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LOS ANGELES
SUPERIOR COURT

8 *Attorneys for Plaintiff, the People of the State of California*
9

10 LOS ANGELES SUPERIOR COURT
11 FOR THE COUNTY OF LOS ANGELES
12

13 THE PEOPLE OF THE STATE OF CALIFORNIA,
14

15 Plaintiff,
16

17 v.
18

19 LIFETIME FINANCIAL, INC., a California
20 Corporation; E. PONY, INC., a California Corporation;
21 NATIONS MORTGAGE, INC., a California
22 Corporation; DIRECT CREDIT SOLUTIONS, INC.; a
23 California Corporation; GREEN LEAF LENDING,
24 INC.; a Nevada Corporation; DEAN DAVID STORM,
an individual; ERIC MICHAEL PONY, an individual;
25 PAULETTE PONY, an individual; WILMA PONY, an
individual; ELI HASSINE, an individual; JOHN D H N
26 NIELSEN, a.k.a. DOO HYUN NO, an individual;
27 OLYMPIC ESCROW, INC., a California Corporation;
28 CAROL PENCILLE, an individual; SIBPUN
AMPORNPET, an individual; VIRTUAL ESCROW,
Inc., a California Corporation; and DOES 1 through 20,
inclusive;

Defendants.

LC080829
CASE NO.

COMPLAINT FOR CIVIL
PENALTIES, INJUNCTION
AND OTHER EQUITABLE
RELIEF

1 Edmund G. Brown Jr., acting in his official capacity as Attorney General of the State of
2 California, brings this action in the name of the People of the State of California ("Plaintiff").
3 Plaintiff is informed and believes, and based on such information and belief, alleges the
4 following:

5 PARTIES

6 1. Defendant Lifetime Financial, Inc. ("Lifetime") has acted as a real estate broker and has
7 solicited consumers and negotiated, made, or arranged for consumers home mortgage loans
8 throughout California, including the Counties of Los Angeles and San Bernardino. Lifetime is a
9 California corporation with its principal place of business located at 3771 Cahuenga Boulevard,
10 Studio City, CA 91604. Lifetime also has conducted business at 16501 Ventura Boulevard, Suite
11 410, Encino, CA 91436, and 6928 Owensmouth Avenue, Canoga Park, CA 91303.

12 2. Defendant E. Pony, Inc. ("E. Pony") is a California Corporation with its principal place
13 of business at 16501 Ventura Boulevard, Suite 410, Encino, CA 91436. E. Pony's principal
14 executive office is located at 3771 Cahuenga Boulevard, Studio City, CA 91604.

15 3. Defendant Nations Mortgage, Inc. ("Nations Mortgage") is a national mortgage lender
16 that has advertised and sold home mortgage loans to consumers in California, including
17 consumers in Los Angeles County. Nations Mortgage is a California Corporation with its
18 principal place of business located at 6928 Owensmouth Avenue, Canoga Park, CA 91303 and
19 its principal executive office located at 10945 Bluffside Drive #442, Studio City, CA 91604.

20 4. Defendant Direct Credit Solutions, Inc. ("Direct Credit Solutions") acts as a credit
21 services organization in the County of Los Angeles and elsewhere in California. Credit Solutions
22 is a California Corporation with its principal places of business located at 6928 Owensmouth
23 Avenue, Canoga Park, CA 91303, and 3771 Cahuenga Blvd., Studio City, CA 91604. Direct
24 Credit Solutions's principal executive office is located at 10945 Bluffside Drive #442, Studio
25 City, CA 91604.

26 5. Defendant Green Leaf Lending, Inc. ("Green Leaf Lending") is a Nevada Corporation
27 which is qualified to do business in California. Green Leaf Lending's principal place of business
28 is located at 16200 Ventura Boulevard, Suite 420, Encino, CA 91436. According to records

1 from the California Secretary of State, Green Leaf Lending's principal office in the State of
2 California is or was located at 19459 Turtle Ridge Lane, Northridge, CA 91326. Green Leaf
3 Lending also has used a mailing address of 2649 Castlewood Lane, Simi Valley, CA 93065.

