



DEPARTMENT  
OF  
REAL ESTATE  
FORUM



BARBARA J. BIGBY  
Acting Real Estate Commissioner  
May 6, 2011





# OPERATIONS REPORT



BARBARA  
BIGBY  
*Acting Real Estate  
Commissioner*

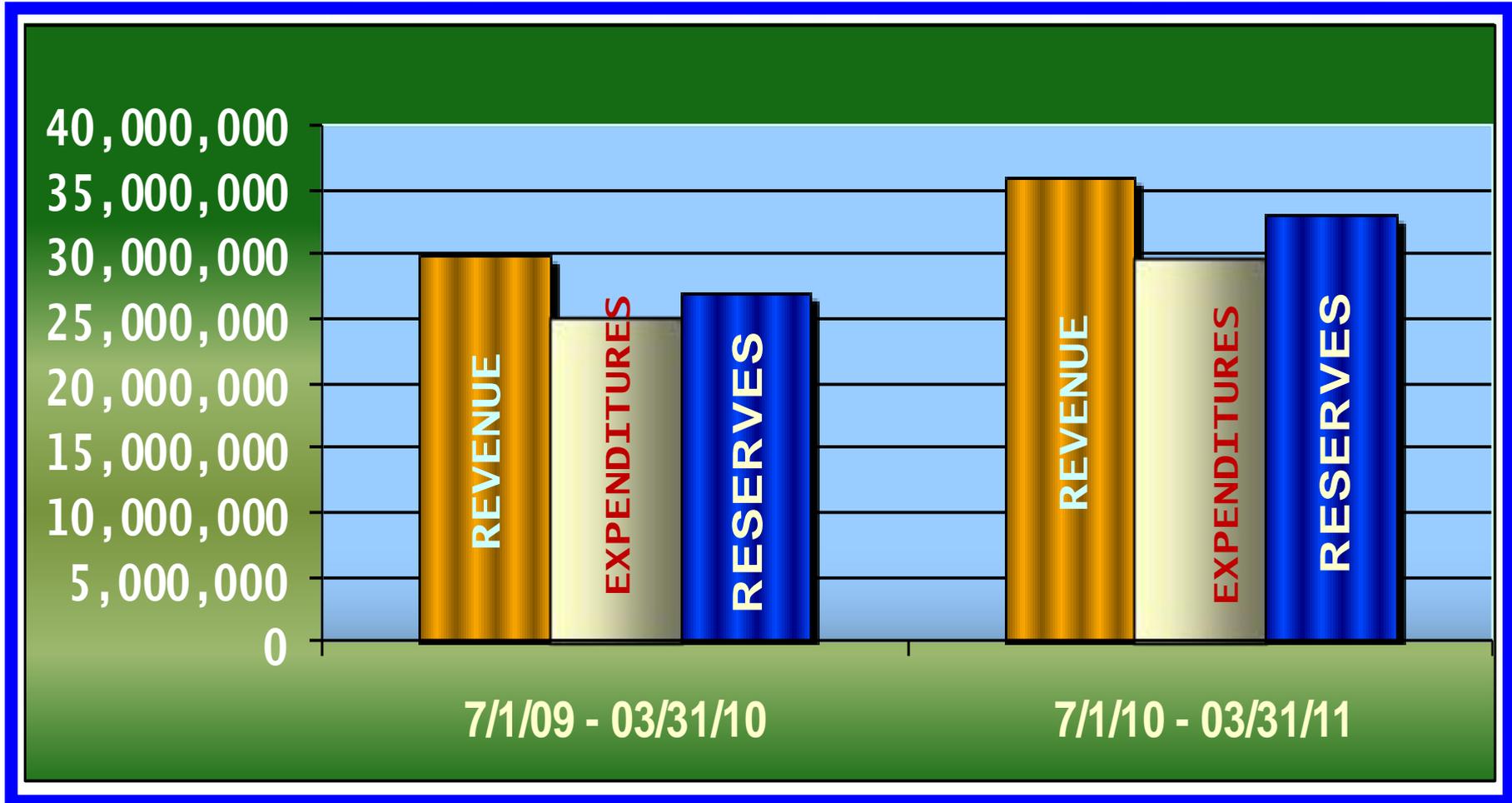


# Comparative Statistics

MONTH	REVENUE	NET EXPENDITURES	RESERVES
07/31/2010	\$4,263,802	\$1,896,282	\$29,345,949
08/31/2010	\$5,316,310	\$1,844,415	\$32,817,844
09/30/2010	\$5,131,610	\$1,953,565	\$35,995,889
10/31/2010	\$3,219,981	\$4,234,249	\$34,981,621
11/30/2010	\$3,239,760	\$3,713,300	\$34,508,081
12/31/2010	3,939,688	\$4,195,556	\$34,252,213
01/31/2011	\$3,382,573	\$4,764,338	\$32,870,448
02/28/2011	\$3,311,341	\$3,749,786	\$32,432,003
03/31/2011	\$4,091,909	\$3,404,450	\$33,119,462

