund	306.13	
TOTAL	\$ 731,038.63	\$ 731,038.63

Of note, the Buyer's Final Settlement Statement, under the heading Financial Consideration, listed a credit paid outside of escrow of \$270,000.00, and a credit for "New 1st Trust Deed - Margaret Hsu," in the amount of \$460,000.00.

a. According to the Buyers, they intended the \$300,000.00 that they were directed to wire transfer to SHANG to be the down payment, not \$270,000.

b. According to an attorney representing GWRI and SHANG: the Buyers orally agreed that \$30,000.00 of the \$300,000.00 was for a personal loan to SHANG and P.C., that the remaining \$270,000.00 would go toward the purchase price, and that the Buyers requested that this \$270,000.00 be made outside of escrow; SHANG used approximately

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1 \$5,000 of the \$30,000 loan for improvements to the Vineland Property when the Buyers
2 asked for as part of their purchase (junk removal in the yard, tree trimming and landscaping).

3 c. According to the Buyers, they never consented to a personal loan of \$30,000
4 to SHANG, and SHANG never made any improvements to the property during escrow or
5 thereafter. In fact, the Buyers made multiple requests of SHANG to assist in removing junk
6 left behind by SHANG's and P.C.'s former tenant of the Vineland Property, but SHANG
7 provided no assistance.

8 36. Also on or about March 9, 2022, GWRI issued the Seller's Final Settlement
9 Statement to the Sellers for Escrow No. 180320-SM, showing the following in pertinent part:

PROPERTY:	3228 Vineland Ave Baldwin Park, CA 91706	DATE:	March 9, 2022
		CLOSING DATE:	March 1, 2022
SELLER:	SHANG and P.C.	ESCROW NO.:	180320-SM
		<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION			
Total Consideration			726,600.00
Deposit from P.C. and SHANG			43,000.00
Deposit from P.C.			28,000.00
Paid Outside of Escrow		270,000.00	
PAYOFF CHARGES – East West Bank Hsu			
[Total Payoff \$248,104.79]			
Principal Balance		246,000.00	
Interest on Principal Balance		1,203.03	
Interest on Principal Balance from 02/08/2022 to 03/02/2022		687.36	
Recording Fee		95.00	
Late Charges		44.40	
Statement Fee		30.00	
Reconveyance Fee		45.00	
PAYOFF CHARGES – Margaret Hsu			
[Total Payoff \$250,000.00]			
Principal Balance		250,000.00	
TOTAL		\$ 800,179.00	\$ 800,179.00

25 37. On or about March 21, 2022, L.D. signed a partially completed Uniform Residential
26 Loan Application, which listed the loan origination company's name as "ECHAIN FINANCIAL,"
27 with loan origination company identifier 915899. As alleged above, EChain Financial was a dba
28 licensed to former REC EChain, Inc. According to P.D., GWRI's staff sent the application to P.D.

1 and L.D., apparently instructing L.D. to complete only the highlighted part of the application, and
2 GWRI completed the remainder of the application.

3 38. On or about May 4, 2022, East West Bank issued a "Conditional Loan Approval"
4 letter to L.D., for a loan in the amount of \$444,000.00, at the rate of 3.500% through a loan program
5 described as "Bridge to Home Loan 5/1 ARM 252N," for a "NoCash-Out Refinance" conventional
6 loan with an adjustable rate.

7 39. On or about May 5, 2022, L.D. and P.D. signed Refinance Escrow Instructions for
8 Escrow No. 180340-SM, for a loan in the amount of \$444,000.00.

9 40. On or about May 19, 2022, Margaret Hsu signed a Substitution of Trustee and Full
10 Reconveyance of the deed of trust.

11 41. On or about July 20, 2022, L.D. and P.D. signed a Deed of Trust as borrower listing
12 East West Bank as the lender and trustee, and also signed a note in the form of an adjustable rate
13 rider (1 Year Treasury Index – Rate Caps). The Note provided for an initial interest rate of 3.500%
14 for the first 5 years, but on the change date of August 1, 2027, the interest rate would be based on
15 an Index defined as the weekly average yield on US Treasury securities adjusted to a constant
16 maturity of one year.