4 6. Defendant Dean David Storm ("Storm") is an individual. Storm was a licensed real
5 estate broker from on or about July 26, 2005 until September 10, 2007, when he surrendered his
6 real estate broker's license to the California Department of Real Estate ("DRE") following the
7 DRE's filing of an administrative proceeding to revoke Storm's license. At times relevant to this
8 complaint, Storm was the broker of record for Lifetime and was doing business as Lifetime
9 Financial. Storm is the President, Chief Executive Officer, and Chief Financial Officer of
10 Lifetime Financial & Realty, Inc. In June 13, 2007 the DRE issued a cease and desist order
11 against Storm for brokering a fraudulent mortgage substitution scheme and for making
12 continuing and flagrant misrepresentations or making false promises through real estate
13 salespersons including Eric Pony

14 7. Defendant Eric Michael Pony ("Eric Pony") is an individual. Eric Pony is the owner,
15 President, Chief Executive Officer, Secretary and Chief Financial Officer of Lifetime. He also is
16 the owner, President and Chief Executive Officer of E. Pony, Inc. Eric Pony was a real estate
17 salesperson licensed by the DRE from on or about December 18, 2001 until he surrendered his
18 real estate salesperson's license to the DRE following the DRE's filing of an administrative
19 proceeding to revoke Eric Pony's license and following a DRE cease and desist order against
20 Storm for activities conducted in part by Eric Pony who worked under Storm's license.
21 Following the DRE's cease and desist order against Storm, Eric Pony has continued to carry on
22 activities requiring real estate licensure, including soliciting and arranging loans secured by real
23 property for borrowers, through defendants Nations Mortgage and Green Leaf Lending.

24 8. Defendant Paulette Pony is an individual, who is the sister of Eric Pony, and worked for
25 Lifetime at times relevant to this Complaint. Paulette Pony was appointed a notary public in and
26 for the State of California on November 8, 2004 for a term of four years. Her notary commission
27 was revoked by the California Secretary of State effective December 19, 2007 because of (a) her
28 conviction on September 7, 2004 of felony conspiracy under 18 United States Code section 371

1 and (b) her failure to disclose on her notary application that she had been convicted on February
2 20, 2003 for the misdemeanor of forgery under Penal Code section 470(a).

3 9. Defendant Wilma Pony is an individual, who is Eric Pony's mother, and worked as a
4 notary for Lifetime. Wilma Pony was appointed a notary public in and for the State of California
5 on September 3, 2004 for a term of four years. As of April 20, 2007, Wilma Pony was listed as
6 the President, Chief Executive Officer, Secretary and Chief Financial Officer of Nations
7 Mortgage. As of May 14, 2007, Wilma Pony was listed as President and Chief Executive Officer
8 of Direct Credit Solutions.

9 10. Defendant Eli Hassine ("Hassine") is an individual who worked as a notary for Lifetime
10 during relevant times to this complaint. Hassine was appointed a notary public in and for the
11 State of California on January 30, 2005 for a term of four years.

12 11. Defendant John D H N Nielsen, a.k.a. Doo Hyun No ("Nielsen"), is an individual who
13 is licensed by the DRE as a real estate broker. Nielsen is the responsible broker of record for
14 Nations Mortgage and Green Leaf Lending. Nielsen is the President, Chief Executive Officer,
15 Secretary and Chief Financial Officer of Green Leaf Lending, Inc.

16 12. Defendant Olympic Escrow, Inc. ("Olympic Escrow") is a California Corporation with a
17 principal place of business located at 16601 Ventura Blvd. #514, Encino, CA 91436. Olympic
18 Escrow's principal executive office is located at 11684 Ventura Blvd. #171, Studio City, CA
19 91604.

20 13. Defendant Carol Pencille ("Pencille") is an individual. At all times relevant to this
21 complaint, Carol Pencille was an escrow officer, and also an owner, principal, President and
22 Chief Executive Officer of Olympic Escrow.

23 14. Defendant Sibpun Ampornpet ("Ampornpet") is an individual. At times relevant to this
24 complaint, Ampornpet was an escrow officer and an owner and principal of Olympic Escrow.
25 Ampornpet was appointed a notary public in and for the State of California on June 22, 2001 for
26 a term of four years and again on June 22, 2005 for another term of four years.

27 15. Defendant Virtual Escrow, Inc. ("Virtual Escrow") is a California Corporation with a
28 principal place of business located at 700 North Brand Boulevard #500, Glendale, CA 91203.

1 Virtual Escrow also has conducted business from a location at 17609 Ventura Boulevard #104,
2 Encino, CA 91316 and has used a mailing address of 6314 Radford Avenue, North Hollywood,
3 CA 91606. At times relevant to this complaint, Pencille and Ampornpet worked for Virtual
4 Escrow.

