

FILED

BEFORE THE BUREAU OF REAL ESTATE

DEC 12 2017

STATE OF CALIFORNIA

BUREAU OF REAL ESTATE

By B. Nicholas

In the Matter of the Accusation of)	CalBRE No. H-3037 FR
)	
BIZ4LOANS, HARPREET BALI, PRADEEP)	OAH No. 2016100407
BALI, and DALJEET SINGH)	
Respondents.)	

DECISION

The Proposed Decision dated November 20, 2017, of the Administrative Law Judge of the Office of Administrative Hearings, is hereby adopted as the Decision of the Real Estate Commissioner in the above-entitled matter.

The Decision suspends or revokes one or more real estate licenses.

Pursuant to Government Code Section 11521, the Bureau of Real Estate may order reconsideration of this Decision on petition of any party. The party seeking reconsideration shall set forth new facts, circumstances, and evidence, or errors in law or analysis, that show(s) grounds and good cause for the Commissioner to reconsider the Decision. If new evidence is presented, the party shall specifically identify the new evidence and explain why it was not previously presented. The Bureau's power to order reconsideration of this Decision shall expire 30 days after mailing of this Decision, or on the effective date of this Decision, whichever occurs first.

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The right to reinstatement of a revoked real estate license or to the reduction of a penalty is controlled by Section 11522 of the Government Code. A copy of Sections 11521 and 11522 and a copy of the Commissioner's Criteria of Rehabilitation are attached hereto for the information of respondent.

JAN 02 2018

This Decision shall become effective at 12 o'clock noon on _____.

IT IS SO ORDERED _____

12/7/17

WAYNE S. BELL
REAL ESTATE COMMISSIONER



By: DANIEL J. SANDRI
Chief Deputy Commissioner

BEFORE THE
BUREAU OF REAL ESTATE
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the First Amended
Accusation Against:

BIZ4LOANS, HARPREET BALI,
PRADEEP BALI, and DALJEET SINGH,

Respondents.

Case No. H-3037 FR

OAH No. 2016100407

PROPOSED DECISION

Tiffany L. King, Administrative Law Judge, Office of Administrative Hearings (OAH), State of California, heard this matter on October 18 and 19, 2017, in Sacramento, California.

Richard K. Uno, Senior Legal Counsel, represented Brenda Smith (complainant), Supervising Special Investigator, Bureau of Real Estate (Bureau), Department of Consumer Affairs, State of California.

Respondent Pradeep Bali (Pradeep) was present and represented himself. Respondent Daljeet Singh (Singh) was also present and represented himself.

Complainant established proper service of the pleadings and notices of hearing. There was no appearance by or on behalf of respondents Harpreet Bali (Harpreet) or Biz4Loans. The matter therefore proceeded as a default against Harpreet and Biz4Loans under Government Code section 11520.

Evidence was received, the record was closed, and the matter was submitted for decision on October 19, 2017.

FACTUAL FINDINGS

1. On October 13, 2004, the Bureau issued a salesperson license to Harpreet. The salesperson license was terminated on January 21, 2010, at which time the Bureau issued her real estate broker license number 01447935. Harpreet's broker license is in full force and

effect and will expire on January 20, 2018, unless renewed or revoked. She has no history of prior discipline with the Bureau.

2. On January 21, 2014, the Bureau issued corporate real estate broker license number 01946313 to Biz4Loans. From January 21, 2014 to February 24, 2016, Harpreet was listed as the corporation's designated officer. The corporate license will expire on January 20, 2018, unless renewed or revoked.

3. On April 7, 2009, the Bureau issued real estate broker license number 01856075 to Singh. From May 20, 2009 to April 27, 2017, Mr. Singh was doing business as Shawn's Realty & Finance Group (Shawn's Realty). Mr. Singh's broker license is in full force and effect and will expire on June 30, 2021, unless renewed or revoked.

4. On January 31, 2003, the Bureau issued salesperson license number 01364141 to Pradeep. On December 29, 2010, he was issued a restricted salesperson license subject to certain terms, conditions and restrictions pursuant to Business and Professions Code sections 10156.6 and 10156.7. Pradeep's restricted salesperson license was suspended indefinitely, effective April 9, 2017. From December 31, 2010 to May 3, 2016, Harpreet was Pradeep's employing broker. Since May 4, 2016, Shawn's Realty has acted as Pradeep's employing broker.

5. Complainant, in her official capacity, signed and filed the Accusation on August 16, 2016, and the Amended Accusation on July 10, 2017. The Amended Accusation seeks to revoke each of respondents' licenses on grounds that they collected advanced fees on loan applications in violation of the Real Estate Law, violated multiple provisions of the laws and regulations governing hard money lending, and committed multiple trust fund violations. Respondents timely filed a Notice of Defense. This hearing followed.