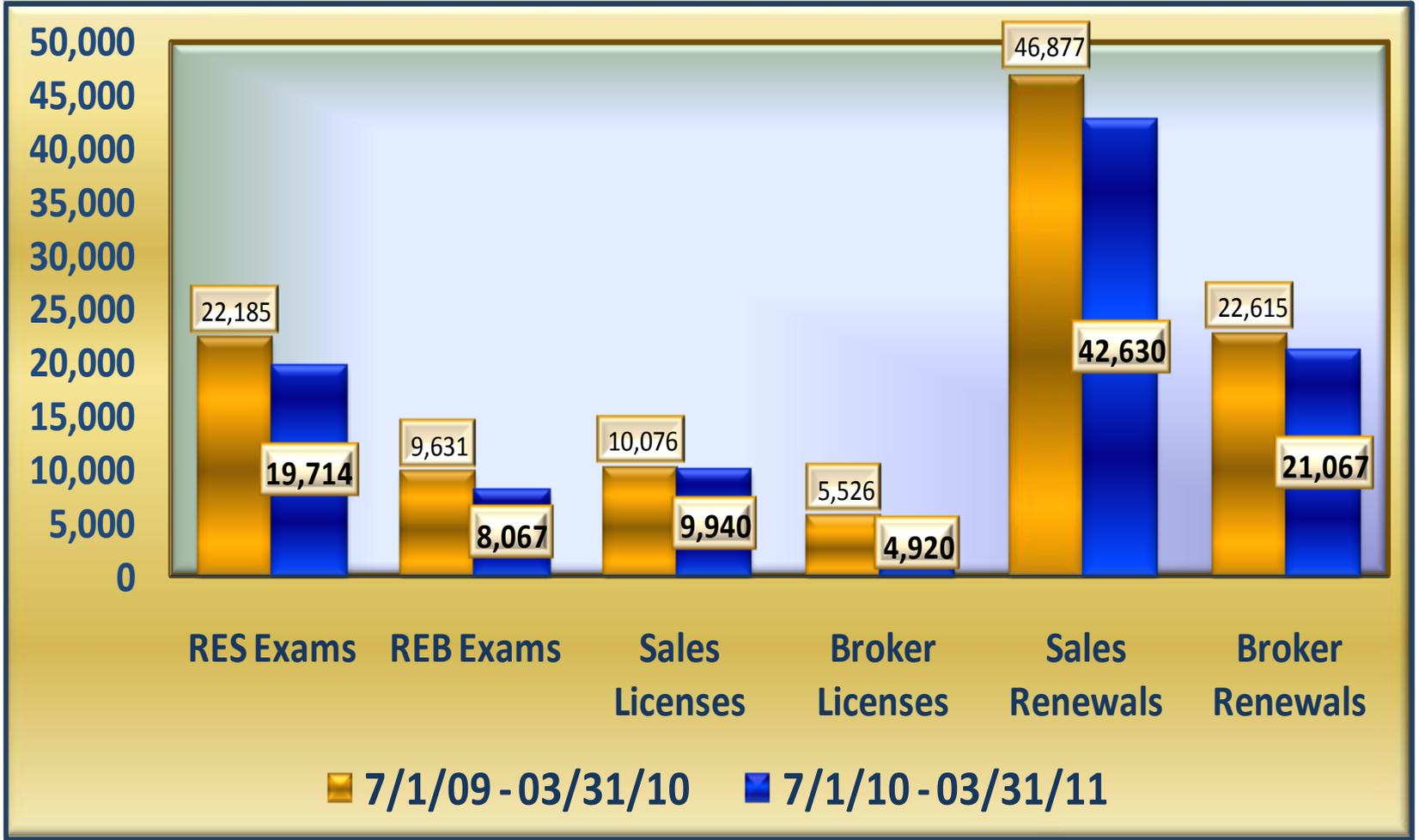


# Comparative Fiscal Data



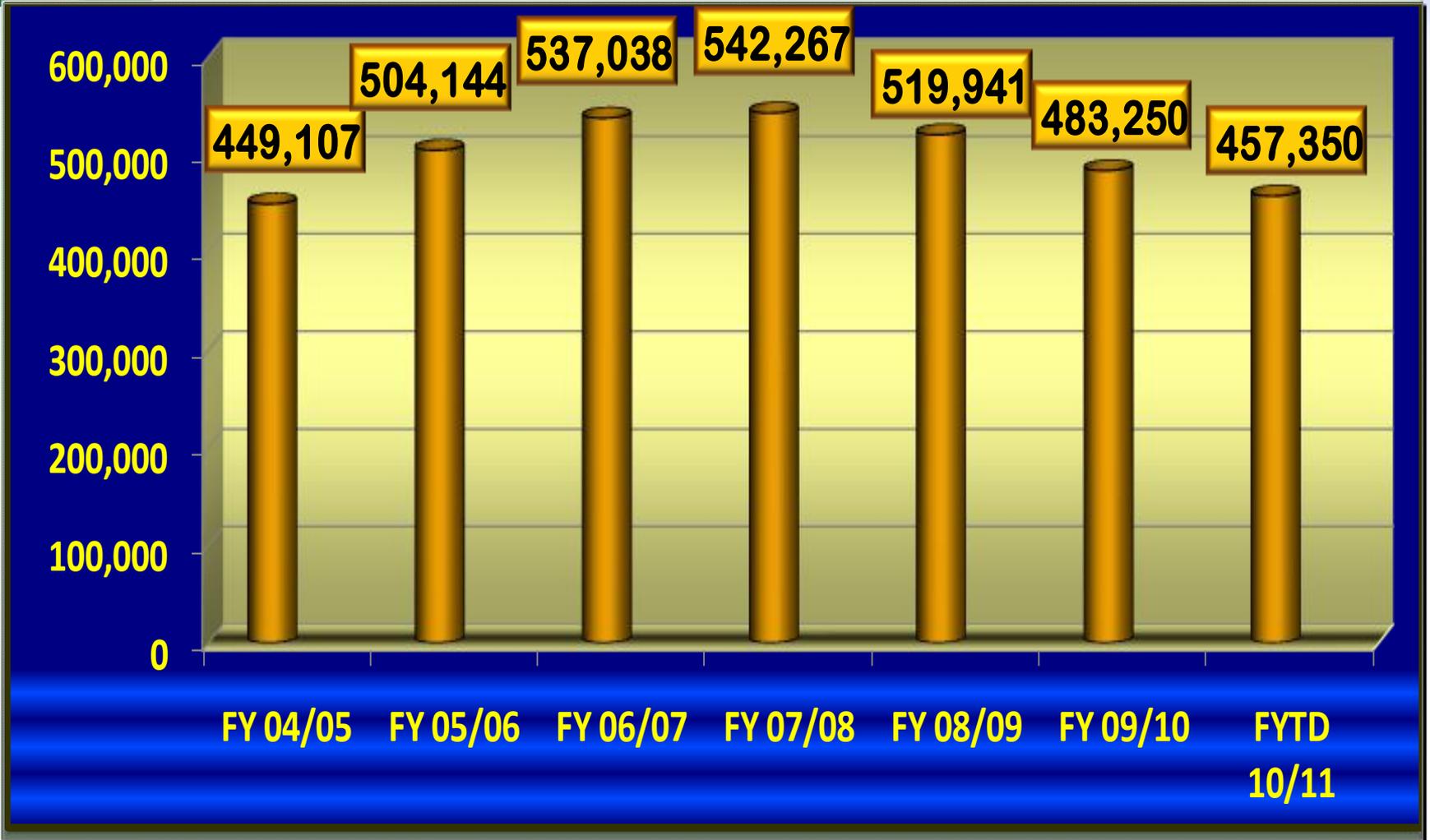


# Licensing Workload



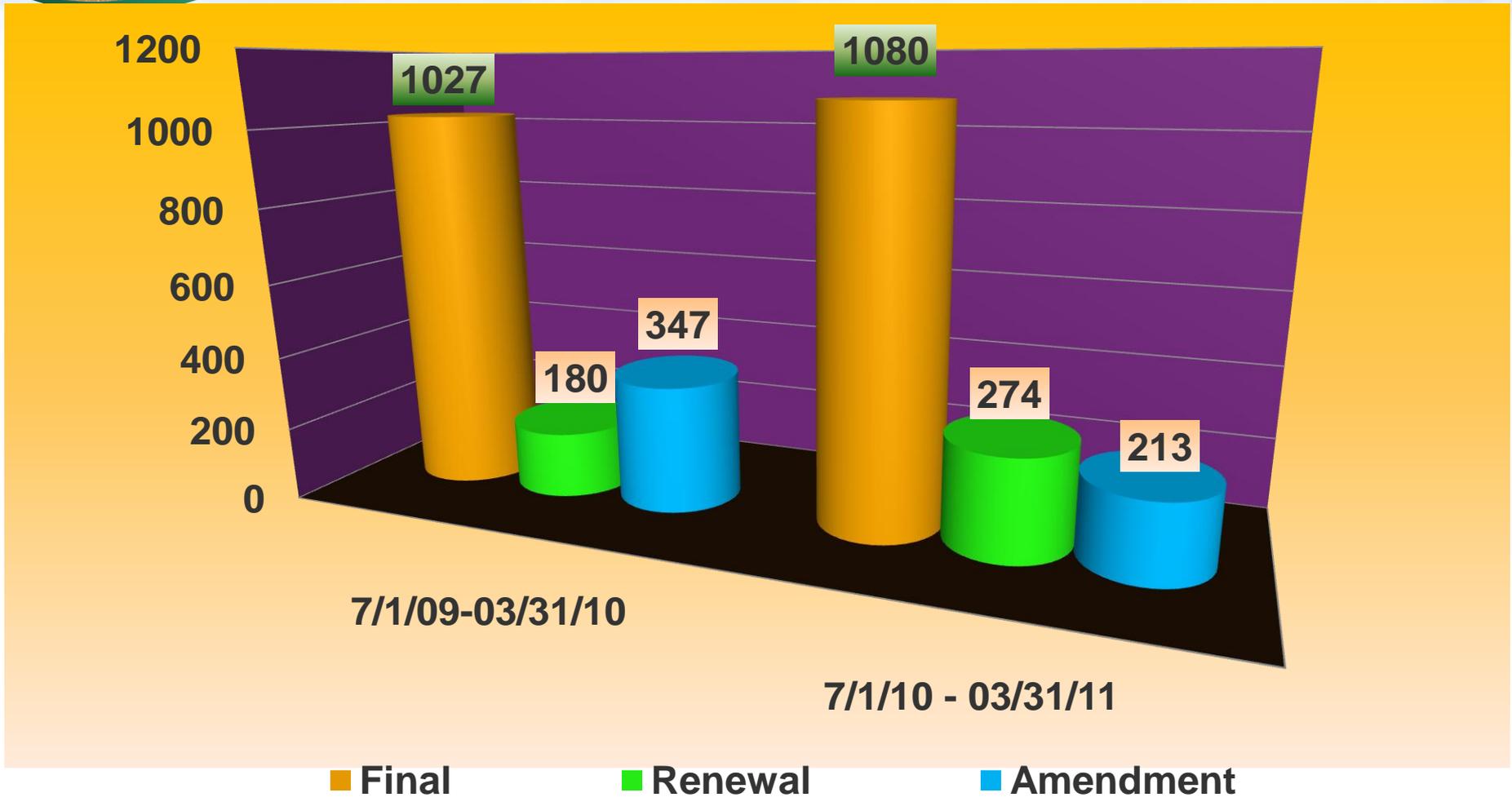


# License Population



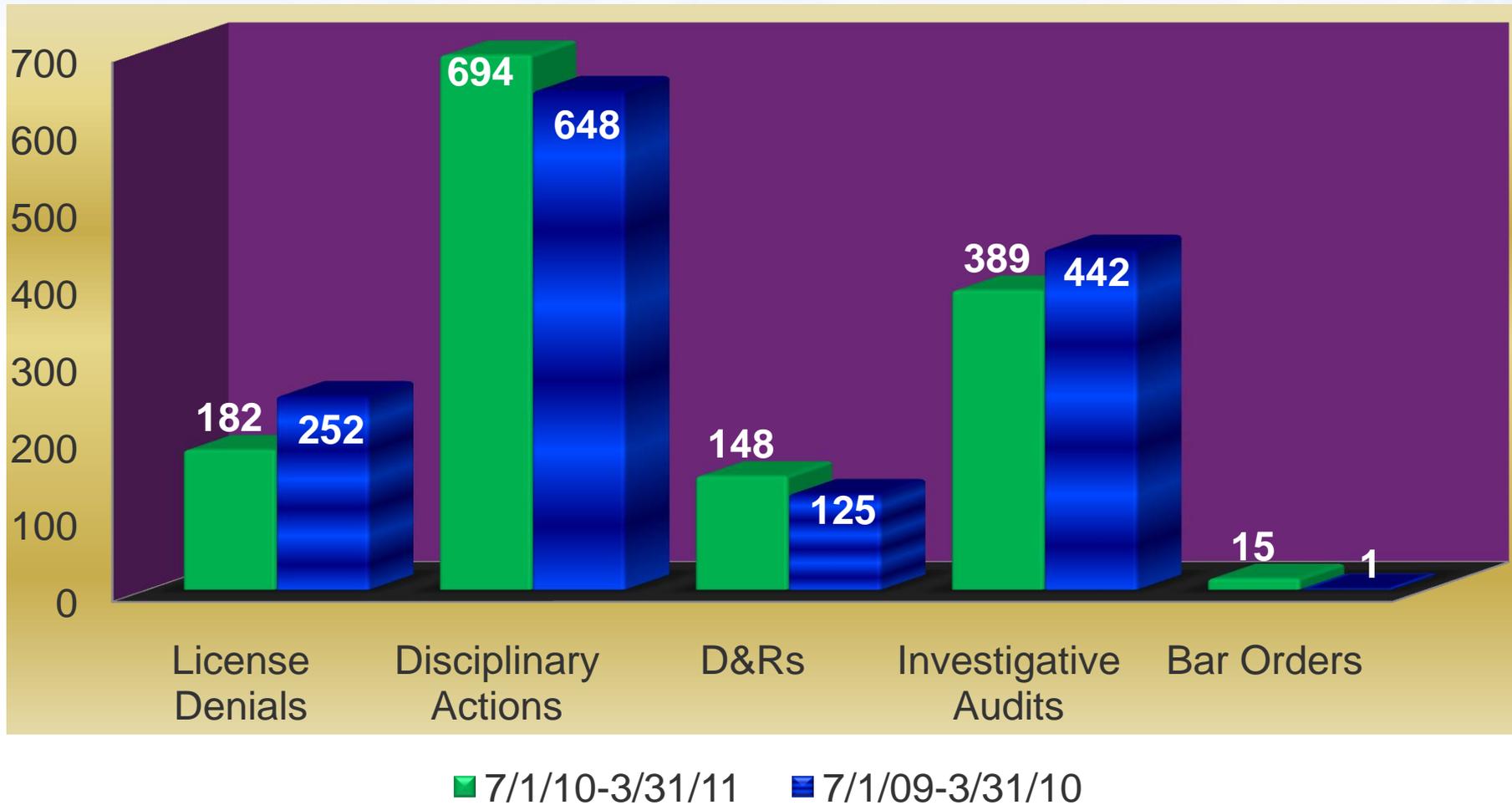


# Subdivision Comparison





# Enforcement Activities





# *Electronic Examinations*

## ● Electronic Examination Project

- Site inspections are complete and leases executed for new facilities for Los Angeles and San Diego Regions
- Testing to commence in the Fall, 2011.





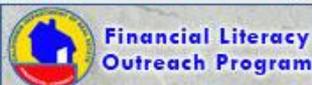