5 16. Lifetime, E. Pony, Inc., Storm, Nielsen, Nations Mortgage, Green Leaf Lending, Eric
6 Pony, Paulette Pony, Wilma Pony, and Hassine are sometimes collectively referred to in this
7 complaint as the "Mortgage Defendants." Virtual Escrow, Olypmic Escrow, Pencille, and
8 Ampornpet are sometimes collectively referred to in this complaint as the "Escrow Defendants."
9 References in this case to "Defendants" include all defendants.

10 17. The true names and capacities, whether individual, corporate, associate or otherwise, of
11 Defendants sued herein as Does 1 through 100, inclusive, presently are unknown to Plaintiff,
12 who therefore sues said defendants by such fictitious names. Plaintiff will seek leave to amend
13 this complaint to allege the true names of Does 1 through 100 when the same have been
14 ascertained. Plaintiff is informed and believes, and based thereon alleges, that each of the
15 fictitiously named defendants participated in some or all of the acts alleged herein.

16 18. At all times mentioned herein, each of the Defendants acted as the principal, agent, or
17 representative of each of the other Defendants, and in doing the acts herein alleged, each
18 Defendant was acting within the course and scope of the agency relationship with each of the
19 other Defendants, and with the permission and ratification of each of the other Defendants.

20 19. At all relevant times, Defendants have controlled, directed, formulated, known and/or
21 approved of the various acts and practices of each of the defendants.

22 20. Whenever reference is made in this complaint to any act of any corporate or other
23 business defendant, such allegation shall mean that such corporation or other business did the
24 acts alleged in this complaint through its officers, directors, employees, agents and/or
25 representatives while they were acting within the actual or ostensible scope of their authority.

26 21. At all times mentioned herein, each Defendant knew or realized that the other
27 Defendants were engaging in or planned to engage in the violations of law alleged in this
28 Complaint. Knowing or realizing that other Defendants were engaging in such unlawful conduct,

1 each Defendant nevertheless facilitated the commission of those unlawful acts. Each Defendant
2 intended to and did encourage, facilitate, or assist in the commission of the unlawful acts alleged
3 in this Complaint, and thereby aided and abetted the other Defendants in the unlawful conduct.

4 22. Defendants have engaged in a conspiracy, common enterprise, and common course of
5 conduct, the purpose of which is and was to engage in the violations of law alleged in this
6 Complaint. The conspiracy, common enterprise, and common course of conduct continue to the
7 present.

8 23. Whenever reference is made in this Complaint to any act of Defendants, such allegation
9 shall mean that each Defendant acted individually and jointly with the other Defendants named in
10 that cause of action.

11 24. The violations of law alleged in this Complaint occurred in Los Angeles County, San
12 Bernardino County, and elsewhere throughout California.

13 **INTRODUCTION TO DEFENDANTS' BUSINESS PRACTICES**

14 25. As more particularly alleged below, Defendants engaged in a predatory lending scheme
15 to cheat homeowners of substantial home equity by inveigling homeowners to refinance their
16 current mortgages with new mortgage loans to be made or arranged by the Mortgage Defendants.
17 The Mortgage Defendants falsely represented that the mortgage loans that they would make or
18 arrange were at lower fixed interest rates and required lower monthly payments than the
19 homeowners' current mortgages.

20 26. The Mortgage Defendants solicited prospective customers for their refinance services
21 through their team of telemarketers. The Mortgage Defendants targeted members of the Latino
22 and Filipino communities with telephone sales solicitations conducted entirely in Spanish and
23 Tagalog. The Mortgage Defendants also targeted homeowner borrowers with adjustable rate
24 mortgages and made bogus offers of fixed rate loans. The Mortgage Defendants falsely
25 represented that the monthly payments on new loans touted by the Mortgage Defendants would
26 not only be lower than current monthly payments but would also cover property tax and
27 insurance payments as well as interest and principal payments. The Mortgage Defendants
28 induced homeowners, some of whom were not proficient in speaking or understanding spoken or