Advanced Fees

HARGROVE LOAN

6. On January 26, 2015, Keith Hargrove (Hargrove) retained Biz4Loans, by and through Pradeep, to secure a loan to refinance a commercial property he owned located at 144 Southeast Priest Street in Madison, Florida (Priest Property). On January 29, 2015, Hargrove paid Biz4Loans, by and through Pradeep, an upfront "administrative fee" in the amount of \$2,100. Biz4Loans thereafter issued a letter of intent to Hargrove. Ultimately, Biz4Loan failed to obtain a loan for the Priest Property in accordance with terms in the letter of intent. Hargrove requested a refund of the \$2,100 "administrative fee," however Pradeep informed him the fee was non-refundable.

VERDOES LOAN

7. On January 15, 2015, Alan and Marlene Verdoes retained Biz4Loans, by and through Pradeep, to secure a \$9.5 million loan to refinance their family farm, comprised of

multiple parcels located in Marshall, Minnesota (Marshall Property.) Biz4Loans, by and through Pradeep, advised the Verdoeses that they would be required to pay an upfront “administrative fee” in the amount of \$4,500. Pradeep later reduced the administrative fee to \$2,699, which the Verdoeses remitted on February 2, 2015. Biz4Loans thereafter issued a letter of intent to the Verdoeses. Biz4Loans ultimately found a Canadian lender to refinance the Verdoeses’ family farm, but on different terms and conditions that those included in the letter of intent. The Verdoeses declined and requested a refund of the \$2,699 fee. Pradeep informed them the fee was non-refundable. After failing to obtain the loan, the Verdoeses lost their family farm.

HARGROVE COMPLAINT

8. Hargrove ultimately filed a consumer complaint with the Bureau against Biz4Loans. Investigator Yolanda Chapman was assigned to investigate the matter. On April 8, 2015, Investigator Chapman interviewed Harpreet at the Biz4Loans office in Fresno. Harpreet stated she was the broker of record for Biz4Loans and Pradeep was the owner. She described the company’s business as offering commercial loans online and acknowledged the company collected an upfront administrative fee, which Harpreet called an “application fee.” Harpreet stated she did not have a trust account but had a general business account, for which she is the only authorized signer.

Audit Findings

9. From January 13 through February 5, 2016, upon referral from Investigator Chapman, the Bureau conducted an audit of Biz4Loans to determine if trust funds were being handled properly. The audit period was January 1, 2015 through January 30, 2016. Auditor Karan Dogra interviewed Harpreet and Pradeep, and examined the company’s bank statements, PayPal invoices, and loan files from the audit period on a sample basis. Mr. Dogra prepared an audit report containing his findings and conclusions, which was admitted into evidence at hearing. Mr. Dogra also testified at hearing, consistent with his report. The audit disclosed the following violations of real estate laws and practices:

- a. *Trust Fund Accountability and Balances.* A real estate broker who accepts funds belonging to others in connection with a real estate transaction must immediately deposit the funds into a neutral escrow account or trust fund account maintained in a bank or recognized depository until disbursed in accordance with instructions from the person entitled to the funds. (Bus. & Prof. Code, § 10145, subd. (a)(1).) Written consent for every principal owner of the funds in the account must be obtained by the broker prior to any disbursement that reduces the balance of the funds in the account to less than the existing aggregate trust fund liability of the broker to owners of the funds. (Cal. Code Regs., tit. 10, § 2832.1.)

Mr. Dogra performed a bank reconciliation for Biz4Loans’s bank account as of January 30, 2015, based on the advance fees collected and identified by Pradeep. As of January 30, 2015, the account contained a minimum shortage of \$2,106.85, which

was caused by unauthorized disbursements by Biz4Loans and Harpreet for company operating expenses. There was no evidence that Biz4Loans or Harpreet obtained the written consent of the trust fund owners authorizing Biz4Loans to disburse funds from the trust account that reduced the balance below the total trust fund liability.

b. *Advance Fees and Advance Fee Agreements.* Any person who intends to collect an advance fee must submit to the Bureau for review and approval all materials he intends to use to advertise, promote, solicit, or negotiate the advance fee agreement at least 10 days prior to using such materials. (Bus. & Prof. Code, § 10085; Cal. Code Regs., tit. 10, § 2970, subd. (a).) It is unlawful for a real estate broker “to claim, demand, charge, receive, collect, or contract for an advance fee . . . for soliciting lenders on behalf of borrowers or performing services for borrowers in connection with loans to be secured directly or collaterally by a lien on real property, before the borrower becomes obligated to complete the loan.” (Bus. & Prof. Code, § 10085.5, subd. (a)(1).) The collection of advance fees for loan modifications or forbearance is strictly prohibited. (Bus. & Prof. Code, § 10085.6.)

