



DEPARTMENT  
OF  
REAL ESTATE  
FORUM

JEFF DAVI, Real Estate Commissioner  
JUNE 11, 2010





# State of the Department



## Internal

Electronic Exams  
Enforcement & Licensing  
Subdivisions  
Communications



## External

Industry Task Forces  
Consumer Protection & Outreach  
Collaboration with other Agencies





# OPERATIONS REPORT



BARBARA  
BIGBY  
*Chief Deputy  
Commissioner*



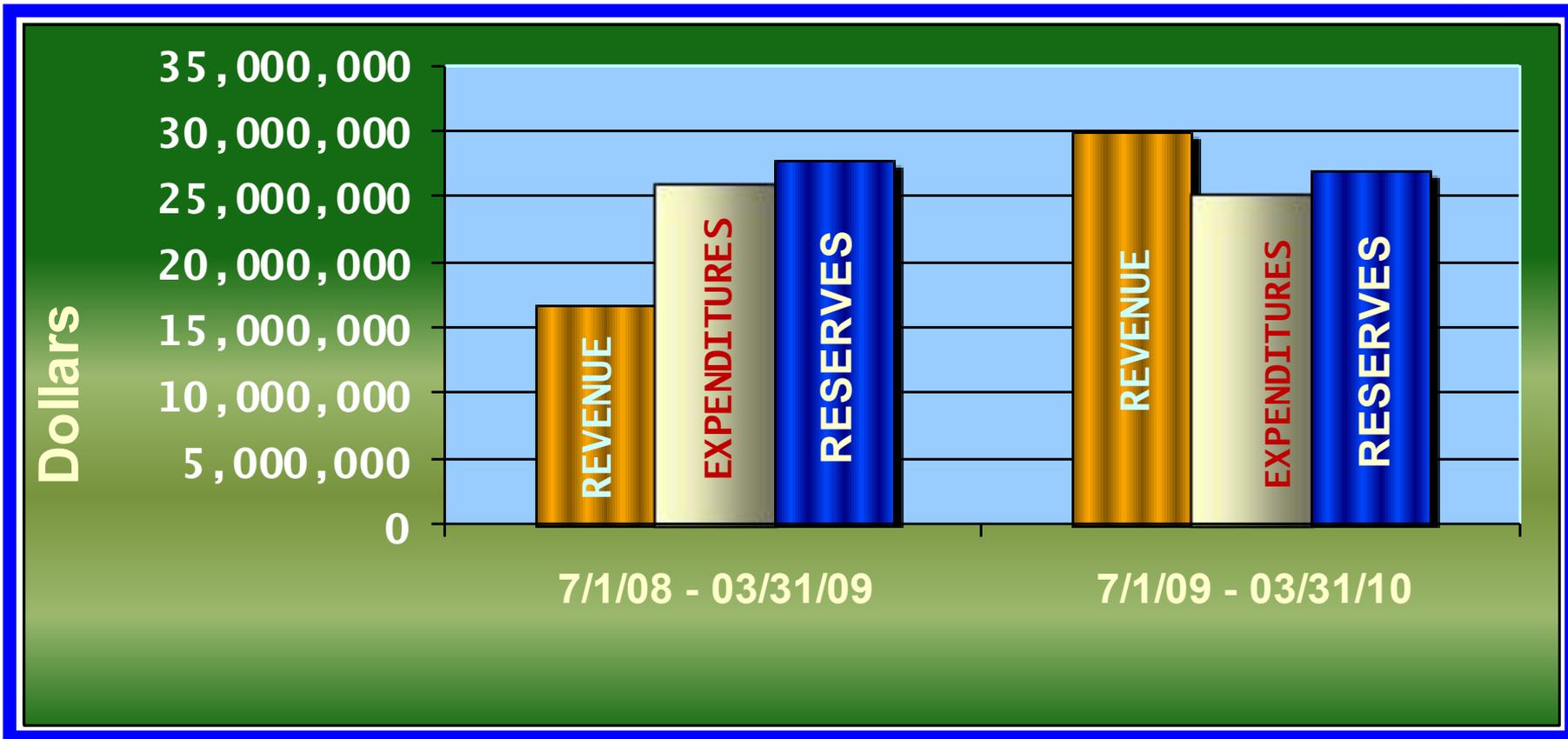
# Comparative Statistics

MONTH	REVENUE	NET EXPENDITURES	RESERVES
07/31/2009	\$3,136,974	\$3,148,999	\$22,166,949
08/31/2009	\$2,872,150	\$2,810,125	\$22,228,973
09/30/2009	\$3,242,085	\$2,555,575	\$22,915,482
10/31/2009	\$3,501,332	\$3,282,460	\$23,134,354
11/30/2009	\$2,928,301	\$3,032,369	\$23,030,286
12/31/2009	\$3,195,828	\$1,645,861	\$24,580,252
01/31/2010	\$3,574,505	\$2,276,296	\$25,878,461
02/28/2010	\$3,093,079	\$3,573,312	\$25,398,228
03/31/2010	\$4,388,505	\$2,759,221	\$27,027,512