1 written English, to execute loan documents that did not represent the terms that the Mortgage
2 Defendants orally promised. The Mortgage Defendants also fabricated loan applications by
3 inflating homeowners' actual income and fabricated appraisals by inflating home values. The
4 Mortgage Defendants failed to provide homeowners with copies of the documents they signed,
5 failed to provide copies of documents in the languages in which the terms of the mortgages were
6 negotiated with non-English speaking borrowers, and failed to timely provide disclosure
7 statements required under state and federal law, such as a mortgage loan disclosure statement or a
8 Good Faith Estimate of mortgage costs and a Truth in Lending disclosure accurately setting forth
9 loan terms. The Mortgage Defendants misrepresented to and concealed from homeowner
10 borrowers substantial charges and compensation, ranging from \$8,000 to \$30,000, that the
11 Mortgage Defendants would reap from the refinancings. Defendants also forged documents and
12 notarized documents knowing them to be false to effectuate their predatory loan scheme.

13 26. The Mortgage Defendants and Defendant Direct Credit Solutions also represented that
14 the Defendants would, as an ancillary service, assist homeowners in improving their credit
15 histories by removing allegedly erroneous information from credit reports. The credit repair offer
16 was another attempt to extract fees from homeowners, and Defendants were operating a credit
17 services organization in violation of various provisions of state law.

18 27. If homeowner borrowers discovered that the terms of the refinancing were not as the
19 Mortgage Defendants had represented, the Mortgage Defendants falsely promised to rebate a
20 portion of the charges and commissions, to lower interest rates -- which the Mortgage Defendants
21 falsely represented were erroneously overstated in loan documents -- to the terms that the
22 defendants had originally represented, or to provide homeowners with future refinancing at even
23 lower rates than the originally represented rates if the homeowners accepted the loans and made a
24 few monthly payments. If homeowner borrowers rescinded the transactions during the 3-day
25 cancellation period prescribed under the federal Truth in Lending Act or otherwise attempted to
26 cancel the loans, the Mortgage Defendants ignored the rescission or other cancellation requests
27 and completed the loans.

28 28. After the consummation of these loan transactions, the Mortgage Defendants refused to

1 respond to homeowner borrowers who complained that interest rates were higher than originally
2 represented, that the interest rate was adjustable rather than fixed, that costs were substantially
3 higher than represented, that refunds promised by Mortgage Defendants were not paid, and that
4 canceled loans were nonetheless in effect.

5 29. These mortgage transactions were finalized through the Escrow Defendants who failed
6 to provide homeowner borrowers with timely closing statements and correctly completed HUD-1
7 disclosure forms. Once the Escrow Defendants received the proceeds of new loans, the Escrow
8 Defendants disbursed additional funds, often around \$2,000, to some of the Mortgage Defendants
9 without any instruction from homeowner borrowers and sometimes on the basis of forged escrow
10 instructions. The Escrow Defendants attempted to conceal the use of forged documents by
11 destroying documents, including documents with forged signatures discovered by law
12 enforcement investigators in shredder bins maintained at Defendant Olympic Escrow's office.

13
14 30. The Mortgage Defendants induced homeowner borrowers into new mortgage loans by
15 the means alleged in this Complaint without any regard to the ability of the homeowner
16 borrowers to repay the loans. Some of the homeowner borrowers, including senior citizens and
17 the disabled, are unable to make payments on the new mortgage loans and have already lost their
18 homes to foreclosure or face default, foreclosure, and the loss of their homes.

19 **FIRST CAUSE OF ACTION**

20 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500**

21 **(UNTRUE OR MISLEADING REPRESENTATIONS)**

22 **(Against All Defendants)**

23 31. Plaintiff realleges paragraphs 1 through 30 and incorporates these paragraphs by
24 reference as though they were fully set forth in this cause of action.

25 32. Defendants have violated and continue to violate Business and Professions Code
26 section 17500 by making or causing to be made untrue or misleading statements with the intent
27 to induce members of the public to purchase Defendants' services, when they knew or by the
28 exercise of reasonable care should have known the statements were untrue or misleading.

1 Defendants' untrue or misleading representations include, but are not limited to, the following:

2 A. That the mortgage loans offered provide for an interest rate that is fixed for 30, 40 or 50
3 years when in fact the interest rate is adjustable.

4 B. That consumers will pay a low fixed interest rate of between 5% and 7% when in fact
5 the interest rate is adjustable, the fully indexed rate at the time of consummation exceeds 5% to
6 7%, and the maximum interest rate cap is significantly higher than 5% to 7%.