During the audit period, Biz4Loans was involved in mortgage loan activities, and collected \$4,747 in advance fees from five borrowers for loan services. Its “administrative fee” was available on its website, noting the fee must be paid upfront and is non-refundable, and that failure to pay the fee would result in the application being suspended immediately. Neither Biz4Loans nor Harpreet obtained the Bureau’s approval of the advance fee agreement and materials soliciting advance fees at least 10 days in advance.

c. *Improper Trust Account Designation.* The trust fund account must be in the name of the broker, or in a fictitious name if applicable, “as trustee at a bank or other financial institution.” (Cal. Code Regs., tit. 10, § 2832.) During the audit period, Biz4Loans and Harpreet maintained a single bank account at Chase Bank (Bank Account No. 1). The account was named “Biz4Loans.” It was not designated as a trust account and no one was listed as trustee on the account. Biz4Loans primarily used Bank Account No. 1 to pay for business operating expenses, but also deposited trust funds and advance fees into the account Bank Account No. 1.

d. *Trust Fund Control and Separate Records Not Maintained.* A broker must keep a record of all trust funds received pursuant to instructions of the principal owner of the funds (control record). The record must set forth in chronological sequence the date received, who the funds were received from, the amount, the deposit date, check number/date of related disbursements, date and name of any other depository, and a daily balance. (Cal. Code Regs., tit. 10, § 2831.) A broker must also keep a separate record for each beneficiary or transaction, to account for all funds deposited, disbursed, and interest earned. (Cal. Code Regs., tit. 10, § 2831.2.) The record must set forth identifying information in chronological form. (Cal. Code Regs., tit. 10, § 2831.1.) During the audit period, Biz4Loans failed to maintain a control record and separate records for Bank Account No. 1.

e. *Reconciliations Not Performed.* Biz4Loans did not perform a reconciliation of the sum of the separate beneficiary records to the record of all trust funds received and disbursed at least monthly as required by law. (Cal. Code Regs., tit. 10, § 2831.2.)

f. *Mixing of Trust Funds.* Biz4Loans bank statements revealed it unlawfully commingled its funds with trust funds during the audit period. (Bus. & Prof. Code, § 10176, subd. (e).) Biz4Loans used these commingled funds to pay for business expenses. Such expenses included: a \$16.20 purchase at Walmart on January 12, 2015; a \$794.88 payment to Comcast on January 20, 2015; and a \$350 payment for Google Ads on February 9, 2015.

Hard-Money Lending Activities

10. Leo Entertainment, Inc. (LEO) is a California corporation, owned by Harpreet and Singh. LEO has never been licensed by the Bureau as a corporate real estate broker. Daily Investments Group, LLC (Daily Investments) is a California limited liability company, owned by Harpreet and Singh. Daily Investments has never been licensed by the Bureau as a corporate real estate broker. On February 6, 2014, the Bureau filed and served LEO and Daily Investments Orders to Desist and Refrain from engaging in unlicensed real estate broker activities.

11. Reenu Saini (Reenu) met Harpreet and Pradeep through a mutual acquaintance in February 2015. Reenu's mother, Shakuntla, had several medical issues and Reenu was her primary caregiver. Shakuntla was looking for investments for her retirement savings which would pay interest sufficient to cover her monthly expenses. Over the next few months, Reenu and Harpreet regularly spoke, by phone and in person, regarding potential investment opportunities. Typically, Harpreet would contact Reenu about a loan investment opportunity, and tell her that the borrower was reliable and could secure the loan with real property. Harpreet or Pradeep then would email Reenu a property profile and description, as well as the terms and interest rate for the proposed loan. During the period between May and November 2015, respondents arranged seven hard money loans¹ financed by the Sainis, totaling more than \$400,000, and which were purportedly secured by real property.² The Sainis were unsophisticated hard money lenders and relied on respondents' expertise in making such loans.

12. The Business and Professions Code imposes several requirements on hard money lending including, in relevant part:

¹ A hard money loan is a short term loan at a higher interest rate than those charged by banks or other lending institutions, and secured by real property.

² During this time period, the Sainis made 10 investment loans through respondents, only seven of which are included in the Amended Accusation.

The funds must be applied to a specific loan. (§ 10231)

The licensee must provide the investor with a Lender Purchaser Disclosure Statement (LPDS) prior to the receipt of funds (§ 10231.2, subd. (b).)

The licensee must provide an LPDS and notice of self-dealing to the Bureau. (§ 10231.2, subd. (a).)

The licensee must obtain an Investor Suitability Questionnaire from the investor before the loan is funded. (§ 10232.45.)

The licensee must provide a Loan Service Agreement to the lender. (Bus. & Prof. Code, § 10233.)

The licensee must prepare and record a deed of trust to secure the hard money loan, and to deliver the deed of trust to the lender and borrower. (§§ 10234, 10234.5.)

The licensee must complete and deliver a Mortgage Loan Disclosure Statement to the borrower. (§ 10240.)

LOAN NO. 1

13. In May 2015, respondents, through Harpreet, solicited Reenu to make a \$10,000 investment loan to be secured by real property in first position.

14. On May 7, 2015, Pradeep emailed Reenu a straight note dated May 12, 2015, for \$10,000 with Biz4Loans listed as the borrower. The interest rate was 15 percent per annum and six interest-only payments in the amount of \$125 were due in advance. The principal balance was due on November 11, 2015. The note also indicated it was secured by a deed of trust. Pradeep signed the note for Biz4Loans. Respondents failed to provide an LPDS and self-dealing notice.