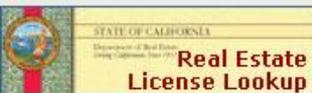
## QUICK LINKS

- [News Flash](#)
- [Consumer Alerts](#)
- [2011 Real Estate Law](#)
- [Careers at DRE](#)
- [Complete List of Forms](#)
- [FAQs](#)
- [Customer Service Survey](#)
- [Small Business & DVBE Opportunities](#)
- [Request a Speaker from the Department](#)

## About DRE

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- [History of the DRE](#)
- [Annual Report](#)
  - [2010](#)
- [DRE Forum](#)
  - [Notice of the May 6, 2011 DRE Forum](#)
  - [Minutes of the January 28, 2011 DRE Forum](#)
- [General information](#)
  - [DRE Mission Statement](#)
  - [About the Department](#)
  - [Program Areas](#)
  - [Organization Chart](#)
  - [2010-15 Strategic Plan](#)
  - [Procurement](#)
  - [Adquisición y Abastecimiento](#)
  - [小型企業和殘障退伍軍人企業](#)
  - [ADA Coordinator](#)
- [Conflict of Interest Code for the Department of Real Estate](#)
- [Contacting the DRE/District Office Locations](#)
- [Request a Speaker from the Department](#)
- [Public Records Access Guidelines \(RE 103\)](#)
- [Suggestion Box](#)
- [DRE Employee Emergency Notification Bulletins](#)