7 C. That a homeowner borrower's monthly payments will be less than the homeowner is
8 paying on his or her current loan when in fact the homeowner's current monthly loan payment is
9 hundreds or thousands of dollars less than the loan that Defendants arrange.

10
11 D. That the monthly payment amount for the loan that the Defendants arrange will include
12 an impound account for property taxes and insurance when in fact the monthly payment quoted
13 by the Defendants does not include any amounts for property taxes and insurance.

14 E. That consumers will save money with a mortgage from Mortgage Defendants when in
15 fact the loan transaction arranged by the Mortgage Defendants includes high fees and
16 commissions that are not clearly disclosed.

17 F. That appraisal fees of \$300 to \$400 that the homeowner borrower is required to pay at
18 the time of appraisal will be refunded at the close of escrow when in fact Defendants do not
19 refund the charge.

20 G. That the appraisal of the homeowner borrower's home reflects the home's current
21 market value when in fact the appraisal is often inflated to justify a higher loan amount than for
22 which the borrower would otherwise qualify. Defendants conceal the inflated appraisal from the
23 homeowner borrower by failing to provide a copy of the appraisal to the borrower.

24 H. That if a borrower made on-time payments on the new mortgage loan for a one- to three-
25 month period, the Defendants would automatically modify or refinance the loan into one at more
26 favorable fixed rate terms with lower monthly payments when in fact the Defendants did not do
27 so.

28 I. That the Defendants will pay prepayment penalties resulting from the refinancing of the

1 homeowner borrowers' current loans when in fact the Defendants do not pay those penalties.
2 Prepayment penalties owed on the loans being refinanced were charged to the homeowner
3 borrowers and debited from the proceeds of the loans the Defendants made or arranged.

4 J. That the documents showing that the mortgage loans made or arranged by the Defendants
5 has an adjustable interest rate were erroneous and will be corrected before loan closing to reflect
6 a fixed interest rate when in fact Defendants did not make any such correction.

7 K. That the documents showing that the mortgage loans made or arranged by the
8 Defendants bear a higher interest rate than the Defendants orally represented were erroneous and
9 would be corrected before loan closing when in fact Defendants did not make any such
10 correction.

11 L. That the Defendants will pay off credit card balances owed by homeowner borrowers out
12 of the proceeds of the loan Defendants made or arranged when in fact Defendants did not pay the
13 borrowers' credit card obligations.

14 M. That the Defendants will cancel loan transactions at the homeowner borrowers' request
15 when in fact Defendants fail to do so.

16 33. Defendants knew, or by the exercise of reasonable care should have known, at the time
17 the representations set forth in paragraph 32 were made, that the representations were untrue or
18 misleading.

19 **SECOND CAUSE OF ACTION**

20 **VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200**

21 **(UNFAIR COMPETITION)**

22 **(Against All Defendants)**

23 34. Plaintiff realleges and incorporates by reference paragraphs 1 through 33 as though they
24 were fully set forth in this cause of action.

25 35. Defendants, and each of them, engaged in unfair competition as defined in Business and
26 Professions Code section 17200 by engaging in acts or practices, which include, but are not
27 limited to, the acts set forth below. These acts of unfair competition were committed as part of
28 the predatory lending scheme generally described in paragraphs 18 through 23 and 25 through 30

1 and more particularly alleged in paragraphs 32 through 33, and this paragraph and are in
2 violation of Business and Professions Code section 17200 standing alone or as part of the
3 predatory lending scheme alleged in this Complaint. Defendants acts of unfair competition
4 include the following:

5 A. Defendants violated Business and Professions Code section 17500 as more particularly
6 alleged in paragraphs 31 through 33.

7 B. Defendants misrepresent the existence and amount of their loan origination fees and
8 other fees.

9 C. Defendants, in violation of Business and Professions Code section 10240, fail to provide
10 homeowner borrowers with a mortgage loan disclosure statement or a good faith estimate as
11 required under the Real Estate Settlement Procedures Act and all applicable disclosures required
12 under the Truth in Lending Act.

13 D. When the Mortgage Defendants negotiate loan transactions primarily in any of the
14 languages specified in Civil Code section 1632, e.g., Spanish, the Mortgage Defendants fail to
15 provide a translation of the agreement into that language as required by Civil Code section 1632.