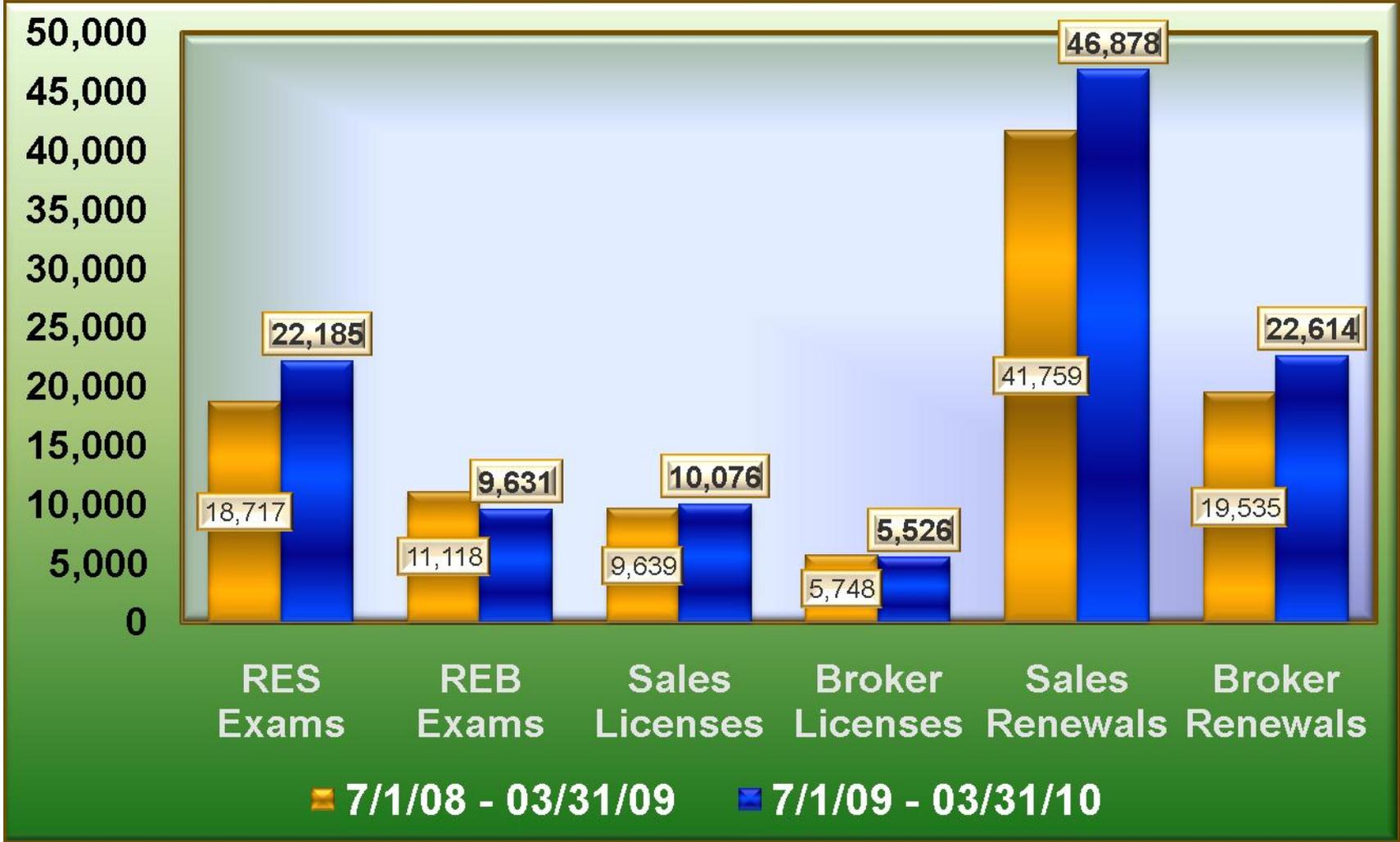
# Comparative Fiscal Data

## July - Mar. 09 to July - Mar.10





# Licensing Workload



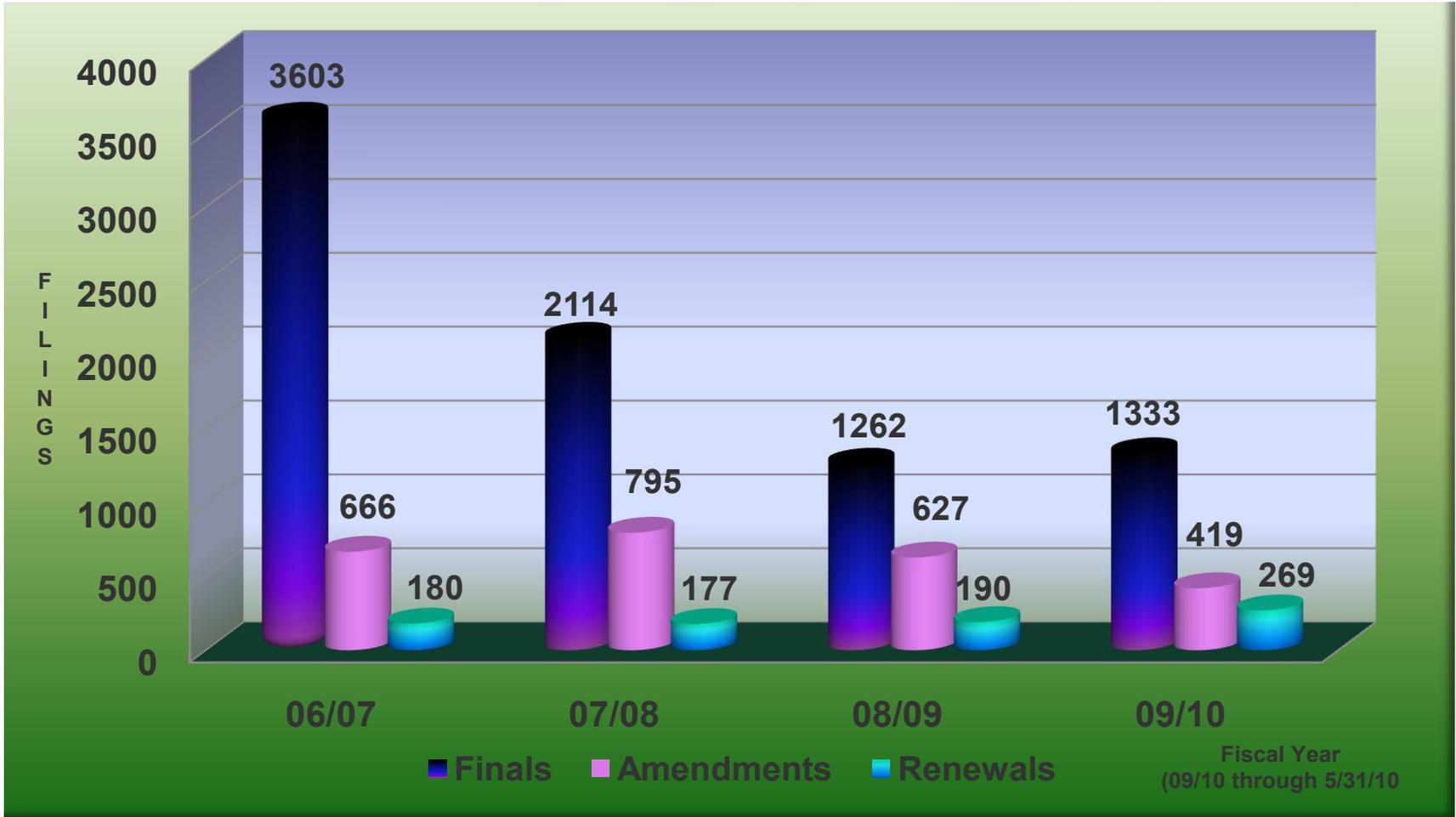


# License Population



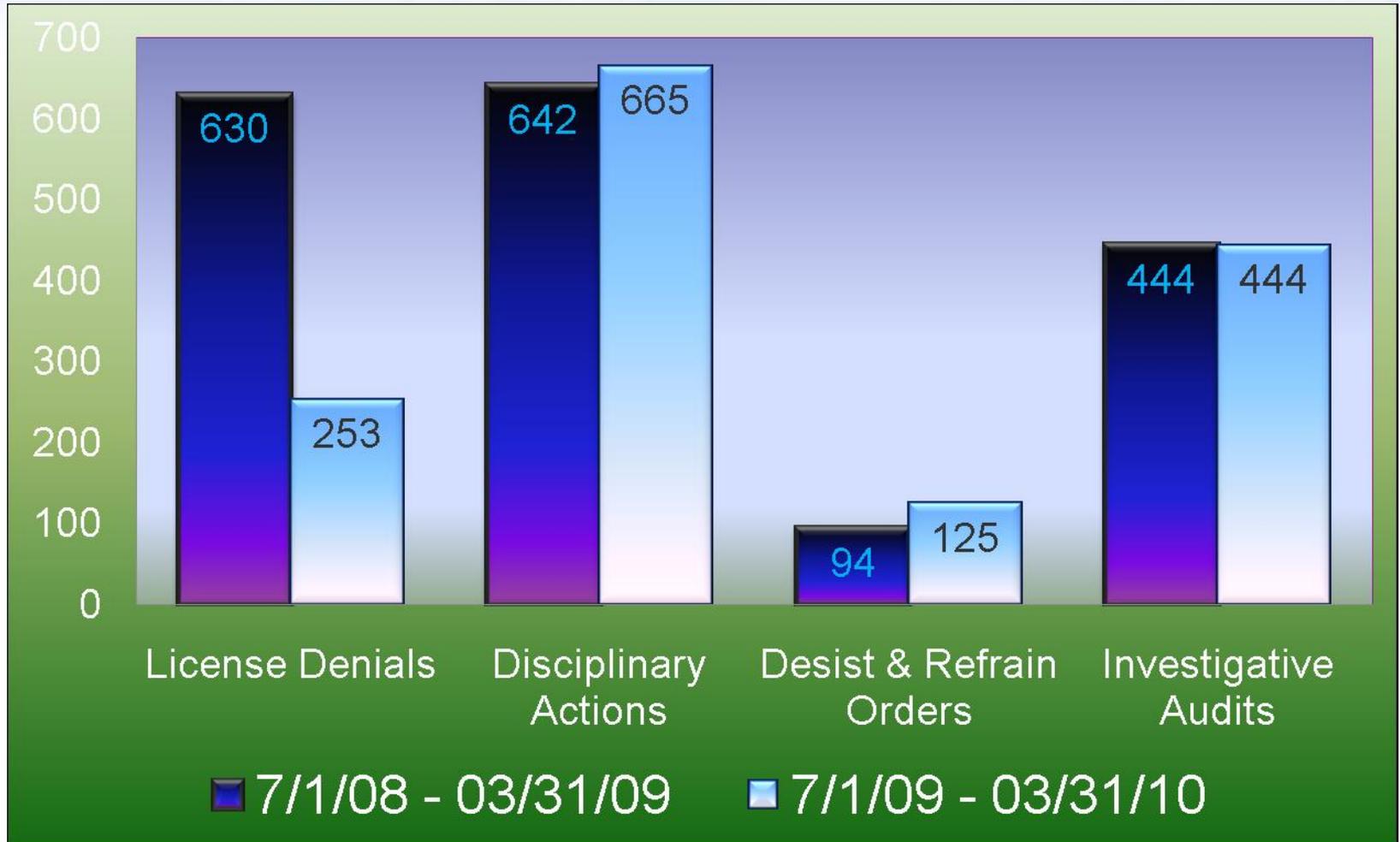


# 4-Yr Subdivisions Filing Comparison





# Enforcement Statistics





Skip to: [Content](#) | [Footer](#) | [Accessibility](#)

Search  GO  
CA Gov This Site

- Home
- Consumers
- Licensees
- Examinees
- Subdivisions
- Industry
- Publications
- Press
- Español

Message from Commissioner Davi | Decisions Pending and Opportunities for Public Participation | About the DRE



### Highlights

- NEW MORTGAGE LOAN LICENSE REQUIREMENTS SAFE ACT AND SB 36
- Scheduled Office Closures
- Real Estate License Look-up
- California Real Estate Financial Services License Status Check
- FINANCIAL LITERACY
- State of California Site Certification Program
- RE Road Econ. Recove