15. On May 11, 2015, Reenu wired \$10,000 to Biz4Loans's Chase bank account. Prior to receiving the funds, respondents failed to obtain an Investor Suitability Questionnaire from Reenu, or provider her with an LPDS and Loan Service Agreement.

16. Respondents made six interest-only payments of \$125 each in advance. No further payments were made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

17. Respondents defaulted on the principal payment of \$10,000 on November 11, 2015. When Reenu inquired about the missed payment, Harpreet asserted the borrower did not pay the loan back. Reenu made several inquiries for the deed of trust, which was to

secure the loan, and information on the borrowers. She received no response to her emails or telephone calls. Eventually, Harpreet admitted to Reenu that there was no deed of trust or other paperwork for the loan.

18. Respondents did not use the funds provided by Reenu for a specific loan secured with real property. No deed of trust was ever created or recorded for the loan. Instead, respondents used the funds to pay for business operating expenses.

LOAN NO. 2

19. In late May 2015, Pradeep solicited Reenu to make a \$25,000 investment loan to be secured by real property located at 5235 W. Olive in Fresno.

20. On or about May 22, 2015, respondents emailed Reenu a straight note dated June 1, 2015, for \$25,000 and listing Daily Investments as the borrower and Shakuntla Saini as the lender. The interest rate was 15 percent per annum and six interest-only payments in the amount of \$312.30 were due in advance. The principal balance was due on December 31, 2015. The note also indicated it was secured by a deed of trust. Harpreet signed the straight note for Daily Investments. Respondents failed to provide an LPDS and self-dealing notice.

21. On May 28, 2015, Reenu wired \$25,000 to Biz4Loans's Chase bank account. Prior to receiving the funds, respondents failed to obtain from Reenu an Investor Suitability Questionnaire or provide her with an LPDS and Loan Service Agreement.

22. Respondents made six interest-only payments of \$312.30 each in advance. No further payments were made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

23. Respondents defaulted on the principal payment of \$25,000 on December 31, 2015. Respondents did not use the funds for a specific loan secured with real property. No deed of trust was ever created or recorded for the loan. Instead, respondents used the funds for an unsecured loan to Dr. Kuldip Thusu for \$50,000. Dr. Thusu did not complete a loan application or any other documents for the loan; rather, it was a "handshake" deal. Although Dr. Thusu signed a deed of trust for the loan, the deed was never recorded.

LOAN NO. 4

24. In or about July 2015, Harpreet solicited Reenu to make a \$150,000 loan secured by a 145-acre walnut orchard, in second position. Harpreet provided Reenu with title reports and subordination agreements recorded against the property. Harpreet made numerous representations to Reenu concerning the borrower's ability to repay the loan.

25. Respondents provided Reenu a straight note for \$150,000, dated July 30, 2015. P&M Samra Land Investments LLC was listed as the borrower; Shakuntla Saini's IRA trust

account was listed as the lender. The interest rate was 19 percent per annum with interest only payments in the amount of \$2,375 per month. The principal balance was due on November 15, 2015. The note also indicated it was secured by a deed of trust. Respondents failed to provide an LPDS and self-dealing notice.

26. On July 29, 2015, Reenu wired \$150,000 to Biz4Loans's Chase bank account. Prior to receiving the funds, respondents failed to obtain from Reenu an Investor Suitability Questionnaire or provide her with an LPDS and Loan Service Agreement.

27. Respondents made three interest-only payments of \$2,375 each. No further payments were made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

28. On August 10, 2015, respondents prepared a Mortgage Loan Disclosure Statement for the borrowers. However, respondents failed to sign the document as required by law. On August 11, 2015, a deed of trust securing the loan and two subordination agreements were recorded in Sutter County. One of the subordination agreements listed Reenu as the beneficiary, but was not signed by her. On August 12, 2017, Reenu learned that there were three security interests ahead of hers on the property.

29. Respondents defaulted on the principal payment of \$25,000 on November 15, 2015. On November 24, 2015, the borrower filed Chapter 21 bankruptcy. The Sainis filed a proof of claim with the bankruptcy court. As of October 19, 2017, they had not recovered any of the \$150,000 principal amount.

LOAN NO. 5

30. In August 2015, Harpreet solicited Reenu to make an \$80,000 loan to be secured by a golf range in Sacramento. Harpreet emailed Reenu a property profile, a copy of the existing note for the property, and income statements for the golf range. Upon inquiry by Reenu, Harpreet represented that the business owners were "good borrowers."

31. Respondents provided Reenu with a straight note dated August 21, 2015, for \$80,000 and listing Daily Investments as the borrower and Shakuntla Saini as the lender. The interest rate was 15 percent per annum with interest payments of \$1,000 due each month. The principal balance was due on June 21, 2016. The note also indicated it was secured by a deed of trust. Singh signed the straight note for Daily Investments. Respondents failed to provide an LPDS and self-dealing notice.

32. On August 12, 2015, Reenu wired \$80,000 to Biz4Loans's Chase bank account. Prior to receiving the funds, respondents failed to obtain from Reenu an Investor Suitability Questionnaire or provide her with an LPDS and Loan Service Agreement.