17 42. On or about July 27, 2022:

18 a. L.D. and P.D. signed Amended Escrow Instructions for Escrow No. 180340-
19 SM for the Vineland Property stating the following, in pertinent part:

20 NEW LOAN: Borrower will obtain a new loan in the amount of
21 \$444,000.00 secured by a first deed of trust in favor of East West Bank
22 payable at an interest rate of 3.5% per annum for 30 years. . . . Borrower's
23 signature on said documents shall be indication of their approval of all terms
and conditions contained therein and Escrow Holder's authorization for the
use of same.

24 b. P.D. signed and completed a form titled "Gift Letter" directed to East-West
25 Bank, in which P.D. stated she was giving L.D. a "bona fide gift" of \$6,000.00.

26 c. A document titled "Incoming Wire Detail" showed that \$6,000.00 was wire
27 transferred from Chase Bank on behalf of P.D. to WFG National Title Company of

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California as the beneficiary. A document titled "Receipt for Wire, Echain Escrow" showed receipt of the \$6,000.00 from P.D. with the description "Funds to Close from [P.D]."

d. Another document titled "Incoming Wire Detail" showed that \$34,186.92 was wire transferred from Bank of America on behalf of L.D. to WFG National Title Company of California as the beneficiary. Another document titled "Receipt for Wire, Echain Escrow" showed receipt of the \$34,186.92 from L.D. with the description "Funds to Close from [L.D]."

43. On information and belief, on a date unknown, P.D. caused another \$3,499.19 to be wire transferred to WFG National Title Company of California as part of the financial consideration for refinancing the loan on the Vineland Property. This amount is listed in the Borrower's Final Settlement Statement to L.D. and P.D. for Escrow No. 180340-SM, as alleged below in Paragraph 45. Documents such as "Incoming Wire Detail" and "Receipt for Wire, Echain Escrow," were not included in the escrow documents produced by GWRI. Complainant will amend this Accusation to allege the date of such wire transfer from P.D. to WFG National Title Company of California if and when such date is ascertained.

44. Among the documents contained in Escrow No. 180340-SM was an unsigned one-page document, dated July 28, 2022, titled "Private Lender Instructions" for the Vineland Property, stating in pertinent part:

NEW LOAN: Buyer will obtain a new loan in the amount of \$460,000.00 secured by a first deed of trust in favor of Margaret [Hsu] payable at an interest rate of 7.0000% per annum for 1/2 years. . . . Buyer's signature on said documents shall be indication of their approval of all terms and conditions contained therein and Escrow Holder's authorization for the use of same.

45. On or about August 1, 2022, GWRI dba Echain Escrow issued a Borrower's Final Settlement Statement to L.D. and P.D. for Escrow No. 180340-SM, showing the close/signing date as July 28, 2022, a total amount of \$487,686.11, and showing the following in pertinent part:

PROPERTY:	3228 Vineland Ave Baldwin Park, CA 91706	DATE:	August 1, 2022
		CLOSING/RECORD DATE:	August 1, 2022
		CLOSE/SIGNING DATE:	July 28, 2022
		DISBURSEMENT DATE:	August 1, 2022

///

BORROWER: L.D. and P.D.

ESCROW NO.:

180340-SM

	<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION		
New 1 st Trust Deed – East West Bank		444,000.00
P.D. wire to WFG Title Company		6,000.00
L.D. wire to WFG Title Company		34,186.92
P.D. wire to WFG Title Company		3,499.19
PAYOFF CHARGES – Margaret Hsu		
[Total Payoff \$476,074.44]		
Principal Balance	460,000.00	
Interest on Principal Balance	13,774.44	
Service Fee	2,300.00	
LOAN INFORMATION – East West Bank		
[Charges \$5,936.25]		
Origination Charge	4,440.00	
Appraisal Fee POC \$590.00		
Credit Report	27.08	
Processing Fee	1,200.00	
Tax Service Fee	83.00	
Flood Monitoring Life of Loan	4.00	
Flood Certification	9.50	
Interest at \$43.1667/day from 07/28/2022 to 08/01/2022	172.67	
TITLE/TAXES/RECORDING CHARGES – WFG National		
Title Company		
Title – Lender's Title Insurance	375.00	
Title – Messenger Fee	76.50	
Title – Recording Service Fee	15.00	
Title – Sub Escrow Fee	75.00	
Title – Wire Fee	45.00	
Recording Trust Deed	86.00	
Recording Reconveyance	44.00	
SB2 Recording Fees	225.00	
Delinquent Taxes	3,499.19	
ESCROW CHARGES – Great Wall Realty, Inc. DBA		
Echain Escrow		
Title – Escrow Fee	500.00	
Title – Loan Tie-In Fee	300.00	
Title – Notary Fee	300.00	
Title – Messenger Fee	50.00	
Title – Wire Fee	50.00	
Total Refund	34.73	
TOTAL	\$ 487,686.11	\$ 487,686.11

46. On or about May 15, 2023, the DRE sent an audit examination appointment notice to GWRI and SHANG pursuant to Code section 10148.

1 47. On or about May 22, 2023, one week after receiving the DRE's audit notice, SHANG
2 wrote a check for \$33,000, and SHANG, L.D., and P.D. signed a purported settlement agreement
3 which provided in part that SHANG borrowed \$33,000 from L.D. in February 2022, "with 0%
4 interest," and SHANG paid the money back on May 22, 2023.

5 a. According to SHANG's attorney, in a letter dated December 27, 2023,
6 SHANG borrowed \$30,000 from the \$300,000 down payment wire-transferred in February
7 2022 by L.D., SHANG repaid the \$30,000 on May 22, 2023, and SHANG also paid \$3,000
8 in interest, for a total of \$33,000.

9 b. According to the Buyers, SHANG's \$33,000 check was for repayment of the
10 excess \$33,400 in the \$460,000 loan that SHANG obligated the Buyers to pay, and which
11 \$33,400.00 SHANG had repeatedly promised to pay during July and August 2022, as alleged
12 above in Paragraph 22.

13 **AUDIT OF GWRI: AUDIT NO. LA220108**

14 48. On August 30, 2023, the DRE completed an audit examination of the books and
15 records of GWRI's real estate activities that require a corporate real estate broker license under Code
16 section 10131. The audit examination, Audit No. LA220108, covered the time period March 1, 2021
17 to May 31, 2023 ("audit period") and was limited to GWRI's broker escrow activities.

18 49. The purpose of the audit examination was to perform a chargeable follow-up
19 examination to determine whether GWRI and SHANG had complied with Code sections 10141.6,
20 10145, and 10159.2, and Regulations 2725, 2831, 2831.1, 2831.2, 2832, 2832.1, 2834, 2950, and
21 2951, as cited in the 2021 Stipulation. Based on the documents examined, GWRI and SHANG were
22 in compliance with Code sections 10141.6, 10145, and 10159.2, and Regulations 2725, 2831,
23 2831.1, 2831.2, 2832, 2832.1, 2834, 2950, and 2951, however GWRI and SHANG were not in
24 compliance with Code section 10086(a) and Financial Code section 17006(a)(4).

25 50. Based on discussions between the DRE's auditor and SHANG, GWRI's corporate
26 structure as of August 30, 2023 was as follows:

<u>Name</u>	<u>Title</u>	<u>License</u>	<u>Shareholder %</u>
SHANG	CEO	01833183 (D.O./REB)	100%
///			

1 51. According to SHANG and records examined, GWRI closed approximately thirty-six
2 (36) escrow transactions and collected escrow trust funds amounting to \$17,588,059.00 for the past
3 twelve (12) months period ended May 31, 2023.