### Quick Links

- > [News Flash](#)
- > [Consumer Alerts](#)
- > [Careers at DRE](#)
- > [Complete List of Forms](#)
- > [FAQs](#)
- > [Customer Service Survey](#)
- > [Small Business & DVBE Opportunities](#)



< || > 1 2 3 4 5 6

**GOVERNOR SCHWARZENEGGER**  
Visit his Website

**DALE E. BONNER**  
BTH Agency Secretary

**JEFF DAVI**  
Real Estate Commissioner



### Licensees

- > [Renewing Your License](#)
- > [Update Your License Information](#)
- > [Apply for a Real Estate License](#)
- > [Corporation Licenses](#)
- > [DBA/Fictitious Business Name](#)
- > [Certified License History](#)
- > [Real Estate Business Guidance](#)
- > [Licensing Publications](#)
- > [Licensing Forms](#)
- > [SB 94 - Prohibition of Advance Fees for Residential Loan Modifications](#)

### Examinees

- > [How to Get a License](#)
- > ["Things You Need to Know"](#)
- > [Salespersons](#)
- > [Brokers](#)
- > [Examinee Forms](#)
- > [DRE Approved Pre-license Courses](#)
- > [Examinee Publications](#)
- > [Reference Book](#)

### Consumers

- > [License Status Check](#)
- > [Consumer Protection](#)
- > [Consumer-Related Forms](#)
- > [Recovery Account Forms](#)
- > [Reference Materials](#)
- > [Contact the DRE](#)
- > [Home Mortgage Information](#)
- > [How to File a Complaint](#)
- > [FAQs - Loan Foreclosure Fraud](#)
- > [FAQs - Consumers Tips for Loan Modifications](#)

### Services

**START**

- Exam Services
- License Services
- Tutorials
- New Services

### Connect With Us

[Twitter](#) [Twitter \(en Español\)](#) [Videos](#)

### Subscribe DRE

[RSS](#)

#### QUICK LINKS

- [News Flash](#)
- [Consumer Alerts](#)
- [Careers at DRE](#)
- [Complete List of Forms](#)
- [FAQs](#)
- [Customer Service Survey](#)
- [Small Business & DVBE Opportunities](#)

## Subscribe to RSS Feed

Subscribe to the California Department of Real Estate "News Flash" RSS (Really Simple Syndication) feed to get news delivered directly to your email or desktop!

DRE news and information is available through RSS feeds, which use a technology called XML to deliver headlines and summaries to your desktop or Web browser.

RSS content can be read using software called an "RSS reader", "feed reader" or an "aggregator". The user subscribes to a feed by entering the feed's link into the reader or by clicking an RSS icon in a browser that initiates the subscription process. The reader checks the user's subscribed feeds regularly for new content, downloading any updates that it finds.

### Subscribe

You may subscribe by using the following options:

Email Address:

Powered by [Feed My Inbox](#)

Subscribe Now!  [Subscribe to RSS feed](#)

Select a RSS Feed Reader...

### What is RSS?

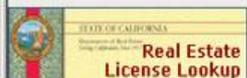
A RSS feed is a regularly updated summary of web content, along with links to full versions of that content. When you subscribe to a given website's feed by using a feed reader, you'll receive a summary of new content from that website. Please Note: you must use a feed reader in order to subscribe to website feeds.

You can also use an online news reader such as MyYahoo or Google Reader. Firefox allows you to add feeds to some of these services automatically. To do so, use Firefox's Tools menu, select Options and select Feeds menu.

### Why Would Ordinary Web Users Like RSS?

The advantages of RSS are quite simple: They save time.

Instead of remembering to visit a favorite Web site, the news comes directly into your computer daily or at whatever interval you want.





**feedmyinbox**



**We emailed you a confirmation link. Click it and you are done!**

### Now what?

[subscribe to another site](#) or [close this window](#)

[Create a Signup Form](#) | [Help](#) | [Privacy Policy](#)

© 2008-2010, Brightwurks, LLC. All rights reserved.

Greetings,

You have chosen to receive email updates from the following sites and/or feeds:

## California Department of Real Estate News Flash

To **CONFIRM** your subscription, please click the link below:  
[Confirm Subscription](#)

To **cancel your subscription**,  
please click the link below:

[Uhh no thanks!](#)

To **create an account and  
manage your sites**, click the link  
below:

[Create Account](#)

### 2 Quick Tips

1. Add [updates@feedmyinbox.com](mailto:updates@feedmyinbox.com) to your address book, so that future emails from us don't end up in your spam filter.
2. Once confirmed, you can expect to receive your first update in 24 hours or so if the feed has any entries.

### QUESTIONS?

If you have any, simply reply to this email for help.

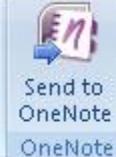
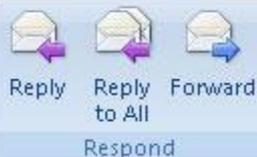
Your friends at,  
FeedMyInbox.com  
[help@FeedMyInbox.com](mailto:help@FeedMyInbox.com)





Message

Adobe PDF



From: Feed My Inbox [updates@feedmyinbox.com]  
 To: [REDACTED]  
 Cc:  
 Subject: 3/23 California Department of Real Estate News Flash

Sent: Tue 3/23/2010 11:15 PM

Please add [updates@feedmyinbox.com](mailto:updates@feedmyinbox.com) to your address book to make sure you receive these messages in the future.

## California Department of Real Estate News Flash



### Short Sale Fraud Warning

March 23, 2010 at 3:30 PM

An Overview and Warning to Real Estate Licensees Re: Fraud, and Legal and Ethical Minefields. (3/23/2010)

This email was sent to [REDACTED] [Account Login](#)

Don't want to receive this feed any longer? [Unsubscribe here](#)

This email was carefully delivered by [Feed My Inbox](#), 230 Franklin Road Suite 814 Franklin, TN 37064



## Short Sales -- An Overview and Warning to Real Estate Licensees Re: Fraud, and Legal and Ethical Minefields<sup>1</sup>

By Wayne Bell, Chief Counsel  
Mark Tutera, Senior Deputy Commissioner

### I. Introduction.

In the current distressed California residential real estate environment, where many mortgage loan borrowers owe more on their homes than their properties are worth and some have opted to simply walk away from their homes and mail in their keys, so-called short sales have become favored transactions. For a long time, loan modifications were the primary strategy of the day for financially distressed homeowners. However, the results for loan modifications have been anemic at best.

In April of 2010, the federal government will offer financial incentives to push short sales through a program called Home Affordable Foreclosure Alternatives. The program is designed to spur home sales, and it specifically imposes new requirements on lien holders, including requiring certain debt forgiveness, an abbreviated time frame to respond to short sale offers, and provides government payments to homeowners (for moving and/or relocation expenses), servicers, and lien holders.

#### A. What is a Short Sale?

Because not all real estate professionals are aware of the mechanics of short sale transactions, the following overview is offered as a quick primer.

A short sale is a pre-foreclosure residential real estate transaction where the owner of the mortgage loan, the lender or lien holder (hereinafter sometimes "Lender"), agrees to (i) allow the home owner to sell his or her property for less than -- or "short" of -- the outstanding amount owed on the mortgage loan, and to (ii) release the property from the mortgage.

Homeowners who are "underwater" or "upside down" with respect to their mortgage loans, seek to sell their homes "short" to avoid the threat of foreclosure action and to lessen the credit damage that would accompany a foreclosure. Because of the "shortage", the transaction may involve "debt forgiveness" by the Lender. But this is often preferable to the Lender compared to a foreclosure -- which has costs and risks for

<sup>1</sup> The authors wish to express their appreciation to Summer Bakotich, Deputy Commissioner of the California Department of Real Estate, for her insightful and helpful comments, and for her editorial review of this publication.