# Department of Real Estate

Investigation of:  
Freedom Capital Mortgage





# THE ROAD TO RUIN

LOAN REPRESENTATIVES  
WERE UNLICENSED

LENDERS WERE ASLEEP

SECONDARY MARKET:  
NO QUESTIONS ASKED

EVERYONE WAS GREEDY



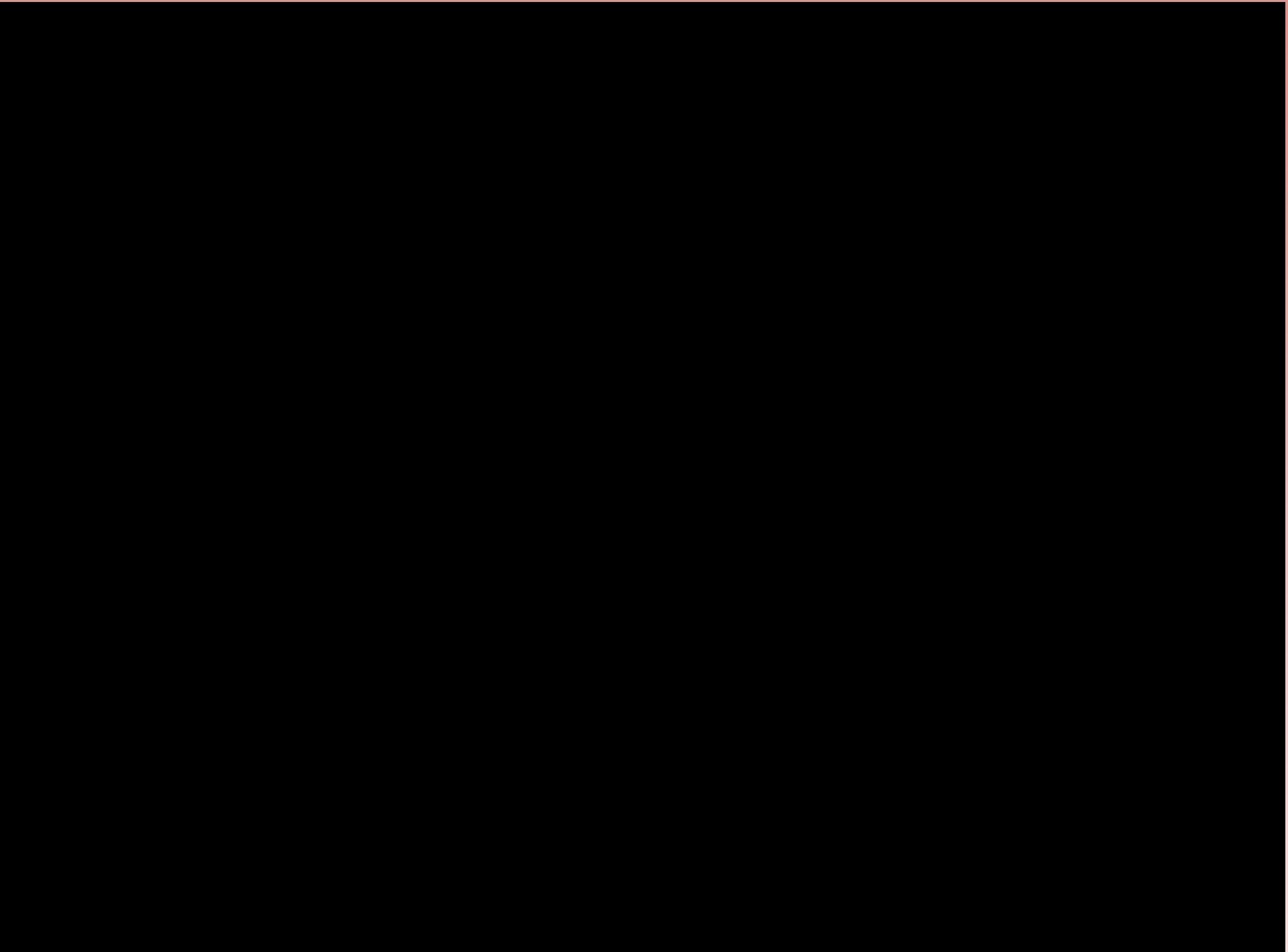
# Lender Fraud

**Engaged in a scheme to defraud federally insured financial institutions.**

**Recruited straw buyers with good FICO scores to purchase multiple properties and falsified income and employment information.**

**Defrauded the straw buyers into believing they were entering into a business transaction wherein they would profit by assisting others in purchasing homes.**







# DRE ACTIONS



FREEDOM CAPITAL  
MORTGAGE INC: REVOKED

JOSEPH GALLO: REVOKED

MARIO FELLINI:  
SURRENDERED

JAMES MARTIN: D&R

GABRIEL VIRAMONTES : D&R

DRE ALSO COORDINATED  
WITH FBI & IRS



# INDICTMENT

1 MCGREGOR W. SCOTT  
 United States Attorney  
 2 MATTHEW STEGMAN  
 Assistant U.S. Attorneys  
 3 501 I Street, Ste 10-100  
 Sacramento, CA 95814  
 4 Telephone (916) 554-2700

**ORIGINAL  
 FILED**  
 SEP 20 2007  
 CLERK, U.S. DISTRICT COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 BY \_\_\_\_\_  
 DEPUTY CLERK

5  
 6  
 7  
 8 IN THE UNITED STATES DISTRICT COURT  
 9 FOR THE EASTERN DISTRICT OF CALIFORNIA

10 2:07-CR-0432 EG

11 UNITED STATES OF AMERICA,	)	CASE NO.
	)	
12 Plaintiff,	)	VIOLATIONS: 18 U.S.C. § 1344 -
	)	Bank Fraud (14 Counts); 18
13 v.	)	U.S.C. § 1014 - False
	)	Statements in Loan Applications
14 JAMES ROY MARTIN,	)	(14 Counts); 18 U.S.C. § 1341 -
MARIO FELLINI, III,	)	Mail Fraud (7 Counts); 18
15 GABRIEL RICHARD VIRAMONTES, and	)	U.S.C. § 1956(h) - Conspiracy
JOSEPH SALVATORE GALLO,	)	to Launder Funds
16	)	
Defendants.	)	
17	)	

## INDICTMENT

18  
 19 COUNTS ONE THROUGH FOURTEEN: [18 U.S.C. § 1344 - Bank Fraud]

20 The Grand Jury charges:



# CONVICTIONS

JAMES MARTIN, MARIO  
FELLINI & JOSEPH GALLO  
PLEAD TO AVOID TRIAL:

GABRIEL VIRAMONTES WENT  
TO TRIAL:  
CONVICTED 6 COUNTS  
BANK FRAUD; 7 COUNTS  
MAIL FRAUD  
MAXIMUM SENTENCE: 30  
YEARS



# Living The High Life



# Local District Attorney Actions

- Los Angeles County
- Riverside County
- Sacramento County
- San Joaquin County
- Ventura County
- Santa Barbara County
- San Diego County
- San Bernardino County

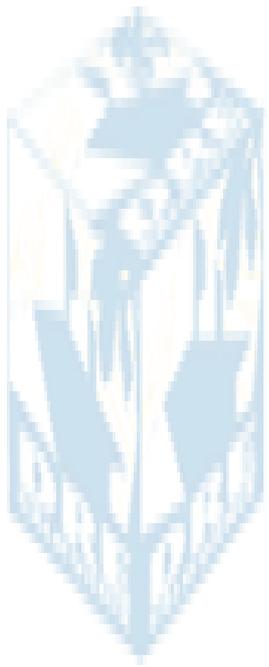


# Proposition 115 Certification



- Enables DRE Investigators, Attorneys and Auditors to Provide Summary Testimony at Criminal Preliminary Hearings.