4 52. During the audit period, GWRI maintained one (1) trust account (TA1) for handling
5 the receipts and disbursements of trust funds in connection with the broker escrow activity. The
6 information for TA1 is as follows:

7 **Trust Account #1 ("TA1")**

8 Bank: East West Bank
9 Account Name: GREAT WALL REALTY INC.
10 DBA ECHAIN ESCROW A NON INDEPENDENT BROKER ESCROW –
TRUST ACCOUNT
11 Account #: XXXXXXXXX3667
12 Signatories: SHANG
Signatures required: One (1) signature

13 **Audit Violations in Audit No. LA220108**

14 53. The audit examination revealed violations of the Code and the Regulations, as set
15 forth in the following paragraphs, and more fully discussed in the audit report for Audit No.
16 LA220108, and the exhibits and work papers attached to the audit report:

17 **Issue One (1). Code section 10086(a), and Financial Code section 17006(a)(4): Engaging In**
18 **Prohibited Activity / Third Party Escrow**

19 54. Based on an examination of closed escrow transaction files, GWRI performed
20 broker-controlled escrows for real estate sales and loan transactions without being a party to those
21 transactions. The DRE's auditor identified the following three (3) examples of real estate sales and
22 loan transactions in which GWRI was not a party to the transaction:

<u>Escrow #</u>	<u>Buyer/Borrower</u>	<u>Escrow Type</u>	<u>Date Closed</u>	<u>Amount</u>
180349-EC	A.A.	Sale	07/20/2022	\$888,000.00
180298-EC	E.C.	Sale	12/22/2021	\$1,315,000.00
180340-SM	L.D. and P.D.	Loan	08/01/2022	\$444,000.00
Total:				<u>\$2,647,000.00</u>

27 ///

28 ///

1 55. GWRI's performance of broker-controlled escrows for real estate sales and loan
2 transactions without being a party to those transactions was in violation of **Code section 10086(a)**
3 **and Financial Code section 17006(a)(4).**

4 **FIRST CAUSE OF ACCUSATION: AUDIT VIOLATIONS IN AUDIT NO. LA220108**

5 56. Complainant realleges and incorporates by reference all of the allegations contained
6 in the previous paragraphs as though fully set forth herein.

7 57. California Financial Code section 17006(a)(4) provides in relevant part:

8 (a) This division does not apply to:

9 [¶] . . . [¶]

10 (4) Any broker licensed by the Real Estate Commissioner
11 while performing acts in the course of or incidental to a real
12 estate transaction in which the broker is an agent or a party
to the transaction and in which the broker is performing an
act for which a real estate license is required.

13 58. Code section 10086(a) provides in relevant part:

14 If the commissioner determines through an investigation that
15 . . . (2) a real estate broker has engaged in or is engaging in an
16 activity which is a violation of a provision of Division 6 with Section
17 17000) of the Financial Code, and which is not exempt pursuant to
18 paragraph (4) of subdivision (a) of Section 17006, the commissioner
19 may direct the person to desist and refrain from such activity by
issuance of an order specifying the nature of the activity and the
factual and legal basis for his or her determination. The respondent
to whom the order is directed shall immediately, upon receipt of the
order, cease the activity described in the order.

20 59. GWRI's acts and omissions as alleged above in Paragraphs 54 through 0 violate
21 **Code section 10086(a) and Financial Code section 17006(a)(4),** and constitute cause for the
22 suspension or revocation of GWRI's real estate licenses and license rights under the provisions of
23 **Code sections 10177(d) and/or 10177(g).**

24 **SECOND CAUSE OF ACCUSATION:**

25 **NEGLIGENT OR INTENTIONAL MISREPRESENTATION**

26 60. Complainant realleges and incorporates by reference all of the allegations contained
27 in the previous paragraphs as though fully set forth herein.