## QUICK LINKS

- [News Flash](#)
- [Consumer Alerts](#)
- [Careers at DRE](#)
- [Complete List of Forms](#)
- [FAQs](#)
- [Customer Service Survey](#)
- [Small Business & DVBE Opportunities](#)

News Flash  

- [Scheduled Maintenance](#)  
On Sunday, May 23, 2010, beginning at 8:00 p.m. through 12:00 a.m., the DRE will be performing system upgrades. The IVR phone system and DRE eLicensing will be unavailable during this time. (5/10/2010)
- [California Real Estate Commissioner Issues Short Sale Consumer Alert](#)   
DRE issues press release on residential short sale fraud. (5/5/2010)
- [2010 Tax Credit for New Home/First-Time Buyer](#)  
The 2010 New Home Credit and First-Time Buyer Credit begins May 1, 2010. (4/20/2010)
- [Scheduled Maintenance](#)  
On Friday, April 16, 2010, beginning at 7:00 p.m. through 10:00 p.m., the DRE will be performing system upgrades. The IVR phone system and DRE eLicensing will be unavailable during this time. (4/15/2010)
- [Spring 2010 Real Estate Bulletin](#)  
The Spring 2010 Real Estate Bulletin is now available. (4/12/2010)
- [Consumer Alert - Warning Regarding Residential "Short" Sales](#)   
New consumer alert regarding residential short sales has been posted. (4/6/2010)
- [DRE Launches Financial Literacy Outreach Program](#)  
New page on the DRE's Financial Literacy Outreach Program has been posted. (3/30/2010)
- [Loan Modification Firm Surrenders License to California Department of Real Estate](#)   
Press release on loan modification firm surrendering their license been posted. (3/25/2010)
- [Short Sale Fraud Warning](#)   
An Overview and Warning to Real Estate Licensees Re: Fraud, and Legal and Ethical Minefields. (3/23/2010)
- [DRE Launches News Flash RSS Subscription Service](#)  
The DRE has launched an RSS subscription service to help the public stay informed of new items posted on the website. (3/15/2010)
- [Brown Warns Homeowners to Avoid Forensic Loan Audits](#)   
Press release on forensic loan audits has been posted. (2/23/2010)
- [Fraud Warning Regarding Forensic Loan Audits](#)   
New fraud warning regarding forensic loan audits has been posted. (2/23/2010)
- [Winter 2009 Mortgage Loan Bulletin](#)  
The Winter 2009 Mortgage Loan Bulletin is now available. (2/4/2010)
- [Notices of Intention to Issue Bar Orders and Bar Orders](#)  
New list of persons and entities that have been issued a bar order by the Department of Real Estate is now available. (2/4/2010)



## NEW MORTGAGE LOAN LICENSE REQUIREMENTS



**SAFE ACT and SB 36**

[READ MORE INFORMATION HERE](#)



### Highlights

- NEW MORTGAGE LOAN LICENSE REQUIREMENTS**
- Enforcement Actions**
- Real Estate License Look-up**
- California Real Estate Financial Services License Status Check**
- FINANCIAL LITERACY**
- State of California Site Certification Program**
- RE Road Economic Recovery**

### Quick Links

- > [News Flash](#)
- > [Consumer Alerts](#)
- > [Careers at DRE](#)
- > [Complete List of Forms](#)
- > [FAQs](#)
- > [Customer Service Survey](#)
- > [Small Business & DVBE Opportunities](#)



**GOVERNOR SCHWARZENEGGER**  
[Visit his Website](#)

**DALE E. BONNER**  
*BTH Agency Secretary*

**JEFF DAVI**  
*Real Estate Commissioner*

**RECOVERY.** CA.GOV

### Licensees



- > [Renewing Your License](#)
- > [Update Your License Information](#)
- > [Apply for a Real Estate License](#)
- > [Corporation Licenses](#)
- > [DBA/Fictitious Business Name](#)
- > [Certified License History](#)
- > [Real Estate Business Guidance](#)
- > [Licensing Publications](#)
- > [Licensing Forms](#)
- > [SB 94 - Prohibition of Advance Fees for Residential Loan Modifications](#)

### Examinees



- > [How to Get a License](#)
- > ["Things You Need to Know"](#)
- > [Salespersons](#)
- > [Brokers](#)
- > [Examinee Forms](#)
- > [DRE Approved Pre-license Courses](#)
- > [Examinee Publications](#)
- > [Reference Book](#)

### Consumers



- > [License Status Check](#)
- > [Consumer Protection](#)
- > [Consumer-Related Forms](#)
- > [Recovery Account Forms](#)
- > [Reference Materials](#)
- > [Contact the DRE](#)
- > [Home Mortgage Information](#)
- > [How to File a Complaint](#)
- > [FAQs - Loan Foreclosure Fraud](#)
- > [FAQs - Consumers Tips for Loan Modifications](#)

### Services

**elicensing**  
*online system*

**START**

- [Exam Services](#)
- [License Services](#)
- [Tutorials](#)
- [New Services](#)

### Connect With Us

[Twitter](#) [Twitter \(en Español\)](#) [YouTube Videos](#)

### Subscribe DRE

[RSS](#)

#### CONSUMER QUICK LINKS

- [Consumer Home](#)
- [Mortgage Information](#)
- [Consumer-Related Forms](#)
- [Suggestion Box](#)
- [Español](#)
- [Chinese](#)
- [2010 Tax Credit for New Home/First-Time Buyer](#)

## Summary of Enforcement Actions

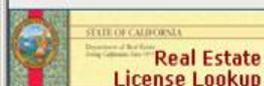
The Department of Real Estate is a licensing and regulatory agency empowered to seek disciplinary action through the State Office of Administrative Hearings against licensees who violate specific sections of the State Business and Professions Code. We also are empowered to file orders to desist and refrain against licensed and unlicensed individuals and entities. The following reports provide a listing of the disciplinary action initiated against real estate licensees and a listing of the filed orders to desist and refrain from unlawful activities.

### Disciplinary Action Reports

[» May 2010](#) 

[» April 2010](#) 

[» March 2010](#) 



State of California - Department of Real Estate  
Enforcement Report

Run Date: June 03, 2010

**DISCIPLINARY ACTIONS FOR THE MONTH OF May, 2010**

Hearing #	Region	Action	Name	License Type	Address	Order Filing Date	Effective Date	Violations	Comments
<b>Transactional Accusation</b>									
H03779SAC	Sacramento	Reinstatement Denied	Mc Govern, Roy Burke	Salesperson	6375 FAIR OAKS BLVD #13 CARMICHAEL, CA 95608	3/13/2003	5/14/2010	B&P 10176(i), B&P 10177(d), B&P 10240, B&P 10176(a)	
H31682LA	Los Angeles	Reinstatement Denied	Stuckey, Eric Dean	Broker	2182 DUPONT DR STE 18 IRVINE, CA 92612	2/17/2005	5/10/2010	B&P 10177(g), B&P 10176(i), Reg 2834, B&P 10234, B&P 10148, B&P 10159.2, B&P 10232.4, B&P 10177(d), Reg 2831.1, B&P 10163, B&P 10240, B&P 10242, Reg 2831.2, B&P 4979.6, B&P 10176(g), B&P 4973(k)(1), B&P 10145, Reg 2725, Reg 2840	
H09494SF	Sacramento	Reinstatement Granted	Armstrong, Irma Aldama	Broker	22307 BERRY DR SALINAS, CA 93908	1/14/2006	5/13/2010	B&P 10177(g), B&P 10176(a)	
H35707LA	Los Angeles	Suspension with Stay - Monetary Penalty	Daily Realty Company Inc,	Corporation	8335 SERANATA DR WHITTIER, CA 90603	2/18/2009	5/18/2010	B&P 10177(g), B&P 10176(i), B&P 10177(d), B&P 10176(a)	
H35707LA	Los Angeles	Suspension with Stay - Monetary Penalty	Ventura, Tony	Broker Officer	8335 SERANATA DR WHITTIER, CA 90603	2/18/2009	5/18/2010	B&P 10177(g), B&P 10176(i), B&P 10177(h), B&P 10159.2, B&P 10177(d), B&P 10176(a)	
H35707LA	Los Angeles	Suspension with Stay - Monetary Penalty	Gomez, Cynthia Cristina	Salesperson	8 VIA BURRONE NEWPORT COAST, CA 92657	2/18/2009	5/18/2010	B&P 10177(j), B&P 10177(f)	
H35736LA	Los Angeles	Outright Revocation	Mountain Side Lending Corp	Corporation		2/27/2009	5/11/2010	B&P 10177(g), Reg 2742, B&P 10176(i), B&P 10165, B&P 10241, B&P 10137, B&P 10177(j), B&P 10177(d), B&P 10240, B&P 10177(f)	
H35944LA	Los Angeles	Voluntary License Surrender	Arias, Ruth	Broker Officer	15901 HAWTHORNE BLVD #334 LAWNDALE, CA 90260	5/11/2009	5/17/2010	B&P 10177(g), B&P 10176(i), B&P 10177(h), B&P 10137, B&P 10148, B&P 10177(d), B&P 10176(a)	
H35944LA	Los Angeles	Voluntary License Surrender	Always Here Incorporated,	Corporation	15901 HAWTHORNE BLVD #334 LAWNDALE, CA 90260	5/11/2009	5/17/2010	B&P 10177(g), B&P 10148, B&P 10137, B&P 10177(d), B&P 10177(f)	
H35978LA	Los Angeles	Suspension with Stay - Monetary Penalty	McAfee, Jason Joseph	Broker	21358 CIEZA CIRCLE HUNTINGTON BEACH, CA 92648	5/15/2009	5/11/2010	Reg 2847.3, B&P 10177(g), Reg 2731, B&P 10177(h), B&P 10236.4, B&P 10235, B&P 10235.5, B&P 10177(d), B&P 17533.6, B&P 10159.5	
H35978LA	Los Angeles	Outright Revocation	Newport Capital Group Inc,	Corporation	4340 VON KARMAN AVE #150 NEWPORT BEACH, CA 92660	5/15/2009	5/11/2010	B&P 10177(g), Reg 2731, Reg 2848, B&P 10236.4, B&P 10235, B&P 10235.5, B&P 10177(d), B&P 17533.6, B&P 10159.5	