# *Department of Real Estate*

*Real Estate MATTERS!*

*12927AM 910129 1098*

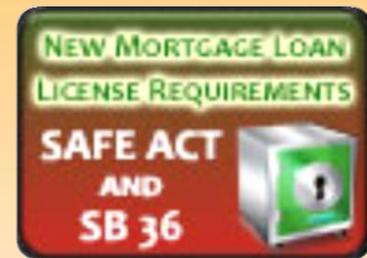


# SAFE

## Secure and Fair Enforcement for Licensing Act of 2008 & Shoulder Tap Compliance

*Presented by:  
Tom Pool*

*Assistant Commissioner*



# Federal Mandate (HR 3231)

- **Enacted in CA by Senate Bill 36**
- **Purpose**
  - Enhance Consumer Protections
  - Create National Minimum Standards for Mortgage Loan Originators
  - Create National Database for Regulators and Consumers



# Definitions

- **MLO – Mortgage Loan Originator is a person:**
  - Who takes residential loan applications; or
  - Who negotiates borrower's residential loan terms
  - And will be compensated for arranging the loan
- **Residential Loan**
  - Secured by a dwelling
  - Residential property (1-4 units)



# MLO License Endorsement

- **Required to conduct MLO activities**
- **Required for both REB and RES license**
- **Required for Independent Contractor**
  - ✓ **Loan Processors**
  - ✓ **Loan Underwriters**
- **Requires annual renewal (Nov/Dec)**



# MLO Endorsement Applications

- ❖ **26,253** Individuals
- ❖ **6,862** Companies, Corporations, & Sole Props.
- ❖ **23,726** MLO Endorsement Applications Approved!



# Mortgage Loan Activity Notification

## Notice Requirement Goes Beyond MLO Activity

**If you Make, Arrange or Service Loans that are secured by 1 to 4 Residential Units You Must:**

- Within 30 Days of Commencing Business Activities  
Submit Online RE 866 at “MLO” Tab: [www.dre.ca.gov](http://www.dre.ca.gov)
- Fines up to \$10,000 for non-compliance
- Received over 40,000 Notices



# Notification Inconsistency



- ✓ **RE 866 Notification on File with DRE**  
15,000 Of These Licensees Have  
No Record Of Any NMLS License Application
- ✓ **No RE 866 Filing with DRE**  
3,800+ NMLS Applicants Have No Record  
Of RE 866 On File

# Operation Shoulder Tap



- ✓ **Tap the Shoulder of Licensees**
- ✓ **Email and Letters**
- ✓ **Non-Responses will Result in:**
  - Broker Office Surveys
  - Audits
  - Disciplinary Actions
    - Desist & Refrain Orders
    - Accusations
    - Fines

# Checkout Your Originator

- Lenders are Denying Loan Applications
- DRE License Lookup
- Look for NMLS Endorsement



### Public License Information

Please enter the Licensee's Name (Last Name, First Name), Company Name or License Identification Number. [Name Search Help](#)

**Licensee/Company Name:**

**Mailing Address City** *(optional)*:

OR

**License ID:**

**Note:** The "Mailing Address City" may differ from the licensee's main office and/or branch office city.

[Home](#)

**STATE OF CALIFORNIA  
DEPARTMENT OF REAL ESTATE**

The license information shown below represents public information taken from the Department of Real Estate's database at the time of your inquiry. It will not reflect pending changes which are being reviewed for subsequent database updating. Also, the license information provided includes formal administrative actions that have been taken against licensees pursuant to the Business and Professions Code and/or the Administrative Procedure Act. All of the information displayed is public information. Although the business and mailing addresses of real estate licensees are included, this information is not intended for mass mailing purposes.

License information taken from records of the Department of Real Estate on 1/25/2011 9:45:44 AM

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<b>License Type:</b>	BROKER
<b>Name:</b>	Trent, Peter Michael
<b>Mailing Address:</b>	11 VIA ALICIA SANTA BARBARA, CA 93108
<b>License ID:</b>	01067188
<b>Expiration Date:</b>	01/24/12
<b><u>License Status:</u></b>	LICENSED
<b><u>MLO License Endorsement:</u></b>	NMLS ID: <a href="#">243483</a> 
<b><u>Salesperson License Issued:</u></b>	03/08/90 (Unofficial -- taken from secondary records)
<b><u>Broker License Issued:</u></b>	01/25/00
<b>Former Name(s):</b>	NO FORMER NAMES
<b>Main Office:</b>	1215 DE LA VINA ST STE G SANTA BARBARA, CA 93101
<b>DBA</b>	NO CURRENT DBAS
<b>Branches:</b>	NO CURRENT BRANCHES
<b>Affiliated Licensed Corporation(s):</b>	<a href="#">01308080</a> - Officer Expiration Date: 04/09/13 Trent Investment Corp Inc
<b><u>Comment:</u></b>	NO DISCIPLINARY ACTION  09/09/91 - CONDITIONAL LICENSE SUSPENSION. EDUCATION REQUIREMENTS NOT FILED.  09/11/91 - CONDITIONAL SUSPENSION REMOVED. EDUCATIONAL REQUIREMENTS MET.  >>>> Public information request complete <<<<



NATIONWIDE MORTGAGE LICENSING SYSTEM & REGISTRY

consumer access

[www.mortgage.nationwidelicensingsystem.org](http://www.mortgage.nationwidelicensingsystem.org)

Enter a Name, Company, City, State, Zip Code, NMLS ID, and/or License Number

*Example: John Smith Rockville MD 20852 Bank of USA*

Welcome to **NMLS Consumer Access<sup>SM</sup>**, a free service for consumers to confirm that the mortgage company or mortgage professional with whom they wish to conduct business is licensed in their state. Users of NMLS Consumer Access are subject to the [Terms of Use Agreement](#).