28 ///

1 61. In the course of the activities alleged above in Paragraph 17, and based on the facts
2 discovered by the DRE, as alleged in Paragraphs 18 through 47 above, Respondents GWRI's and
3 SHANG's acts and/or omissions are in violation of **Civil Code sections 2079, 2079.13(a), 2079.16,**
4 **and 2923.1;** and **Code sections 10176(a), 10176(i), 10177(j), and 10177(d) and/or 1077(g)** and
5 constitute cause for the suspension or revocation of all licenses and license rights of Respondents
6 GWRI's and SHANG under the provisions of **Code sections 10176(a), 10176(i), 10177(j), and**
7 **10177(d) and/or 10177(g).**

8 **THIRD CAUSE OF ACCUSATION: BREACH OF FIDUCIARY DUTIES**

9 62. Complainant realleges and incorporates by reference all of the allegations contained
10 in the previous paragraphs as though fully set forth herein.

11 63. At all relevant times herein, while acting as the real estate broker and agent of the
12 Buyers, GWRI and SHANG owed the Buyers fiduciary duties, including, but not limited to the:
13 duty of reasonable care and skill; duty of good faith; duty of loyalty; duty of utmost care, integrity,
14 honesty, and loyalty in dealings with the Buyers; duty to avoid conflicts of interest; duty of fullest
15 disclosure of all material facts affecting the Buyers' rights and interests because the Buyers relied
16 on GWRI and SHANG for their professional knowledge and skill and were expected to provide
17 information and advice on matters affecting the Buyers' decision; a duty to counsel and advise the
18 Buyers regarding the propriety and ramifications of their decision; and when performing services
19 for a borrower in connection with a loan secured by a lien on real property, a duty to place the
20 economic interest of the borrower ahead of the broker's own economic interest.

21 64. At all relevant times herein, while acting as the escrow holder for the Buyers and
22 Sellers, GWRI dba Echain Escrow owed the Buyers fiduciary duties, including, but not limited to
23 the: duty of impartiality and neutrality; duty to avoid conflicts of interest; duty to communicate to
24 the Buyers material facts which might affect the Buyers' decision as to a pending transaction,
25 particularly those facts the escrow holder has knowledge of and knows that the Buyers are relying
26 on the escrow holder for protection as to those very facts; duty to disclose evidence of fraud being
27 committed by one party to another party to the escrow; duty to take corrective steps when there are
28 material mistakes in the instructions.

1 65. In the course of the activities alleged above in Paragraph 17, and based on the facts
2 discovered by the DRE, as alleged in Paragraphs 18 through 47 above, GWRI's and SHANG's acts
3 and/or omissions constitute breaches of their fiduciary duties as real estate licensees.

4 66. In the course of the activities alleged above in Paragraph 17, and based on the facts
5 discovered by the DRE, as alleged in Paragraphs 18 through 47 above, GWRI's acts and/or
6 omissions constitute breaches of its fiduciary duties as an escrow holder.

7 67. GWRI's and SHANG's acts and/or omissions constitute a violation of their fiduciary
8 duties and of **Civil Code sections 2079.16 and/or 2923.1** and constitute cause for the suspension
9 or revocation of GWRI's and SHANG's real estate licenses and license rights under the provisions
10 of **Code sections 10177(d), 10177(g), and/or 10177(q)**.

11 **FOURTH CAUSE OF ACCUSATION:**

12 **FAILURE TO PROVIDE MORTGAGE LOAN DISCLOSURE STATEMENT**

13 68. Complainant realleges and incorporates by reference all of the allegations contained
14 in the previous paragraphs as though fully set forth herein.

15 69. Complainant is informed and believes and on such information and belief alleges
16 that:

17 a. Prior to meeting the Buyers and receiving an offer from the Buyers for the
18 Vineland Property, SHANG knew Margaret Hsu, the private investor who provided the
19 "bridge loan" of \$460,000.00 to the Buyers. SHANG knew Hsu through the Chinese
20 immigrant community in Los Angeles County. SHANG knew that Margaret Hsu was
21 wealthy and that she had made private loans to individuals in the past. In fact, SHANG had
22 an existing business relationship with Margaret Hsu, because Ms. Hsu had loaned SHANG
23 \$250,000.00.