16 E. Defendants fail to provide homeowner borrowers with timely escrow closing statements
17 or a HUD-1 disclosure statement at or before loan closing. By failing to timely provide loan
18 closing documents, Defendants conceal and delay the borrowers' discovery of the true amounts
19 and disbursements from loan transactions.

20
21 F. Defendants forge borrowers' signatures on mortgage documents or otherwise falsify
22 mortgage documents, such as HUD-1 statements, to hide the nature and amount of fees and
23 charges, including commissions, that were never disclosed to borrowers or to purport to obligate
24 borrowers to mortgage terms to which the borrowers never agreed.

25 G. Defendants falsely inform homeowner borrowers that they receive less money after loan
26 closing than the amount Defendants led the borrowers to believe they would receive because
27 Defendants have separately paid the borrowers' outstanding credit card balances.

28 H. Defendants falsely claim that high fees listed on documents that are shown to borrowers

1 before loan closing are in error and will be removed or refunded.

2 I. Defendants cross out high fees and interest rates listed on documents that are shown to
3 borrowers before loan closing, handwrite the fee or interest rate that had been previously orally
4 promised to the borrower, falsely claim that they will process the paperwork with the lower
5 interlineated fees and interest rates, and retain the fees and interest rates originally listed on the
6 documents.

7 J. Defendants refuse to process homeowner borrowers' requests to cancel loans and instead
8 complete loan transactions that the borrowers canceled pursuant to the borrowers' three-day
9 cancellation right under the Truth in Lending Act.

10 K. Defendants falsely claim that homeowner borrowers cannot cancel loan transactions
11 without additional information or additional borrower signatures or because the loan was about
12 to be funded.

13 L. Defendants mislead borrowers who orally cancel loan transactions into believing that the
14 cancellations are effective and will be honored. Defendants in fact complete the loan
15 transactions notwithstanding the cancellation and do not disclose to borrowers that oral
16 cancellations are not legally effective.

17 M. Defendants engage in a kickback scheme where consumers were charged an additional
18 \$2,700 per loan in addition to the already high fees through forged or otherwise falsified
19 "amendments" to escrow instructions purportedly authorizing these additional payments to
20 Mortgage Defendants and Escrow Defendants.

21 N. Defendants misrepresent to lenders the amount of the loan that the homeowner borrower
22 is qualified to receive to induce lenders to make loans arranged by Defendants. Defendants
23 deceptive conduct includes (1) falsely inflating the borrowers' income set forth on loan
24 applications without the borrowers' knowledge, (2) falsely inflating the value of the borrowers'
25 home that will serve as security for the loans, (3) forging borrower signatures on falsified
26 documents without the borrowers' knowledge, and (4) failing or refusing to provide borrowers
27 with copies of the appraisal reports or loan applications submitted on the borrowers' behalf that
28 would reveal this false information. The conduct alleged herein, inter alia, is in violation of

1 Penal Code section 532(a).

2 O. Defendants made or arranged adjustable rate loans for homeowner borrowers without
3 due regard for the ability of the borrowers to repay the loans according to their terms from the
4 borrowers' income or assets other than the borrowers' homes. Defendants induced homeowner
5 borrowers to refinance mortgage loans that they could afford to pay and placed these borrowers
6 in loans, whose terms Defendants misrepresented, that the borrowers could not afford to repay.
7 As a result of Defendants' conduct, borrowers have defaulted on the loans made or arranged by
8 Defendants and have lost or are threatened with the loss of their homes.

9 P. Defendants violated Penal Code section 115(a) by knowingly procuring or offering a
10 false or forged instrument to be filed or recorded in a public office of this state.

11 Q. Defendants violated Penal Code section 368(d) by committing theft, forgery and fraud
12 with respect to the property and personal identifying information of an elder or dependent adult.

13 R. Defendants engaged in conduct that constitutes forgery in violation of
14 Penal Code section 470(d) by defrauding, falsely making, altering, forging, and attempt to offer
15 to pass, as true and genuine, quit claim deeds, deeds of trust, promissory notes to real property,
16 signatures on HUD-1 statements and other documents related to mortgage transactions, knowing
17 the same to be false, altered, forged and counterfeited.

