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DEPT. OF REAL ESTATE
By *CD Selous*

7
8 BEFORE THE DEPARTMENT OF REAL ESTATE
9 STATE OF CALIFORNIA

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11 In the Matter of the Accusation of) No. H-41312 LA
12)
13 ALFRED PALAFOX dba)
Alliance Investment Group,) A C C U S A T I O N
14)
Respondent.)
15)

16
17 The Complainant, Chika Sunquist, a Supervising Special Investigator of the
18 State of California, acting in her official capacity, for cause of Accusation against ALFRED
19 PALAFOX dba Alliance Investment Group (“Respondent”), is informed and alleges as follows:

20 1.

21 The Complainant, Chika Sunquist, acting in her official capacity as Supervising
22 Special Investigator of the State of California, makes this Accusation.

23 2.

24 All references to the “Code” are to the California Business and Professions
25 Code, and all references to “Regulations” are to Title 10, Chapter 6, California Code of
26 Regulations unless otherwise specified.

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3.

Respondent is presently licensed and/or has license rights issued by the Department of Real Estate as a real estate broker (license no. 01062192). Respondent was originally licensed as a real estate broker on or about April 24, 1996. From on or about December 10, 2011 through the present, Respondent has had the registered fictitious business name of "Alliance Investment Group," and no other registered fictitious business name during this time period. Respondent has had a mortgage loan originator ("MLO") license endorsement (Nationwide Multistate Licensing System and Registry ["NMLS"] no. 346133) from on or about November 1, 2011 through the present. Respondent dba Alliance Investment Group has had the MLO license endorsement (NMLS no. 362850) from on or about April 16, 2012 through the present.

4.

At all times mentioned, in Los Angeles County, Respondent engaged in the business of a real estate broker conducting licensed activities within the meaning of Code section 10131(d). Respondent engaged in soliciting borrowers or lenders for, negotiating loans, collecting payments for, or performing 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.

(Trust Fund Audit)

5.

On or about June 30, 2017, the Department of Real Estate completed an audit examination of Respondent to determine whether Respondent handled and accounted for trust funds and conducted its mortgage loan activities in accordance with the Real Estate Law and Regulations. The Department of Real Estate was not able to make certain determinations because Respondent failed to make all books and records available to the Bureau of Real

1 Estate.¹ The audit examination covered a period of time beginning on January 1, 2016 and
2 ended on April 30, 2017. The audit examination revealed violations of the Code and the
3 Regulations set forth in the following paragraphs, and more fully discussed in Audit Report
4 LA160186 and the exhibits and work papers attached to said audit report.

5 6.

6 In the course of activities described in Paragraph 4, above, and during the audit
7 examination period in Paragraph 5, above, Respondent acted in violation of the Code and the
8 Regulations as set forth below:

9 (a) Failed to retain complete copies of Mortgage Loan Disclosure Statements
10 (“MLDS”) approved by the Department of Real Estate, signed by all borrowers in any and all of
11 the loan files, in violation of Code section 10240 and Regulations section 2840. Examples
12 include, but are not limited to, J. Ponce and O. Calzada’s loan of \$521,500.00 funded on or
13 about March 18, 2016, 770 Equity Partners, LLC’s loan of \$500,000.00 funded on or about
14 May 11, 2016, I. Ambrocio’s loan of \$87,750.00 funded on or about October 20, 2016, and R.
15 Hovsepien’s loan of \$1,575,000.00 funded on or about April 26, 2017.

16 (b) Failed to retain at his main office the license certificate of his two (2) real
17 estate salespersons, A. J. Medina and L. L. Plano, in violation of Code section 10160 and
18 Regulations section 2753.

19 (c) Failed to retain at his main office a broker-salesperson relationship with
20 his real estate salesperson, L. L. Plano, in violation of Regulations section 2726.

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27 ¹ From July 1, 2013 to July 1, 2018, the Department of Real Estate was known as the Bureau of Real Estate.

1 7.

2 The conduct of Respondent described in Paragraph 6, above, violated the Code
3 and the Regulations as set forth below:

4 <u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
5 6(a)	Code section 10240 and Regulations section 2840
6 6(b)	Code section 10160 and Regulations section 2753
7 6(c)	Regulations section 2726

8 The foregoing violations constitute cause for discipline of the real estate license and license
9 rights of Respondent under the provisions of Code sections 10176(i), 10177(d), 10177(g), and
10 10177(j).

11
12 (FAILURE TO FILE BUSINESS ACTIVITY REPORTS)

13 8.

14 Respondent failed to file business activities reports with the Department of Real
15 Estate within ninety (90) days after the end of the fiscal year ending on December 31, 2016, in
16 violation of Code section 10166.07. These violations include, but are not limited to, the
17 following loans arranged in the calendar year 2016 and secured by real property containing one-
18 to-four residential units: J. Ponce and O. Calzada's loan of \$521,500.00 funded on or about
19 March 18, 2016, 770 Equity Partners, LLC's loan of \$500,000.00 funded on or about May 11,
20 2016, and I. Ambrocio's loan of \$87,750.00 funded on or about October 20, 2016.

21 9.