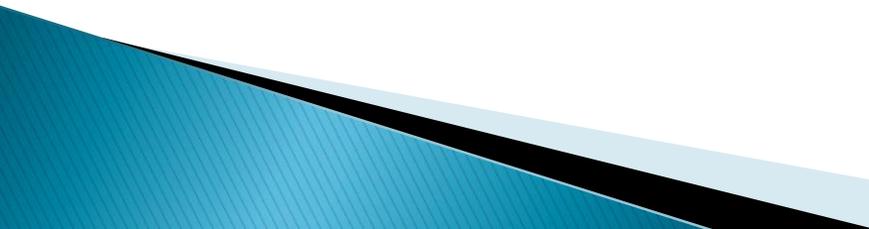
# Department of Real Estate

## Reporting Broker 'Benefit of the Doubt' Pilot Program

Presented By:  
Joe M. Carrillo  
Law Enforcement Coordinator

# Reporting Broker

## -- Compliance Concerns (10178)

- ▶ Brokers reluctant to report violations committed by his/her employees (by definition includes independent contractors), because they were automatically named as suspects (or, as DRE defines parties being investigated: respondents).
  - ▶ Valid concern: this was a common practice
- 

# Reporting Broker

## -- Non-Compliance Repercussions

- ▶ Violators become job hoppers
  - ▶ Misconduct likely continues
  - ▶ Industry burdened with errant agents
- 

# *Benefit of the Doubt* Pilot Program

## – New Executive Role

Broker reports salesperson misconduct to Law Enforcement Coordinator (LEC) who will:

- ▶ Review and Refer case to regional office for set up
- ▶ Establish investigative check list(s)
- ▶ Track cases and investigator's progress on a statewide basis
- ▶ Assure investigators examine prior and current employers to determine if similar behavior occurred or is continuing (2 yrs back – 1 yr forward)

# *Benefit of the Doubt* Pilot Program

## Executive LEC Responsibilities

- ▶ Analyze evidence and facts gathered of primary complaint
- ▶ **Determine whether reporting employer was complicit, culpable or negligent**
- ▶ **Evaluate prior employer's guilty knowledge**
- ▶ Evaluate prior/current employers compliance with broker supervision regulation
- ▶ Authorize case and respondent expansion, as warranted
- ▶ **Recommend all case outcomes and disciplines**

# *Benefit of the Doubt* Pilot Program

## – Advantages:

1. Assures reporting brokers will not be automatically named as respondents (unless authorized by LEC)
  2. Provides for an isolated investigation (unless the facts warrant expansion)
  3. Guarantees that investigators will review agent history with prior or with new, current brokers
  4. Promises statewide investigative standards and compliance
- 

# *Benefit of the Doubt* Pilot Program

## – Advantages(con't):

- ▶ Moves investigative oversight to DRE Executive level
  - ▶ Views case evidence and facts through single lens
  - ▶ Includes prior or current brokers in investigations
  - ▶ Disallows any investigator from adding the reporting employer as a suspect or respondent
  - ▶ Renders informal, non–public corrective actions as warranted
  - ▶ Determines any formal corrective actions using evidence and facts
- 

# *Benefit of the Doubt* Pilot Program

## – Reporting Broker Discipline Hierarchy

- ▶ **No DRE Action** – Reporting broker is found to be without gross negligence or fault
- ▶ **Informal Action** – Reporting broker may receive corrective action letter as compliance penalty (no public record)
- ▶ **Formal Action** – Reporting broker who violates law/regulations may face accusation
- ▶ **Formal Action** – Prior or current employers who failed to report misconduct may face accusations

# *Benefit of the Doubt* Pilot Program – Reporting Broker Deliberations

## Informal Action – Corrective Action Letter

- ▶ Broker properly supervised employees either directly or through office manager designations
- ▶ Broker took actions to remedy problems
- ▶ **Office procedures and controls in place**
- ▶ Broker or office manager regularly reviews business activities, management reports

## Formal Action – Disciplinary Action

- ▶ Broker participated in unlawful acts or guilty knowledge substantiated
- ▶ **Broker routinely absent from office w/o designation of office manager**
- ▶ Broker failure to oversee office manager
- ▶ No office procedures or a demonstrated lack of oversight and review of existing ones
- ▶ **Rent-a-broker scenario**
- ▶ DRE corrective actions ignored

# *Benefit of the Doubt* Pilot Program

## – Reporting Broker Outcomes

### Employer Corrective Action

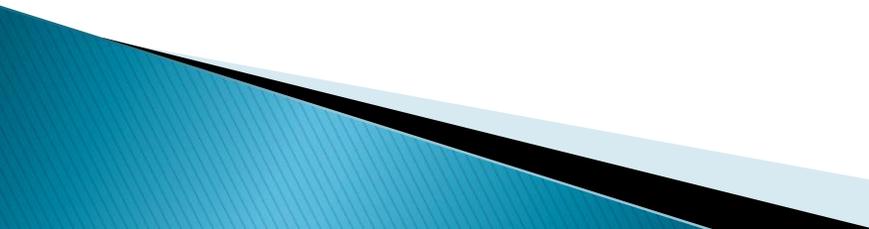
- ▶ **LEC to issue a corrective action letter**
- ▶ **Accusation not warranted**
- ▶ **LEC to coordinate follow up to assure compliance with corrective action letter requirements**
- ▶ **No Public Record of Corrective Action Letter**

### Employer Disciplinary Action

- ▶ **LEC to name employer as respondent in case**
- ▶ **LEC to recommend DRE file Accusation against employer**
- ▶ **Employer to be provided an opportunity to present his/her case through the Administrative Hearing Process**
- ▶ **Public Record of Accusation and any disciplinary action**

# *Benefit of the Doubt* Pilot Program

## – Prior/Current Employer

- ▶ Determine pattern of employee behavior to achieve maximum discipline
  - ▶ **Establish applicable disciplinary actions against non-reporting brokers**
  - ▶ Promote broker reporting of employee misconduct
  - ▶ Deter employee misconduct with new current brokers
  - ▶ *By investigating prior brokers we can also establish a **pattern of misconduct** that will be set before the ALJs to insure a maximum penalty.*
- 

# *Benefit of the Doubt* Pilot Program Introduces Oversight Standards

Law Enforcement  
Coordinator

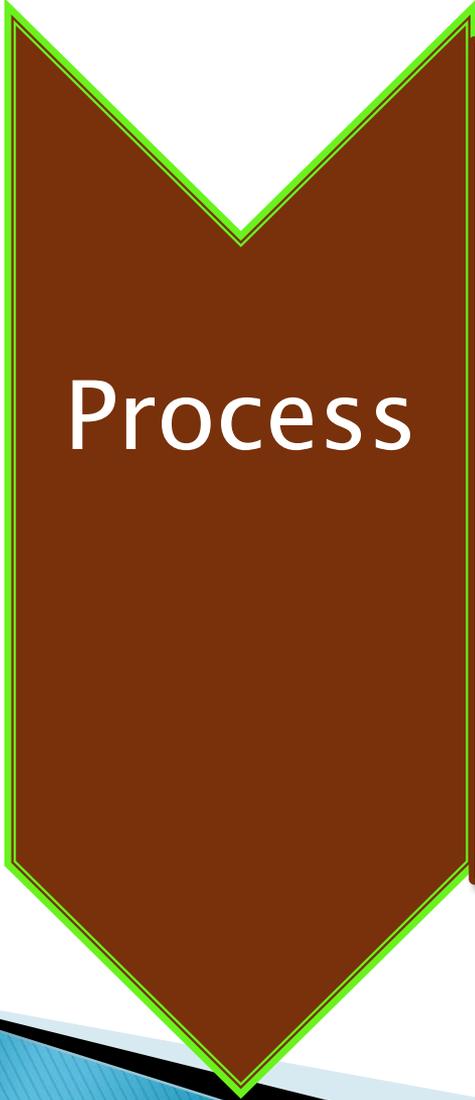
- Conduit for all employee related broker complaints
- Refers case for set up – only employee named initially as respondent
- Coordinates and Tracks Investigator Actions and Monitors Case Progress
- LEC Determines Employer Inclusion
- LEC Makes Case Recommendations