33. Respondents made six interest-only payments of \$1,000 each. No further payments were made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

34. Respondents defaulted on the principal payment of \$80,000 on June 21, 2016. Respondents did not use the funds for a specific loan secured with real property. No deed of trust was ever created or recorded for the loan. Rather, respondents used the funds to make several smaller unsecured loans.

LOAN NO. 7

35. In or about July 2015, Harpreet solicited Reenu to make a \$35,000 hard money loan to a start-up company known as Confia Systems. Harpreet also represented that the loan would be secured by real property for which she sent Reenu a property profile.

36. Respondents provided Reenu with a straight note dated August 8, 2015, for \$35,000. The note listed Nadaradjane Ramatchandirane and Seema Ahuja, jointly and severally as borrowers. Shakuntla Saini's IRA trust account was listed as the lender. The interest rate was 17 percent per annum with interest payments of \$495.03 due monthly. The principal balance was due on January 8, 2016. The note also indicated it was secured by a deed of trust. Respondents failed to provide an LPDS or notice of self-dealing.

37. Respondents provided Reenu with a notarized deed of trust signed by the borrowers, but which had not been recorded. They also provided a Mortgage Loan Disclosure Statement which was signed by the borrowers, but not by Biz4Loans as the broker.

38. On August 13, 2015, Reenu wired \$35,000 from her mother's IRA account to Biz4Loans's Chase bank account. Prior to receiving the funds, respondents failed to obtain from Reenu an Investor Suitability Questionnaire or provide her with an LPDS and Loan Service Agreement.

39. Respondents made six interest-only payments of \$495.03 each. No further payments were made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

40. The Sainis were not paid the principal amount of \$35,000 on January 8, 2016, and the loan was in default. Respondents never recorded the notarized deed of trust, resulting in the loan not being secured by real property.

LOAN NO. 8

41. In or about September 2015, Harpreet solicited Reenu to make a \$15,000 hard money loan for the purchase of a beauty salon, and represented that the loan would be secured by a residential property located at 3849 N. Cheryl Avenue in Fresno.

42. Respondents provided Reenu with a straight note dated September 1, 2015, for \$15,000. Kathleen Blackwell was listed as the borrower; Daily Investments was listed as the lender. The interest rate was 16 percent per annum with principal and interest payments of \$1,360.96 due monthly. The principal balance and accrued interest was due and payable in full on June 1, 2016. The note also indicated the loan was secured by a deed of trust. Respondents failed to provide an LPDS or notice of self-dealing.

43. Respondents provided Reenu with a notarized deed of trust signed by the borrower, but which had not been recorded. They also provided a Mortgage Loan Disclosure Statement which was signed by the borrower, but not by Harpreet as the broker.

44. On September 4, 2015, Reenu wired \$15,000 to Biz4Loans's Chase bank account. Prior to receiving the funds, respondents failed to obtain from Reenu an Investor Suitability Questionnaire or provide her with an LPDS and Loan Service Agreement.

45. Respondents made eight interest-only payments of \$125 to \$175 per month. No further payments were made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

46. On or before June 1, 2016, Kathleen Blackwell paid the loan in full to Daily Investments. Despite receipt of said payment, respondents failed to pay the principal payment of \$15,000 to the Sainis by the due date.

LOAN NO. 9

47. In or about November 2015, Harpreet solicited Reenu to make a \$100,000 loan to be secured by a golf course, in second position. Harpreet provided a property profile and profit/loss statements for the past two years, which estimated the value of the business and land together as \$1.4 million. Harpreet represented to Reenu that it was a safe investment.

48. Respondents provided Reenu with a straight note for \$100,000, dated December 7, 2015. Daily Investments was listed as the borrower; Reenu Saini was listed as the lender. The interest rate was 17 percent per annum with interest payments of \$1,416.66 due monthly. The principal balance of the loan was due on September 4, 2016. The note also indicated the loan was secured by a deed of trust. Respondents failed to provide an LPDS or notice of self-dealing.

49. On November 24, 2015, Reenu wired \$59,970 to Biz4Loans's Chase bank account. On November 30, 2015, she wired an additional \$39,970 to Biz4Loans's account. Prior to receiving the funds, respondents failed to obtain from Reenu an Investor Suitability Questionnaire or provide her with an LPDS and Loan Service Agreement.

50. Respondents made four monthly interest payments in the amount of \$1,416.66 each, and six monthly payments in the amount of \$1,500 each. No further payments were

made. They did not maintain any account of receipt of the loan or distribution of interest payments as required by law.

51. Respondents defaulted on the principal payment of \$100,000 on September 4, 2016. Respondents did not use the funds for a specific loan secured with real property. No deed of trust was ever created or recorded for the loan. Rather, respondents used the funds to make several smaller unsecured loans.

Saini Complaint

52. On March 6, 2016, Reenu filed a complaint against respondents, and each of them, with the Bureau. The matter was assigned to Investigator Chapman.