22 Respondent's conduct, acts, and/or omissions as described in Paragraph 8,
23 above, are cause for the suspension or revocation of Respondent's real estate license, license
24 rights, and MLO license endorsement under the provisions of Code sections 10176(i),
25 10177(d), 10177(g), and 10177(j).

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(MISLEADING ADVERTISING)

E-Mails

10.

During an unknown time, but including in January 2017, Respondent advertised his licensed activity services within the meaning of Code section 10131(d) via e-mail.

11.

Respondent failed to include the required license designations, including but not limited to Respondent's NMLS license designation, in the e-mail in violation of Code sections 10140.6 and 10236.4 and Regulations section 2773.

12.

Respondent failed to disclose the license under which the loan will be made, in violation of Code sections 10235.5 and 17539.4.

13.

Respondent failed to identify himself as a "Real Estate Broker, California Bureau of Real Estate" in a type size no smaller than the smallest print in the e-mail, in violation of Regulations section 2847.3.

14.

Respondent used superlatives and comparatives without explanation as to render them unambiguous, in violation of Regulations section 2848(a)(2). Examples include, but are not limited to, "Best Hard Money & Rehab Loan!!!" and, "We are the number One Lender in Southern California!!!"

15.

Respondent failed to indicate if the advertised terms are for first loans, junior loans, and/or both first and junior loans, in the e-mail in violation of Regulations section 2848(a)(6).

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16.

Respondent represented loans are available at a maximum percentage of value, but without a disclosure as to how market value will be determined, in violation of Regulations section 2848(a)(9).

17.

Respondent represents an interest rate without an equally prominent annual percentage rate ("APR") in the e-mail, in violation of Regulations section 2848(a)(16).

Website: www.alliance24-7.com

18.

During an unknown time, but including at least 2016 and 2017, Respondent advertised licensed activity services within the meaning of Code section 10131(d) on the website, www.alliance24-7.com ("Website")

19.

Respondent failed to include the required license designations, including but not limited to Respondent's NMLS license designation, on the Website in violation of Code sections 10140.6 and 10236.4 and Regulations section 2773.

20.

Respondent failed to disclose his license information, license number and NMLS number on the Website, in violation of Code section 10236.4.

21.

Respondent failed to identify himself as a "Real Estate Broker, California Bureau of Real Estate" in a type size no smaller than the smallest print on the Website, in violation of Regulations section 2847.3.

22.

Respondent implied security of funds without supporting facts with statements such as, but not limited to, ". . . investing the safe way in the real estate transactions . . ." and,

1 "High, current income returns on secured Trust Deed Investments," both on the Website's
2 home page, and, "A good middle ground to balance out the risks and returns in your portfolio is
3 trust deed investments," on the Website's trust deed page, in violation of Code section
4 2848(a)(1).

5 23.

6 Respondent represents and/or implies on that Website that more favorable terms
7 are available through Respondent than through other sources, but does not disclose conditions
8 and/or restrictions, in violation of Regulations section 2848(a)(7). Examples include, but are
9 not limited to, ". . . consistent returns . . . can not be done through Stocks, Bonds and
10 Partnership Investments," and, "We have never before been able to fully know the risks
11 involved and assess the risk/return like we can with trust deeds."

12 24.

13 Respondent represents and/or implies on the Website that more favorable terms
14 are available through Respondent than through other sources, but does not include evidence
15 submitted to the Real Estate Commissioner that this is not illusory or deceptive in light of
16 Respondent's business practices, in violation of Regulations section 2848(a)(8). The terms
17 include, but not limited to, the amount of funds available. Examples include, but are not
18 limited to, "Alliance provides \$250K to 5 million of capital per transaction . . ." and, ". . . join
19 us in investing the safe way . . . and create significant rate of returns," both on the home page,
20 and "Alliance Investment Group has funded over \$1 billion of capital . . ." on the Website's
21 "About" page.

22 25.

23 Respondent's conduct, acts, and/or omissions as described in Paragraphs 10
24 through 24, above, are cause for the suspension or revocation of Respondent's real estate
25 license, license rights, and MLO license endorsement under the provisions of Code sections
26 10176(i), 10177(d), 10177(g), and 10177(j).

1 COSTS


2 26.

3 Code section 10106 provides, in pertinent part, that in any order issued in
4 resolution of a disciplinary proceeding before the department, the Commissioner may request
5 the administrative law judge to direct a licensee found to have committed a violation of this part
6 to pay a sum not to exceed the reasonable costs of investigation and enforcement of the case.

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

11 WHEREFORE, Complainant prays that a hearing be conducted on the
12 allegations of this Accusation and that upon proof thereof, a decision be rendered imposing
13 disciplinary action against all licenses and/or license rights under the Real Estate Law (Part 1 of
14 Division 4 of the California Business and Professions Code) of Respondent ALFRED
15 PALAFOX, MLO license endorsements of Respondent ALFRED PALAFOX, for the cost of
16 investigation and enforcement as permitted by law, for audit costs as permitted by law, and for
17 such other and further relief as may be proper under applicable provisions of law.

18 Dated at Sacramento, California: March 1, 2019.

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20 
21 Chika Sunquist
22 Supervising Special Investigator

23
24 cc: Alfred Palafox
25 Chika Sunquist
26 Sacto
27 Enforcement
Audits – Zaky Wanis