24 b. SHANG solicited and/or negotiated a loan from Margaret Hsu on behalf of
25 the Buyers, and/or performed services for the Buyers and/or Margaret Hsu in connection
26 with the \$460,000.00 loan from Margaret Hsu to the Buyers secured by a lien on the
27 Vineland Property.

28 ///

1 c. SHANG failed to provide the Buyers with a Mortgage Loan Disclosure
2 Statement ("MLDS") or any other written statement that disclosed the information required
3 by Code section 10241.

4 d. Complainant will amend this Accusation to allege further facts based on
5 additional evidence if and when such additional evidence is obtained.

6 70. The escrow file for Escrow No. 180320-SM does not contain an MLDS, or any other
7 written statement, that disclosed the information required by Code section 10241, personally signed
8 by the Buyers and SHANG on behalf of GWRI regarding the \$460,000 loan from Margaret Hsu to
9 the Buyers.

10 71. GWRI's and SHANG's acts and/or omissions in failing to provide an MLDS or
11 written statement to the Buyers that disclosed to the Buyers all information required by Code section
12 10241 related to the \$460,000 loan from Margaret Hsu for the Vineland Property were in violation
13 of **Code sections 10166.05(c), 10166.051(b), 10240, and 10177(q)**, and constitute cause to suspend
14 or revoke the real estate licenses and license rights of Respondents GWRI and SHANG pursuant to
15 **Code sections 10177(q), 10177(d) and/or 10177(g)**.

16 72. GWRI's and SHANG's acts and/or omissions in violation of **Code sections**
17 **10166.05(c) and 10166.051(b)** constitute cause for the suspension or revocation of the MLO license
18 endorsements of Respondents GWRI and SHANG pursuant to Code section **10166.051(b)** by
19 establishing Respondents' failure to demonstrate such financial responsibility, character and general
20 fitness as to command the confidence of the community and to warrant a determination that as
21 mortgage loan originators Respondents will operate honestly, fairly, and efficiently within the
22 purposes of Article 2.1 of the Real Estate Law.

23 FIFTH CAUSE OF ACCUSATION:

24 NEGLIGENCE, INCOMPETENCE AND/OR WILLFUL DISREGARD

25 73. Complainant realleges and incorporates by reference all of the allegations contained
26 in the previous paragraphs as though fully set forth herein.

27 74. The overall conduct of GWRI and SHANG is violative of the Real Estate Law and
28 constitutes cause for the suspension or revocation of GWRI's and SHANG's real estate licenses and

1 license rights pursuant to **Code Section 10177(d)** for willful disregard of the Real Estate Law, and
2 in the alternative, **Code Section 10177(g)** for negligence or incompetence in performing acts for
3 which they are required to hold real estate licenses.

4 **SIXTH CAUSE OF ACCUSATION:**

5 **RESPONSIBILITY OF CORPORATE OFFICER IN CHARGE; BROKER SUPERVISION**

6 75. Complainant realleges and incorporates by reference all of the allegations contained
7 in the previous paragraphs as though fully set forth herein.

8 76. Based on the allegations contained in Paragraph 17, and Paragraphs 18 through 74
9 above, and the First through Fifth Causes of Accusation above, SHANG, as the broker of record and
10 D.O. of GWRI, did not exercise adequate supervision and control over the real estate activities
11 conducted on behalf of GWRI by its officers, employees, and licensees to ensure compliance with
12 the Real Estate Laws and Regulations. SHANG failed to establish policies, rules and systems to
13 review, oversee, inspect, and manage transactions. SHANG's acts and/or omissions were in
14 violation of **Code sections 10159.2 and 10177(h), and Regulation 2725**, and constitute cause to
15 suspend or revoke the real estate licenses and license rights of SHANG pursuant to **Code sections**
16 **10177(h), 10177(d) and/or 10177(g)**.