# *Benefit of the Doubt* Pilot Program Redefines Investigator Role

## Investigator

- Investigates cases using new guidelines
- **Coordinates investigation through the LEC**
- Makes recommendations to the LEC for disposition based upon evidence
- **Cannot name the reporting employing broker as a respondent to the case**
- Must investigate prior and current employers as well

# *Benefit of the Doubt* Pilot Program Standardizes Practices



## Process

- Incorporates informal corrective actions
- **Ensures consistent outcomes**
- **Establishes central point of case control and management**
- Places responsibility for determining respondents at highest management level
- Provides single point of contact for assistance

# *Benefit of the Doubt* Pilot Program Anticipated Accomplishments

## Conclusions

- Standardize case outcomes based upon evidence
- Serve as the foundation for new policies
- Become the basis for enhanced regulations
- **Promote confidence in reporting misconduct**

# Governing Laws and Regulations

- ▶ 10178 Business and Professions Code
- ▶ 10179 Business and Professions Code
- ▶ 10177 (h) Business and Professions Code

## Further Grounds for Disciplinary Action

- 2725 Broker Supervision – Regulations of the Real Estate Commissioner

# Additional Reference Materials

Real Estate Business Guidance - Windows Internet Explorer provided by the Astro System at DRE

http://www.dre.ca.gov/lic\_bus\_guidance.html

File Edit View Favorites Tools Help

File Favorites The California Application Ce... Real Estate Business Gui... x

CA.GOV Department of Real Estate  
Providing Service, Protecting You

Skip to: [Content](#) | [Footer](#) | [Accessibility](#)

Search  GO  
CA.GOV This Site

Home Consumers Licensees Examinees Subdivisions Industry Publications Press Español

SAFE ACT | Prepaid Rental Listing Service | Desist and Refrain Orders | Bar Orders | Real Estate Business Guidance

LICENSEES QUICK LINKS

- [Current Processing Timeframes](#)
- [Licensee and Examinee Statistics](#)
- [Licensee Lists and Data Files](#)
- [Forms](#)
- [Contact Licensing](#)
- [SAFE Act FAQ's](#)

Start ▶

STATE OF CALIFORNIA  
Department of Real Estate  
Public Information Unit  
**Real Estate License Lookup**

## Real Estate Business Guidance

- ▶▶ [Short Sales - An Overview and Warning to Real Estate Licensees Re: Fraud, and Legal and Ethical Minefields](#)
- ▶▶ [Broker Compliance Evaluation Manual](#)
- ▶▶ [Broker Self-Evaluation \(RE 540\)](#)
- ▶▶ [Ten Most Common Violations Found in DRE Audits](#)
- ▶▶ [Most Common Enforcement Violations](#)
- ▶▶ [Predatory Lending Prevention](#)
- ▶▶ [Internet Business/Advertising FAQs](#)
- ▶▶ [Mortgage Loan Broker Compliance Manual and Checklist](#)
- ▶▶ [Mortgage Loan Brokering in California FAQs](#)
- ▶▶ [Sample Trust Account Review \(TAR\) Reports](#)
- ▶▶ [Threshold Mortgage Loan Broker \(MLB\) Information \(RE 4633\)](#)
- ▶▶ [Real Estate Law](#)

Internet 100%

Start Real Estate Busin... 7 Citrix \\dresacimg6-450a DRE Enterprise Info... 4:11 PM



# **SAFE/Senate Bill 36**

## **Secure and Fair Enforcement Mortgage Licensing Act of 2008**



*Presented by:*

*Steve Ellis*

*Assistant Commissioner  
Administration and Licensing*



# SAFE ACT

- SAFE was signed into law in **June 2008**
- **Federal mandate** for all states to license and regulate mortgage loan originators (MLOs)
- Requires the **registration of all MLOs** on the Nationwide Mortgage Licensing System (**NMLS**)
- Resulted in the passage of **SB 36** to bring California into compliance with Federal Law.



# TODAY'S DISCUSSION TOPICS

1. Definition of a Mortgage Loan Originator (MLO)
2. DRE's Form RE 866
3. NMLS Registration Requirements
4. Filing a NMLS Application
5. Resource Information



# 1. DEFINITION OF A MLO

- MLO – Mortgage Loan Originator is a person:  
Who is **compensated** for **taking** residential mortgage loan applications or **negotiating** the terms of loans secured by **residential dwellings of 1-4 units.**
- Independent Loan Processors/  
Underwriters  
**Must also comply** with SAFE Act  
licensing requirements



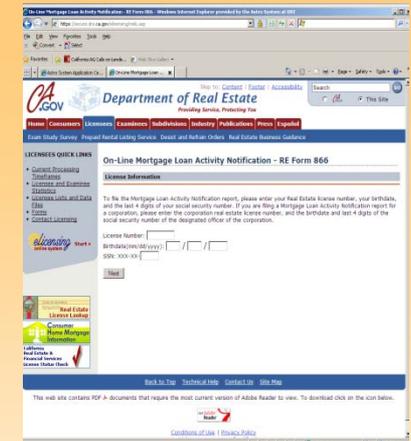
## 2. DRE's FORM RE 866

SB 36 requires all licensed Brokers, Corporations and Salespersons to **notify DRE within 30 days** of commencing MLO activity in California or face a **fine up to \$10,000**.

RE 866 notifications are done **on DRE's web site** ([www.dre.ca.gov](http://www.dre.ca.gov)).

E-mail addresses enable **electronic notifications** to be sent.

Over **41,350** (8%) licensees have filed RE 866 to date.



# 3. NMLS REGISTRATION REQUIREMENTS

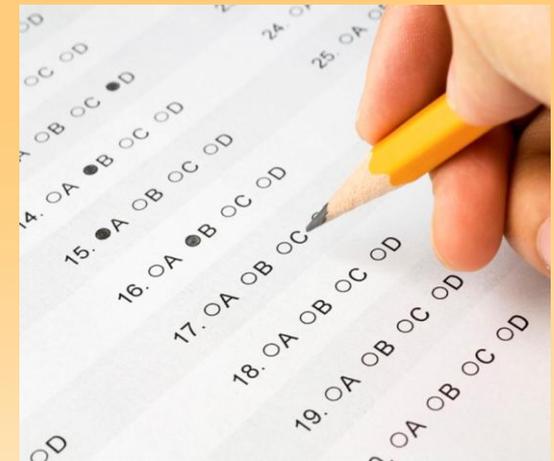
- A. Pass **National and State Exams**
- B. Complete 20 hours of **Pre-license Education**
- C. Submit to a **Criminal Background Check**
- D. Establish **Financial Responsibility**



# NMLS REGISTRATION REQUIREMENTS cont.:

## A. PASS NATIONAL AND STATE EXAMS

- **Register** with the National Mortgage Licensing System and Registry (NMLS&R) or NMLS
- Obtain **Unique Identifier**
- **Pass** both exams (75% score)
  - National Component (3 HRS)
  - State Component (2 HRS)



# NMLS REGISTRATION REQUIREMENTS cont.:

## B. PRE-LICENSE EDUCATION

- 20 Hours of NMLS approved pre-license educational courses
  - 3 Hours of Ethics and Consumer Protection
  - 3 Hours Federal Law and Regulation
  - 2 Hours on Nontraditional Mortgages
  - 12 Hours of Elective Topics
- **NOTE:** Courses are not needed prior to taking federal or state exams

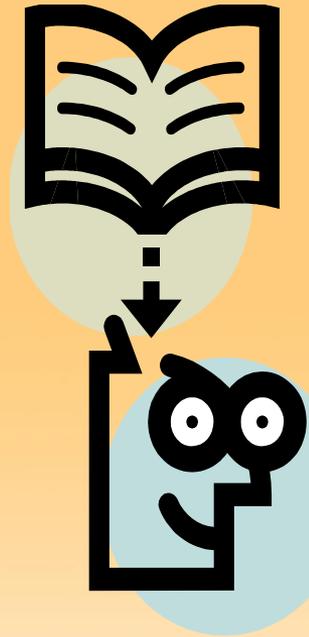


# NMLS REGISTRATION REQUIREMENTS cont.:

## PRE-LICENSE EDUCATION CERTIFICATION

### GOOD NEWS!

DRE licensees are eligible to have their 20 hour NMLS pre-licensure education requirement “certified” as complete as long as their MLO license endorsement application is filed and fees are paid by **August 31, 2010**



# NMLS REGISTRATION REQUIREMENTS cont.:

## C. CRIMINAL BACKGROUND CHECKS

- **Fingerprint Requirement**
  - After filing an on-line application and paying a fee, an appointment will be scheduled to have fingerprints taken.
- **No MLO License endorsement if:**
  - **Felony conviction in past 7 years**
  - **Life time ban** for felonies involving:
    - Fraud
    - Dishonesty
    - Breach of trust
    - Money laundering
  - **MLO License is revoked** in California or another jurisdiction



# NMLS REGISTRATION REQUIREMENTS cont.:

## D. DEMONSTRATE FINANCIAL RESPONSIBILITY

**Credit Reports** - Applicants will be required to **authorize a credit report** through NMLS between **October 2010** and **March 1, 2011**.