53. Investigator Chapman interviewed Reenu on May 5, 2016, September 28, 2016, and again on February 6, 2017. Reenu also testified at hearing, consistent with her statements to Investigator Chapman.

54. At the time she financed the loans, Reenu believed each loan she financed was secured by real property and that respondents had recorded the appropriate deeds of trust. Reenu became concerned when she stopped receiving the interest only payments on the loans and no principal payments were forthcoming. Additionally, a couple of the interest only checks from Biz4Loans bank account were returned due to insufficient funds. Reenu first asked respondents about the lack of payment in October 2015. Regarding Loan No. 1, Harpreet told her the borrower did not pay the loan back. When Reenu inquired about the deeds of trust securing that loan and the others, respondents stopped returning her calls or responding to her emails. Eventually, Harpreet admitted that they had not recorded a deed of trust for any of the loans. Reenu requested information about the borrowers, but respondents refused to share it.

55. Regarding Loan No. 8, Reenu assumed the borrower defaulted on the loan. However, she was able to contact Blackwell directly and learned that Blackwell had paid the loan in full. Regarding the golf course loans, respondents informed Reenu that the borrower decided not to make the investment. However, the loans were never repaid to the Sainis. When Reenu demanded that the loan funds be returned, Pradeep threatened to shut down Biz4Loans and declare bankruptcy.

56. Investigator Chapman also interviewed Harpreet regarding the Saini loans. Harpreet admitted she did not record deeds of trust for the loans. She explained that, because the loan periods were so short, she only had the deeds notarized. At the time of the interview, respondents had not yet repaid the Sainis in full because Reenu filed a lawsuit against them, and Harpreet was "waiting for the judge to tell her how much to pay."

57. Reenu confirmed she filed a civil lawsuit against respondents which was still pending at the time of hearing. Reenu explained that the Sainis invested her mother's life savings with respondents. She is also aware that her mother cannot receive restitution as part

of the Bureau's action. She testified nonetheless because she believes respondents lack "moral fabric," have "zero remorse," and should not be allowed to conduct real estate business.

Respondents' Evidence

58. Neither Pradeep nor Singh testified at hearing. Neither respondent introduced any other evidence to challenge that offered by complainant.

Discussion

59. Complainant established by clear and convincing evidence cause to discipline respondents' real estate licenses, and each of them, based on their numerous violations of the Real Estate Law and regulations adopted pursuant to it for the reasons explained in the Legal Conclusions. When all the evidence is considered, respondents, and each of them, failed to demonstrate their fitness for licensure, even on a restricted basis. Accordingly, respondents' real estate licenses, and each of them, must be revoked

Costs Recovery

60. Pursuant to Business and Professions Code sections 10148, subdivision (b), and 10106, the Bureau is authorized to seek reimbursement of the reasonable costs of the audit, investigation, and enforcement at hearing from a licensee found to have committed a violation of the Real Estate Law.

61. Bureau auditors spent 120 hours on this case at a cost of \$7,265, including travel expenses. Bureau investigators and staff spent 116.8 hours investigating the underlying complaint at a cost of \$7,276.50. Legal counsel spent 71.7 hours from July 2016 through October 2017, preparing this case for hearing at a cost of \$6,381.30. All of these costs were supported by declarations and cost details.

62. Respondents introduced no evidence that the amount of costs of audit, investigation and enforcement are unreasonable, and nor any evidence of their inability to pay those costs. The scope of work and amounts charged by complainant are reasonable in light of the allegations and legal issues in this matter.

LEGAL CONCLUSIONS

1. Complainant bears the burden of proving, by clear and convincing evidence, that the charges in the First Amended Accusation are true. (Evid. Code, § 115; *Ettinger v. Board of Medical Quality Assurance* (1982) 135 Cal.App.3d 853, 856.) Clear and convincing evidence requires a finding of high probability, or evidence so clear as to leave no substantial doubt; it requires sufficiently strong evidence to command the unhesitating

assent of every reasonable mind. (*Katie V. v. Superior Court* (2005) 130 Cal.App.4th 586, 594.

2. A real estate broker is a person who for compensation or in expectation of such, does or negotiates various transactions as a business opportunity including one who sells or negotiates the purchase, sale, or exchange of real property; leases, rents, collects rents, or solicits prospective tenants; or “solicits borrowers or lenders or negotiates loans or collects payments or performs services for borrowers or lenders or note owners in connection with loans secured directly or collaterally by liens on real property or on a business opportunity.” (Bus. & Prof. Code, § 10131, subds. (a)-(e).) A broker may also engage in the “business of claiming, demanding, charging, receiving, collecting or contracting for the collection of an advance fee in connection with any employment undertaken to promote the sale or lease of real property or of a business opportunity by advance fee listing, advertisement or other offering to sell, lease, exchange or rent property or a business opportunity, or to obtain a loan or loans thereon.” (Bus. & Prof. Code, § 10131.2.)