17 **SEVENTH CAUSE OF ACCUSATION: VIOLATIONS OF TERMS, CONDITIONS,**

18 **RESTRICTIONS, AND LIMITATIONS OF RESTRICTED LICENSES**

19 77. Complainant realleges and incorporates by reference all of the allegations contained
20 in the previous paragraphs as though fully set forth herein.

21 78. As alleged above in Paragraph 3, GWRI is presently licensed as a restricted real
22 estate corporation ("RREC").

23 79. As alleged above in Paragraph 4, SHANG is presently licensed as a restricted real
24 estate broker ("RREB").

25 80. On or about October 10, 2024, GWRI's RREC license and SHANG's RREB license
26 were issued by the DRE pursuant to Code section 10156.5 on the terms, conditions and restrictions
27 set forth in the Real Estate Commissioner's Order adopting the 2024 Stipulation in DRE Case No.

28 ///

1 H-42725-LA. The Real Estate Commissioner's Order adopting the 2024 Stipulation was effective
2 on August 22, 2024.

3 81. Included among said terms, conditions and restrictions for both GWRI and SHANG
4 were the following:

5 a. Respondents shall be subject to all of the provisions of Code section
6 10156.7.^{2/}

7 b. The restricted license issued to Respondents may be suspended prior to
8 hearing by Order of the Real Estate Commissioner on evidence satisfactory to the
9 Commissioner that Respondents have violated provisions of the California Real Estate Law,
10 or the Regulations of the Real Estate Commissioner.

11 82. In the course of the activities alleged above in Paragraph 17, and based on the facts
12 discovered by the DRE, as alleged in Paragraphs 18 through 76 above, and based on the First through
13 Sixth Causes of Accusation alleged above:

14 a. GWRI's acts and/or omissions in violation of **Civil Code sections 2079,**
15 **2079.13(a), 2079.16, and 2923.1, Code sections 10086(a), 10166.05(c), 10166.051(b),**
16 **10176(a), 10176(i), 10177(d) and/or 1077(g), 10177(j), 10177(q), and Financial Code**
17 **section 17006(a)(4)** constitute cause for the suspension or revocation of GWRI's licenses
18 and license rights pursuant to **Code section 10177(k).**

19 b. SHANG's acts and/or omissions in violation of **Civil Code sections 2079,**
20 **2079.13(a), 2079.16, and 2923.1, Code sections 10086(a), 10159.2, 10166.05(c),**
21 **10166.051(b), 10177(d) and/or 1077(g), 10177(h), 10177(j), 10177(q), Financial Code**
22 **section 17006(a)(4), and Regulation 2725** constitute cause for the suspension or revocation
23 of SHANG's licenses and license rights pursuant to **Code section 10177(k).**

24 INVESTIGATION AND ENFORCEMENT COSTS

25 83. Code section 10106 provides that in any order issued in resolution of a disciplinary
26 proceeding before the Department of Real Estate, the Commissioner may request the administrative
27

28 ^{2/} Code section 10156.7(a) provides: "A restricted license issued pursuant to Section 10156.5 does not confer any property right in the privileges to be exercised thereunder, and the holder of a restricted license does not have the right to the renewal of the license."

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

3 **AUDIT COSTS**

4 84. Code section 10148(b) provides, in pertinent part, the Commissioner shall charge a
5 real estate broker for the cost of any audit, if the Commissioner has found in a final decision
6 following a disciplinary hearing that the broker has violated Code section 10145 or a regulation or
7 rule of the Commissioner interpreting said section.

8 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of
9 this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
10 against all the licenses and license rights of GREAT WALL REALTY, INC., and HONGHUA
11 SHANG under the Real Estate Law, for the costs of investigation and enforcement, and audit as
12 permitted by law, and for such other and further relief as may be proper under other applicable
13 provisions of law, and for costs of audit.

14
15 Dated July 24, 2025, at Los Angeles, California.

16
17 
18 _____
19 Ray Dagnino
20 Supervising Special Investigator

21 cc: GREAT WALL REALTY, INC.
22 HONGHUA SHANG
23 Ray Dagnino
24 Sacto.
25
26
27
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