Credit Reports will be used to **validate** information disclosed on the NMLS application. **FICO scores will not be used to disqualify licensees.** Applicants **might be disqualified** based on liens and judgments in financial transactions involving:



- Fraud
- Misrepresentation
- Dishonest dealing
- Mishandling of trust funds



# 4. FILING THE NMLS APPLICATION

**NOTE:** A DRE license endorsement is needed by **January 1, 2011** if you wish to continue to engage in MLO activities. In order for a DRE endorsement to be issued by January 1, 2011, licensees must complete all NMLS requirements, file their application and pay their fees by **September 15, 2010**.



## Filing Guidelines

- **Pay fees.** DRE's fees are \$300 per individual/corporation. NMLS fees vary by transaction. Fees are collected through the NMLS.
- **Use DRE public record printout** when completing applications or updating filings. DRE gets the information it needs for license endorsement directly from the licensee's NMLS application.
- **Licensees must be sure NMLS information** (name, address, branch, employee relationship, etc.) **matches DRE records**
- **DRE and NMLS web sites contain detailed filing instructions.**



## FORMS USED FOR NMLS FILINGS:

Log on to the NMLS website to complete these forms.

- **MU 1** - **Company** Filings - All brokers and corporations who employ individual MLOs
- **MU 2** - **Brokers/Officers/Directors/Stockholders** of MU 1 companies
- **MU 3** - **Branch** Offices of MU 1 companies
- **MU 4** - All **Individuals** (including brokers) working for MU 1 companies who engage in Mortgage Lending Activities must be **sponsored** by the MU 1 company



# NMLS REGISTRATION REQUIREMENTS cont.:



## DRE UTILIZES NMLS DATA FOR ITS LICENSE ENDORSEMENTS

- All DRE license requirements and terms remain intact
- Endorsement required for both REB and RES licenses
- Endorsement certificate issued via DRE's web site
- Endorsement renewed annually (Nov-Dec 31st)
- Need 8 hours of Continuing Education annually
  - CE completed through NMLS approved provider
  - CE taken in the year endorsement is renewed
  - NMLS CE credits do not apply to DRE CE requirements because exams are not required and the NMLS provider has no requirement to be DRE approved.
  - DRE's 70/30 exemption does not apply



# NMLS REGISTRATION REQUIREMENTS cont.:

## IMPORTANT DATES TO REMEMBER

**RE 866** - Forms must be **filed online within 30 days** of performing MLO activities in California

**AUGUST 31, 2010** - Final date to apply for license endorsement to receive **pre-licensure certification**

**SEPTEMBER 15, 2010** - All NMLS requirements must be **completed** to receive an endorsement by January 1, 2011

**OCTOBER 2010 – MARCH 1, 2011** - Period applicants must **authorize a credit report** through NMLS

**JANUARY 1, 2011** – Licensees **must be registered** and endorsed by DRE to conduct MLO activity in California

**NOVEMBER – DECEMBER** – Annual **renewal period**.



# 5. RESOURCE INFORMATION

- **DRE**

- Web site- [WWW.DRE.CA.GOV](http://WWW.DRE.CA.GOV)
- Licensing Questions – **877-373-4542**
- See **FAQs** on DRE's web site

- **NMLS Resource Center**

Licensees Tab:

- Quick guides
- Tutorials - Navigation Guides
- Sample Forms – MU1, MU2, MU3, & MU4
- Policy Guidebook

- **NMLS**

- NMLS Call Center – **240-386-4444**
- <http://mortgage.nationwidelicencingsystem.org/Pages/Default.aspx>





# Department of Real Estate

Real Estate Fraud  
“A Five  
Year History”



# WHERE WE HAVE BEEN

- ADJUSTABLE RATE MORTGAGES – STATED INCOME LOANS
- INFLATED PURCHASE PRICE – “CASH TO BUYER”
- LOAN MODIFICATION FRAUD



# WHAT WE HAVE DONE

- OUR TRADITIONAL ROLE - PUTTING THESE OPERATIONS OUT OF BUSINESS.
- WE HAVE REDOUBLED OUR EFFORTS TO AVOCATE FOR CRIMINAL AND CIVIL PROSECUTION.
- RESULTS HAVE BEEN SLOW – BUT THEY ARE STARTING TO COME IN.

# Lifetime Financial



**FICTITIOUS BUSINESS NAME**  
**• LIFETIME FINANCIAL**

# Bait & Switch

**Promise a fully amortized loan and fund an adjustable rate loan.**

**Promise a low interest rate and then fund a higher rate, collecting large yield spread premiums.**

**Promise additional no cost refinance loans in 3 to 6 months with no prepayment penalties.**

**Promise no cost loans and then fund charging an assortment of fees as high as \$35,000.**



# Fees

ADDITIONAL PAGE - HUD DATE 07-12-05

Escrow Officer: Carol Pencille  
Property Address :

REF. NO.	AMOUNT
109	
<u>PAYOFF: HOME Q</u>	
Principal	381,269.31
Interest from 03-01-05 to 03-21-05	1,612.38
Prepayment	11,211.59
Demand Fee	39.00
Impounds	839.46
309	
<u>NEW LOAN: PEOPLE'S CHOICE HOME LOANS</u>	
BROKER FEE	25,000.00
to: LIFETIME FINANCIAL	
APPLICATION	2,595.00
to: LIFETIME FINANCIAL	
PROCESSING FEE	1,895.00
to: LIFETIME FINANCIAL	
UNDERWRITING	200.00
to: LIFETIME FINANCIAL	
FUNDING FEE	200.00
to: PEOPLE'S CHOICE	
FLOOD DETERMINATION	13.00
to: PEOPLE'S CHOICE	
APPRAISAL REVIEW	100.00
to: PEOPLE'S CHOICE	
1111	
WIRE TRANSFER to	9.23
2ND HALF TAXES 2004-2005 to	1,700.48
TITLE HOLD to	2,771.78
Delivery Fees to Virtual Escrow	15.00

**Broker Fee - \$25,000**

**Application - \$2,995**

**Processing Fee - \$1,895**

**Underwriting Fee - \$200**

**Pony Fees = \$30,090**

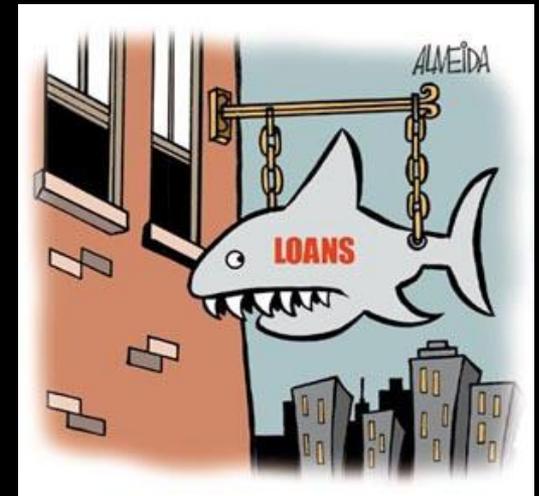
# Predatory Lending



+



=



- Used notaries – who happen to be his cousin, sister and mother - to pressure borrowers to sign
- Understood he just needed a signature to get the loan to fund