Information made available through NMLS Consumer Access<sup>SM</sup> is derived from the Nationwide Mortgage Licensing System and Registry (NMLS), the mortgage industry's online registration and licensing database as reported on licensing and registration forms completed by mortgage lenders/brokers, professionals or regulators. NMLS was created by the **Conference of State Bank Supervisors (CSBS)** and the **American Association of Residential Mortgage Regulators (AARMR)** and is owned and operated by the **State Regulatory Registry LLC (SRR)**, a wholly owned subsidiary of CSBS. For more information about the System, please visit the **NMLS Resource Center** website.

# Resources

- DRE

[www.dre.ca.gov](http://www.dre.ca.gov)

The screenshot shows the homepage of the California Department of Real Estate (DRE). The header includes the DRE logo, the text "Department of Real Estate Real Estate MATTERS!", and a search bar. Below the header is a navigation menu with links for Home, Consumers, Licensees, Exams, MLO, Subdivisions, Industry, Publications, Press, and Español. The main content area features a "HOT TOPICS" section with a "SCAM ALERT" icon and text about fraud warnings regarding lawsuit marketers and consumer alerts about home loan scams. To the right of this section are several smaller icons for "SAFE ACT and NMLS", "ENFORCEMENT ACTIONS", "Real Estate License Look-up", "New Mortgage Loan License Requirements", "California Real Estate Financial Services License Status Check", "REAL ESTATE EXAMINATIONS SYSTEM", "Real Estate Bulletin SPRING 2011", "Mortgage Loan Bulletin WINTER 2009", "加利福尼亞房地產部雜誌", and "Vaya Información en Español". Below the main content area are four columns of links: "Quick Links" (News Flash, Consumer Alerts, 2011 Real Estate Law, Instructions to License Applicants, Complete List of Forms, FADs, Customer Service Survey), "Licensees" (SAFE ACT, Prepaid Rental Listing Service, Desist and Refrain Orders, Bar Orders, Real Estate Business Guidance, eLicensing Online System), "Exams" ("Things You Need to Know", Out-of-State Applicants, Education Course Availability, How & Where Exams are Scheduled, Taking the Exam, eLicensing Online System), and "Consumers" (Desist and Refrain Orders, Bar Orders, Complaints, Loan Modifications, Homebuyers/Borrowers, Consumer Alerts, Financial Literacy). On the far right, there is a "Services" section for the "eLicensing online system" and a "Connect With Us" section for social media (Twitter, Twitter fan Español, YouTube, Videos, Mobile) and a "Subscribe DRE" button.

- NMLS

[www.mortgage.nationwidelicensingsystem.org](http://www.mortgage.nationwidelicensingsystem.org)

Just Google: "NMLS"



# Audit Cases



**Dan Sandri**

**Chief of Audits**

**Department of Real Estate**



# Case #1: Something to Hide

**Justice Delayed: R. Perez**

## R. Perez

- Dba Excel Mortgage, Globe Financial Unlimited, R&A Associates, etc.
- Operated Mortgage Loan, Property Resale and Broker Escrow Business in Garden Grove, CA
- Had been licensed since 1985



# Perez: The First Audit Attempt

- Complainant property seller said when sales escrow closed she received 2 different closing statements, showing money due to her, but no sales proceeds.
- Audit ordered by Enforcement.
- The audit commenced in April 2007.
- Many delays ensued.
- Subpoena duces tecum served.
- No records provided to audit.

An airport departure board showing a list of gates and their status, with all entries marked as 'DELAYED'.

	GATE #	STATUS
	A23	DELAYED
	C72	DELAYED
	B34	DELAYED
	A14	DELAYED
	C89	DELAYED
	G12	DELAYED
	C5	DELAYED
	D13	DELAYED
	A4	DELAYED
	B22	DELAYED
		DELAYED

# Perez: The Records Chase

- DRE sent the case to the Attorney General's Office to compel Perez to produce records.
- On 7/31/08, the Superior Court in Los Angeles issued an Order Compelling Compliance with the Administrative Subpoena Duces Tecum.
- On 8/1/08, Mr. Perez was served with a copy of the Order by DRE.
- Audit of Perez' Records began again in September, 2008.



# Perez: The Business



- As a real estate broker, Perez negotiated loans funded by institutional lenders – approximately 23 loans per year at \$400,000 per loan.
- Perez negotiated about 10 sales/purchases per year.
- Perez handled 5 broker escrows in the audit period and collected \$1.29 million in trust funds.

# Perez: The Audit

- In spite of the Court Order, Perez provided minimal accounting records. He said he had many reasons for this:
  - ✦ Computer crash;
  - ✦ Records in office were “put away”;
  - ✦ Employee didn’t record transactions properly;
  - ✦ Employee took the files;
  - ✦ Burglary of computers at main office...
- But he provided enough for Audits to reconstruct what happened...



# Perez: The Audit



- Perez used 2 accounts for escrow trust fund handling.