18 S. The Mortgage Defendants who were acting as mortgage loan brokers in connection with
19 soliciting borrowers for home loans, negotiating or arranging home loans for borrowers,
20 performing services for borrowers in connection with home loans, or engaging in any other
21 conduct requiring real estate licensure owed a fiduciary duty to each borrower. That fiduciary
22 duty imposed an obligation (1) to make a full and accurate disclosure of the terms of a loan and
23 of all material facts concerning the loan transaction that might affect a borrower's decision to
24 accept the loan, (2) to act always in the utmost good faith toward the borrower, and (3) not to
25 obtain any advantage over the borrower. The Defendants described herein violated their
26 fiduciary duty to borrowers by engaging in the violations described in this Complaint.

27 T. The Escrow Defendants:

28 (1) Violated Financial Code section 17403.3 by failing to deliver copies of each escrow

1 instruction at the time of execution to all persons executing those documents.

2 (2) Failed to provide escrow customers with copies of federally mandated escrow
3 documents such as the HUD-1 form in accordance with the Real Estate Settlement Procedures
4 Act, and in many cases any documentation at all, prior to the close of escrow.

5 (3) Failed to stop escrow transactions at the request of homeowner borrowers who
6 notified the Escrow Defendants that they had not authorized or had canceled the loan transaction
7 that was the subject of the escrow.

8 U. Defendants Paulette Pony, Wilma Pony, Ampornpet, and Hassine have knowingly
9 performed false notarial acts related to a false or forged trust deed on real property consisting of a
10 single-family residence containing not more than four dwelling units,
11 in violation of Government Code section 8214.2.

12 V. Defendant Paulette Pony made material misrepresentations on her notary application
13 filed with the Secretary of State by failing to disclose her prior conviction for forgery.

14 W. Defendants Direct Credit Solutions and Wilma Pony engaged in deceptive and unlawful
15 conduct while acting as a credit services organization, as defined in Civil Code section
16 1789.12(a), including the following:

17 (1) Conducting business as a credit services organization without a certificate of
18 registration from the Department of Justice as required by Civil Code section 1789.25.

19 (2) Conducting business as a credit services organization without obtaining and
20 maintaining a surety bond as required by Civil Code section 1789.18.

21 (3) Entering into a contract with borrower customers without first providing the
22 information statement required by Civil Code sections 1789.14 and 1789.15.

23 (4) Entering into a contract with borrower customers that fails to provide a notice of
24 cancellation as required by Civil Code section 1789.16.

25 (5) Charging or receiving any money before fully performing all agreed upon services
26 in violation of Civil Code section 1789.13(a).

27 WHEREFORE, Plaintiff prays for judgment as follows:

28 1. That Defendants, their successors, agents, representatives, employees and all persons

1 who act in concert with Defendants be permanently enjoined from engaging in unfair
2 competition as defined in Business and Professions Code section 17200, including, but not
3 limited to, the acts and practices alleged in this complaint.

4 2. That Defendants, their successors, agents, representatives, employees and all persons
5 who act in concert with Defendants be permanently enjoined from making any untrue or
6 misleading statements in violation of Business and Professions Code section 17500, including,
7 but not limited to, the untrue or misleading statements alleged in this complaint.

8 3. Pursuant to Business and Professions Code section 17206, that the Court assess a civil
9 penalty of two thousand five hundred dollars (\$2,500) against each Defendant for each violation
10 of Business and Professions Code section 17200 in at least the amount of \$10,000,000.00.

11 4. Pursuant to Business and Professions Code section 17536, that the Court assess a civil
12 penalty of two thousand five hundred dollars (\$2,500) against each Defendant for each violation
13 of Business and Professions Code section 17500 in at least the amount of \$10,000,000.00.

14 5. Pursuant to Business and Professions Code section 17206.1, that the Court assess a civil
15 penalty of two thousand five hundred dollars (\$2,500) against each Defendant for each violation
16 of Business and Professions Code section 17200 perpetrated against a senior citizen or disabled
17 person in at least the amount of \$5,000,000.

18 6. Such other and further relief that the Court deems just and proper to dissipate the effect
19 of Defendants' use of untrue or misleading statements or acts of unfair competition.

20 7. That Plaintiff recovers its costs of suit.

21 Dated: March 15, 2008

Respectfully submitted,

22 EDMUND G. BROWN JR.

Attorney General

23 ALBERT NORMAN SHELDEN

Senior Assistant Attorney General

24 RONALD A. REITER

Supervising Deputy Attorney General

25 CHRISTINA TUSAN

Deputy Attorney General

26
27 By: 

CHRISTINA TUSAN

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28 Attorneys for Plaintiff, the People of the State of California