# Forgeries

- Name should say Richmond

Settlement Statement  
 Optional Form for  
 Transactions without Sellers

U.S. Department of Housing and Urban Development OMB Approval No. 2502-0491

Name & Address of Borrower:		Name & Address of Lender:	
Property Location: (if different from above)		Settlement Agent: <b>Lifetime Escrow</b>	
		Place of Settlement: <b>16501 Ventura Blvd. #410-A Encino, CA 91436</b>	
Loan Number: <b>10209758</b>		Settlement Date:	
<b>L. Settlement Charges</b>		<b>M. Disbursements to Others</b>	
800. Items Payable in Connection with Loan		1501. AMC Mortgage	
801. Loan Origination Fee % to	0.00	1502.	0.00
802. Loan Discount Fee 0.250 % to PC	1,037.50	1503.	
803. Appraisal Fee to: PC	100.00	1504.	
804. Credit Report to:	0.00	1505.	
805. Inspection Fee to:	0.00	1506.	
806. Mortgage Insurance Application Fee to:	0.00	1507.	
807. Assumption Fee to:	0.00	1508.	0.00
808. Mortgage Broker Fee	6,225.00	1509.	0.00
809. Tax Related Service Fee to: PC	70.00	1510.	0.00
810. Processing Fee to:	1,895.00	1511.	0.00
811. Underwriting Fee to: PC	200.00	1512.	0.00
812. Wire Transfer Fee to:	0.00	1513.	0.00
813. Application Fee to:	2,595.00	1514.	0.00
814. Commitment Fee to:	0.00	1515.	0.00
815. Lender's Rate Lock-In Fee to:	0.00	1520. TOTAL DISBURSEMENTS	
817. YSP* to broker by lender (POC) \$0.00		<b>N. NET SETTLEMENT</b>	
818. Funding Fee	200.00	1600. Loan Amount	
819. Flood Determination Fee	13.00	1601. Plus Cash/Check	
900. Items Required By Lender to be Paid In Advance:		1602. Minus Total Settlement	
901. Interest from 05/10/2005 to 06/01/2006 @ \$ 0.00 /day	0.00	1603. Minus Total Disbursements	
902. Interest @ \$61.40/day	982.40	1604. Equals Disbursement (after expiration of rescission period)	
903. Hazard Insurance Premium for 12 mos	0.00		
904. County Property Taxes for 0 mos	0.00		
906. Flood Insurance for 0 mos	0.00		
1000. Reserves Deposited with Lender:			
1001. Hazard Ins. 0 mos @ \$ 117.5833 /mo.	0.00		
1002. Mortgage Ins. 0 mos @ \$ 0.0000 /mo.	0.00		
1004. Tax & Assmt. 0 mos @ \$ 609.3750 /mo.	0.00		
1006. Flood Insurance 0 mos @ \$ 0.0000 /mo.	0.00		
1008. Aggregate Escrow Adjustment	0.00		
1100. Title Charges:			
1101. Settlement or Closing/Escrow Fee to: Lifetime Es	900.00		
1102. Abstract or Title Search to:	0.00		
1103. Title Examination to:	0.00		
1105. Document Preparation Fee to:	0.00		
1106. Notary Fee to: Vanessa Terry	0.00		
1107. Attorney's Fee to:	0.00		
includes item #s	0.00		
1108. Title Insurance to: SUT	1,976.00		
includes item #s			
1200. Government Recording and Transfer Charges:			
1201. Recording Fee: Deed \$0.00			
Relax \$ 6.00	250.00		
1202. City/County Tax/Stamp: Deed \$ 0.00			
Mtg \$ 0.00	0.00		
1203. State Tax/Stamp: Deed \$0.00	0.00		
Mtg \$0.00	0.00		
1204. Intangible Tax	0.00		
1300. Additional Settlement Charges:			

Borrower's Signature  
 x *Caroline Richmond*  
 Borrower's Signature



# Accusation and D & R

**The Department filed the following charges against Dean Storm, Jacob Franco, and Eric Pony:**

- **Financial Codes: 4970, 4973(a)(2), 4973(k), 4979.6**
- **Business and Professions Codes: 10159.5, 10161.8, 10176(a), 10176(b), 10176(c), 10176(g), 10176(i), 10177(h), 10240, 10240(b), 10241(i), 10236.4**
- **Regulations of the Commissioner: 2731, 2725, 2840.1, 2752**



# Licenses Surrendered

In September 2007, Dean Strom and Eric Pony  
Surrendered their Real Estate Licenses.



# Civil Actions

On March 21, 2008, the California Attorney General's Office filed an unfair business practice lawsuit against all of the respondents and froze their assets.



# Criminal Actions

The San Bernardino and Los Angeles District Attorneys Offices filed 47 Felony counts against Eric Pony and his band of followers.

my FOX

LOS ANGELES



FOX  
11  
NEWS

my FOX  
LOS ANGELES

FOX  
11  
NEWS

"U Guys R a Joke"

# IT WAS NO JOKE!

- Paulette Pony: (SISTER):  
4 years, 4 Months State  
Prison.
- Carol Pencile: (Escrow  
Officer) 3 years, State  
Prison
- Sibpun Ampornet:  
(Escrow Officer) 3 Years  
State Prison
- Eli Hassine: (Cousin) 365  
Days County Jail
- Eric Pony: Remains in  
Jail; Trial - June 11, 2010



# CRISP AND COLE

- Inflated Offers to Purchase.
- Inflated Appraisals.
- Property Flipping.



# THE RESPONDENTS

**CRISP COLE & ASSOCIATES  
TOWER LENDING  
CARL COLE, BROKER  
DAVID MARSHALL CRISP**

**MONOPOLY**  
**HOUSING BUST EDITION**

**ALL NEW TOKENS!**

**BONUS! INCLUDES DAVID LEREAH MOTIVATIONAL TAPE!**

**Community Chest  
HELOC APPROVED  
YOU'RE RICH!**

 DIRECTLY TO FORECLOSURE	<b>FAILED FLIP</b> SELL HUMMER	<b>PROPERTY TAX</b>  HOCK YOUR RING	<b>CANCELED CONDO</b> RAMEN, YUM!	<b>STATED INCOME</b>  WINK WINK NUDGE NUDGE	<b>ARM RESET</b> 	<b>PRICE CRASH</b> BUT... SUZANNE RESEARCHED THIS!?! 	<b>SHORT SALE</b>
-----------------------------	-----------------------------------	---	--------------------------------------	---	----------------------	---	-------------------

**GET RICH QUICK**



# PROPERTY FLIPPING



STRAW BUYER PURCHASES  
PROPERTY WITH 100%  
FINANCING



NEW STRAW BUYER  
PURCHASES PROPERTY AT  
UP TO 150% OF VALUE

CONTROLLED APPRAISER  
SUPPORTS VALUE

# LENDER FRAUD

**DEFRAUDED FEDERALLY INSURED LENDERS**

**FRAUDULENT APPRAISALS**

**FALSIFIED EMPLOYMENT AND INCOME INFORMATION**

**FALSIFIED INTENTIONS TO OCCUPY**



# FBI INVESTIGATION



One week later, the FBI served 13 Federal Search Warrants.





# DRE ACTIONS



CRISP COLE & ASSOCIATES

TOWER LENDING

CARL COLE

DAVID MARSHALL CRISP

**REVOKED**

DRE ALSO COORDINATED  
WITH FBI

# CRISP AND COLE



Jerald Teixeira (Loan Officer)  
Plead Guilty to Felony Wire  
Fraud.

Kevin Sluga (Father In Law)  
Plead guilty to Four counts of  
Felony Wire Fraud.

Leslie Sluga (Mother In Law)  
Plead Guilty to Two counts of  
Felony Wire Fraud.

Megan Balod (Sister In Law)  
Plead Guilty to Counts of  
Felony Wire Fraud.

# Subprime Mortgage Meltdown



**LOW INTEREST TEASER RATES**

**ADJUSTABLE RATE MORTGAGES**

**NO CONSIDERATION FOR BORROWERS ABILITY TO REPAY**

**HOUSING BUBBLE**

**BORROWERS STILL WANT HOUSE**





# LOAN MODIFICATION FIRMS

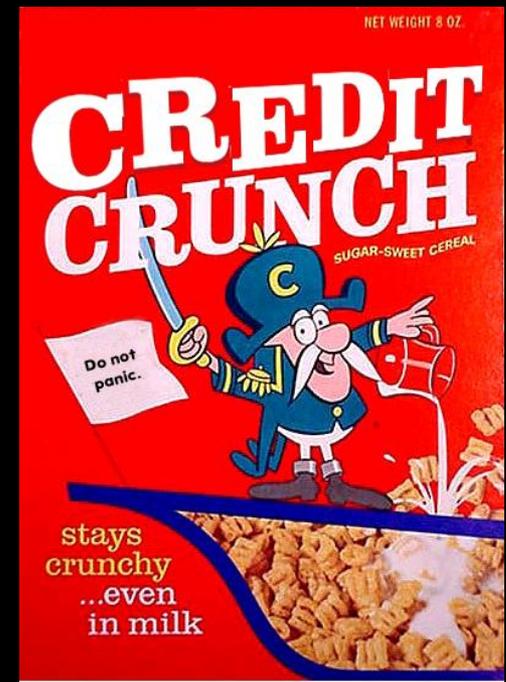
**COLLECT ADVANCE FEE TO NEGOTIATE WITH LENDER**

**PROMISE SUCCESS, BUT PERFORM NO SERVICE**

**MAJORITY OF LOAN MOD COMPANIES UNLICENSED**

**560 DESIST & REFRAIN ORDERS**

**52 ACCUSATIONS**





LOADING VIDEO



04:46 / 04:46



SHARE





# Department of Real Estate

*Serving Californians Since 1917*



*Q&A*



*OPEN FORUM*



**THANK YOU!**



Next Meeting - October 6, 2010, Anaheim