The audit revealed that:

- Perez had a trust fund shortage of \$182,307.26 due to:
  - ✦ Unauthorized disbursements of \$147,622.22
  - ✦ Negative escrow balances: \$4,875.05
  - ✦ Bank charges: \$101.19
  - ✦ Unidentified causes: \$29,708.80



# Perez: The Audit

- The Unauthorized disbursements of \$147,622.22 were comprised of the following:

✦ Checks to escrow coordinator:	(\$4,221.87)
✦ Transfers to former Salesperson:	(\$42,275.87)
✦ Transfer to Other Non-Principal:	(\$35,301.43)
✦ Funds to Perez (mostly Cash WD's):	(\$56,921.98)
✦ Improper Commission to Perez:	(\$7,350.00)
✦ Car, Phone Bills of Escrow Officer:	(\$9,051.07)
✦ Money owed to Perez' Son:	(\$5,000.00)
✦ Perez Deposits to Account:	+12,500.00

# Perez: The Audit

With regard to the Complainant seller, the audit also revealed that:

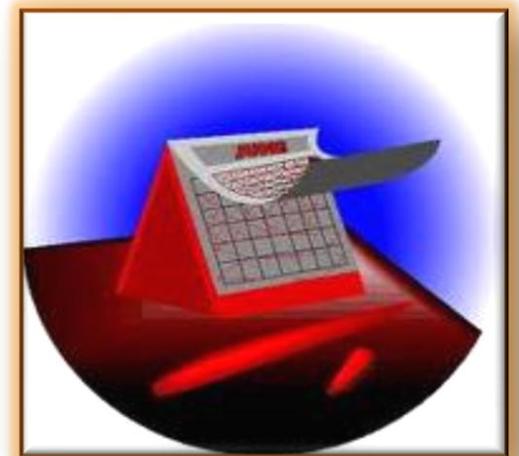
- Funds of the Seller complainant totaling over \$87,000 were among missing trust funds.
- Perez refinanced his home a year later to repay the seller.

Perez was cited for 21 different violations of the Real Estate Law and Regulations.



# R. Perez Timeline

- 5/8/07 - 1<sup>st</sup> Audit Starts
- 6/26/07 - 1<sup>st</sup> Audit Closed
- 7/31/08 - Superior Court Orders Records Production
- 9/24/08 - 2<sup>nd</sup> Audit Starts
- 11/21/08 - 2<sup>nd</sup> Audit Closes
- 12/9/08 - Accusation Filed by DRE
- 9/15/09 - Perez' Broker License is Revoked, effective 10/7/09



# Case #2: Fleecing the Broker

**Lack of Supervision + Signature  
Stamp = Trouble**



# Fleecing the Broker

- Routine Audit of Property Management Corporation.
- Company managed 262 properties for 231 owners.
- Company collected \$2.4 million in trust funds annually.
- Entrance conference with Designated Officer and long-time CFO.



# Fleecing the Broker



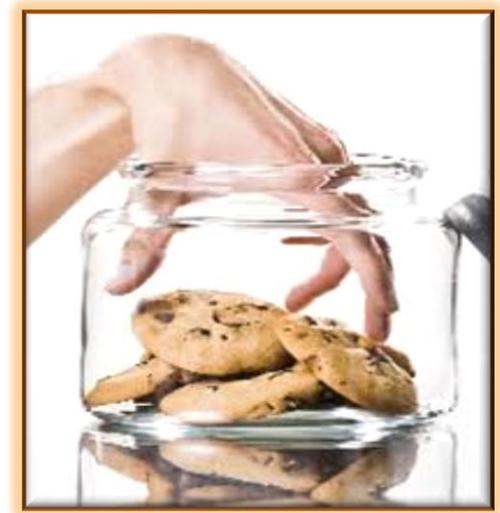
- Corporation maintained 4 trust accounts for management of properties.
- Des. Officer and unlicensed CFO were the only signers on each.
- CFO was also in charge of the corporate accounts and the accounts of a related maintenance company.

# Fleecing the Broker



- At start of audit, the CFO admitted to the auditor that she had taken \$61,000 in trust funds.
- CFO had told Designated Officer of embezzlement after DRE auditor called.
- During audit, CFO admitted to taking an additional \$15,000 from another trust account.
- Since CFO had signature control and accounting control, she could take funds without detection.

# Fleecing the Broker



## How CFO accomplished embezzlement :

- Set up 2 phony properties with 2 fake tenants: Carla Taylor and **Mary Fleece**.
- Set up a phony landscaping company with business address = CFO residence.
- Write checks to self and her mortgage lender using Des. Officer's signature stamp, then account for as property costs.
- Write checks to her phony Landscaping company.

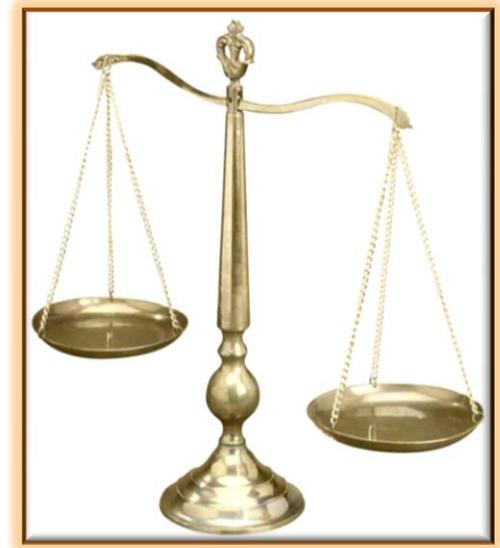
# Fleecing the Broker

## How CFO accomplished embezzlement :

- Supplement account by depositing money from related maintenance company (more money lost).
- Run reports with/without phony properties, as needed.
- No supervisory review of records, transactions, use of signature stamp, reconciliation of records or records to bank statement.



# Fleecing the Broker



## Final Result:

- Designated Officer deposited money to trust accounts to correct shortage.
- Corporation and Des. Officer received Restricted licenses on terms and conditions, including chargeable audits.
- Des. Officer did not press charges against CFO.



*Q&A*



*OPEN FORUM*



*THANK YOU!*



*Next Meeting – September 21, 2011*