3. Business and Professions Code section 10176 authorizes the Commissioner to suspend or revoke a real estate license where the licensee, in performing or attempting to perform any act within the scope of real estate licensee is guilty of the following, in relevant part:

- (a) Making any substantial misrepresentation.
 - (b) Making any false promise of a character likely to influence, persuade, or induce.
 - (c) A continued and flagrant course of misrepresentation or making of false promises through real estate agents or salespersons.
 - (d) Commingling with his or her own money or property the money or other property of others which is received or held by him or her.
- [¶] . . . [¶]
- (i) Any other conduct, whether of the same or a different character than specified in this section, which constitutes fraud or dishonest dealing.

4. The Commissioner may suspend or revoke the license of a real estate licensee or corporation if an officer, director, or person owning or controlling ten percent or more of the corporation’s stock has “willfully disregarded or violated the Real Estate Law,” or “demonstrated negligence or incompetence in performing an act for which he or she is required to hold a license.” (Bus. & Prof. Code, § 10177, subds. (d) and (g).) Additionally,

the Commissioner may discipline a real estate license if the licensee engaged in any conduct which constitutes fraud or dishonest dealing. (Bus. & Prof. Code, § 10177, subd. (j).)

5. Business and Professions Code section 10159.2 provides, in relevant part:

- (a) The officer designated by a corporate broker licensee pursuant to Section 10211 shall be responsible for the supervision and control of the activities conducted on behalf of the corporation by its officers and employees as necessary to secure full compliance with the provisions of this division, including the supervision of salespersons licensed to the corporation in the performance of acts for which a real estate license is required.

6. California Code of Regulations, title 10, section 2725, in relevant part, provides:

A broker shall exercise reasonable supervision over the activities of his or her salespersons. Reasonable supervision includes, as appropriate, the establishment of policies, rules, procedures and systems to review, oversee, inspect and manage:

- (a) Transactions requiring a real estate license.
- (b) Documents which may have a material effect upon the rights or obligations of a party to the transaction.

[¶] . . . [¶]

- (d) The handling of trust funds.

[¶] . . . [¶]

A broker shall establish a system for monitoring compliance with such policies, rules, procedures and systems. A broker may use the services of brokers and salespersons to assist in administering the provisions of this section so long as the broker does not relinquish overall responsibility for supervision of the acts of salespersons licensed to the broker.

7. Under Business and Professions Code section 10177, subdivision (h), the license of a real estate broker may be disciplined if the broker has “failed to exercise reasonable supervision over the activities of his or her salespersons, or, as the officer designated by a corporate broker licensee, failed to exercise reasonable supervision and control of the activities of the corporation for which a real estate license is required.”

Cause for Discipline

ADVANCE FEES

8. As set forth in Findings 6, 7 and 9, respondents Biz4Loans, Harpreet and Pradeep violated the Real Estate Law when they collected advance fees for “soliciting lenders on behalf of borrowers or performing services for borrowers in connection with loans to be secured directly or collaterally by a lien on real property, before the borrower becomes obligated to complete the loan.” Accordingly, cause exists to discipline the real estate licenses held by Biz4Loans, Harpreet and Pradeep pursuant to Business and Professions Code section 10177, subdivision (d), as that statute relates to section 10085.5, subdivision (a)(1).³

9. Respondents Biz4Loans, Harpreet and Pradeep also violated the Real Estate Law when they published and advertised their advance fee policy on Biz4Loans’s website without first submitting those materials to the Bureau for approval. (Findings 6, 7 and 9.) Thus, cause exists to discipline the real estate licenses held by Biz4Loans, Harpreet and Pradeep pursuant to Business and Professions Code section 10177, subdivision (d), as that statute relates to section 10085 and California Code of Regulations, title 10, section 2970.

TRUST FUND REQUIREMENTS

10. As set forth in Findings 9(a)-(f), and 10-57, cause exists to discipline the real estate licenses of respondents Biz4Loans and Harpreet pursuant to Business and Professions Code sections 10145, subdivision (a)(1), 10176, subdivision (e), and 10177, subdivisions (d) and (g), and California Code of Regulations, title 10, sections 2831, 2831.1, 2831.2, and 2832. Said respondents: (1) failed to maintain a separate trust account for trust funds, including advance fees, collected on behalf of others; (2) failed to maintain control and separate records for trust funds; (3) failed to perform monthly reconciliations of separate records to the control record; and (4) commingled their own funds with trust funds.

HARD MONEY LENDING

11. As set forth in Findings 10 through 57, as a whole, respondents violated the Real Estate Law by: (1) depositing trust funds (Saini loans) into the Biz4Loans’s general bank account, and not a separate trust account; (2) not applying funds received to specified loans; (3) failing to provide required documentation to the lender and Bureau; and (4) failing to record deeds of trust to secure the loans, and deliver the recorded deeds of trust to the

³ The Amended Accusation alleges respondents collected advance fees for loan modifications, which is strictly prohibited. (Bus. & Prof. Code, § 10085.6.) By its plain meaning, a loan modification involves changing the terms and conditions of an existing loan. The evidence established Biz4Loans, Harpreet and Pradeep accepted advance fees to solicit lenders for a new loan on the borrowers’ behalf, not to renegotiate an existing loan.

lender. Accordingly, cause exists to discipline the real estate licenses of respondents, and each of them, pursuant to Business and Professions Code sections 10145, 10231, 10231.2, subdivisions (a)-(b), 10232.45, 10233, 10234, 10234.5, and 10177, subdivisions (d) and (g), and California Code of Regulations, title 10, sections 2831 and 2832.

FRAUD, MISREPRESENTATION, DISHONEST DEALING

12. As set forth in Findings 10 through 57, as a whole, respondents engaged in an extensive pattern of deceit, false statements, and misrepresentations with respect to the hard money loans they solicited from the Sainis, including, without limitation, that the hard money loans were secured by real property, that deeds of trust had been recorded, and that the funds were being used for the specific purpose stated. Respondents also failed to remit the loan principal to the Sainis even after the borrower had remitted full payment of the loan to respondents. Respondents' conduct constitutes a continuous and flagrant pattern of fraud, misrepresentation and dishonest dealing. Therefore, cause exists to discipline to discipline the real estate licenses of respondents, and each of them, pursuant to Business and Professions Code sections 10176, subdivisions (a)-(c), (i), and 10177, subdivision (j).

FAILURE TO SUPERVISE

13. As set forth in the Findings as a whole, Harpreet failed to exercise any amount of reasonable supervision over the activities of Biz4Loans, their salespersons and agents, in violation of Business and Professions Code section 10159.2 and California Code of Regulations, title 10, section 2725. Consequently, cause exists to discipline Harpreet's broker license under Business and Professions Code sections 10159.2, and 10177, subdivisions (d), (g), and (h).

Costs

14. "The commissioner shall charge a real estate broker for the cost of any audit if the commissioner has found, . . . in a final decision following a disciplinary hearing held in accordance with Chapter 5 . . . of the Government Code that the broker has violated Section 10145 or a regulation or rule of the commissioner interpreting Section 10145." (Bus. & Prof. Code, § 10148, subd. (b).) Pursuant to California Code of Regulations, title 10, section 2930, subdivision 15, respondent shall pay the commissioner's reasonable costs for the audit. As set forth in Finding 61, the Bureau's audit costs of \$7,265 are reasonable. Respondents shall be ordered to pay, in equal shares, these costs to the Bureau within 60 days of the Bureau's mailing a notice of billing.

15. Business and Professions Code section 10106 authorizes the commissioner to request the administrative law judge to direct a licensee found to have committed a violation of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case. In *Zuckerman v. Board of Chiropractic Examiners* (2002) 29 Cal.4th 32, the California Supreme Court set forth factors to be considered when determining the reasonableness of costs sought pursuant to statutory provisions like Business and

Professions Code section 10106. These factors include: (a) whether the licensee has been successful at hearing in getting charges dismissed or reduced; (b) the licensee's subjective good faith belief in the merits of his or her position; (c) whether the licensee has raised a colorable challenge to the proposed discipline; (d) the financial ability of the licensee to pay; and (e) whether the scope of the investigation was appropriate in light of the alleged misconduct.

16. The evidence complainant introduced in support of her request for costs of investigation and enforcement constitutes prima facie evidence of the reasonableness of the costs incurred. (Finding 61; Bus. & Prof. Code, § 10106, subd. (c); Cal. Code Regs., tit. 10, § 1042, subd. (b)(1), (2).) Respondents did not introduce any evidence to rebut such evidence. (Finding 62.) Therefore, after considering the relevant evidence and the pertinent *Zuckerman* factors, the entire amount of costs of investigation and enforcement requested by complainant is reasonable. Consequently, complainant is awarded costs in the total sum of \$13,657.80, as set forth in the Order below.

ORDER

1. By reason of Legal Conclusions 8 through 12, jointly and individually, all licenses and licensing rights of respondent Biz4Loans under the Real Estate Law are REVOKED.

2. By reason of Legal Conclusions 8 through 13, jointly and individually, all licenses and licensing rights of respondent Harpreet Bali under the Real Estate Law are REVOKED.

3. By reason of Legal Conclusions 8, 9, 11, and 12, jointly and individually, all licenses and licensing rights of respondent Pradeep Bali under the Real Estate Law are REVOKED.

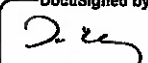
4. By reason of Legal Conclusions 11 and 12, jointly and individually, all licenses and licensing rights of respondent Daljeet Singh under the Real Estate Law are REVOKED.

5. Respondents are jointly and severally liable to the Bureau for its reasonable audit costs in the amount of \$7,265. Payment shall be due within 60 days of the Bureau's mailing a notice of billing.

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6. Respondents are jointly and severally liable to the Bureau for its reasonable investigative and enforcement costs in the total amount of \$13,657.80. Respondents may pay these costs according to a payment plan approved by the Bureau or its designee.

DATED: November 20, 2017

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TIFFANY L. KING
Administrative Law Judge
Office of Administrative Hearings