

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

RECEIVED

CASE NO C-09-033

09 JUN 24 AM 10: 56

ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

**21st CENTURY LEGAL SERVICES, INC.,
SANDY AYALA a/k/a SANDI AYALA, AND
MICHAEL HERRIED**

RESPONDENTS

AMENDED REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (“Staff”) received information and has in its possession certain evidence that indicates 21st Century Legal Services, Inc., Sandy Ayala a/k/a Sandi Ayala, and Michael Herried have violated provisions of the Arkansas Fair Mortgage Lending Act (“FMLA”), Ark. Code Ann. §§ 23-39-501 through 23-39-518.

Administrative Authority

1. This matter is brought in connection with violations of sections of the Arkansas FMLA and is therefore properly before the Arkansas Securities Commissioner (“Commissioner”) in accordance with Ark. Code Ann. § 23-39-514(d).

Respondents

2. 21st Century Legal Services, Inc. (“21st Century”) is a California corporation, located in Rancho Cucamonga, California. 21st Century has never been licensed by the Arkansas Securities Department (“Department”) as a mortgage broker.

3. Sandy Ayala a/k/a Sandi Ayala (“Ayala”) is a “mortgage specialist” for 21st Century. Ayala is believed to be a resident of California. Ayala has never been licensed by the Department as a mortgage loan officer.

4. Michael Herried (“Herried”) is a “mortgage specialist” for 21st Century. Herried is believed to be a resident of California. Herried has never been licensed by the Department as a mortgage loan officer.

Facts Supporting Request for Cease and Desist Order

5. In April 2009, AR1 contacted 21st Century by telephone concerning a renegotiation of the terms of AR1’s residential mortgage loan. AR1’s residence is located in Searcy, Arkansas. AR1 spoke to a representative of 21st Century by the name of Sandy. AR1 and Sandy discussed the amount of AR1’s existing mortgage loan as well as AR1’s current monthly mortgage payments. Sandy told AR1 that President Obama’s initiative allowed homeowners, like AR1, to claim a hardship in order to get a reduction in the interest rate AR1 was paying for AR1’s existing mortgage loan. Sandy also stated that 21st Century was partnered with AR1’s existing mortgage holder, so 21st Century could get AR1 a lower interest rate and monthly payment. Sometime after the telephone conversation between AR1 and Sandy, 21st Century contacted a notary public in Arkansas. This Arkansas notary public was sent a packet of forms by 21st Century to present to AR1 for completion and signature. Included in this packet of forms was a set of instructions for the notary public to follow, a letter from Sandi Ayala, a “mortgage specialist” with 21st Century, to AR1, a form titled Loan Modification Application, and a form titled Residential Loan Modification Agreement. The information required from AR1 to complete the forms provided by 21st Century is all of the standard personal financial information required from a

borrower, like AR1, by a mortgage broker or lender during the mortgage loan application process. The letter is attached hereto as Exhibit "1". The letter stated that AR1's proposed loan modification would be "a 30 year fixed [at] 4% interest rate with a monthly payment of \$477.15." This letter also stated AR1 would need to pay a fee of \$1,694.30 to 21st Century for this modified mortgage loan. The letter stated further that AR1 could pay for the fee with "a post dated check dated 5/1/09 for \$564.77, a post dated check dated 6/1/09 for \$564.77 and a post dated check dated 7/1/09 for \$564.76." In addition, the letter stated that "your first payment will be negotiated to begin September 2009 – payable to your current lender for the amount of \$477.15." Finally, this letter told AR1 to "enclose the mortgage coupon, 3 months most recent bank statement, 1-month most recent pay stubs." AR1 completed and delivered the paperwork provided by 21st Century along with the three post dated checks to the Arkansas notary public. The Arkansas notary public forwarded AR1's completed paperwork and checks to 21st Century.

6. In April 2009, AR2 contacted 21st Century by telephone concerning a renegotiation of the terms of AR2's residential mortgage loan. AR2's residence is located in Searcy, Arkansas. AR2 spoke to a representative of 21st Century by the name of Sandy. AR2 and Sandy discussed the amount of AR2's existing mortgage loan as well as AR2's current monthly mortgage payments. Sandy told AR2 that AR2 needed to claim a hardship in order to get a reduction in the interest rate AR2 was currently paying for AR2's mortgage loan. Sometime after the telephone conversation between AR2 and Sandy, 21st Century contacted a notary public in Arkansas. This Arkansas notary public was sent a packet of forms by 21st Century to present to AR2 for completion and signature. Included in this packet of forms was a letter from Sandy Ayala, a "mortgage specialist" with 21st Century, to AR2, a form titled Loan Modification Application, and a form titled Residential Loan Modification Agreement. The information required from

AR2 to complete the forms provided by 21st Century is all of the standard personal financial information required from a borrower, like AR2, by a mortgage broker or lender during the mortgage loan application process. The letter is attached hereto as Exhibit "2". The letter stated that AR2's proposed loan modification would be "a 30 year fixed [at] 4% interest rate with a monthly payment of \$691.86." This letter also stated AR2 would need to pay a fee of \$2,078.72 to 21st Century for this modified mortgage loan. The letter stated further that AR2 could pay for the fee with "a post dated check dated 6/1/09 for \$692.91, a post dated check dated 7/1/09 for \$692.91 and a post dated check dated 8/1/09 for \$692.90." In addition, the letter stated that "your first payment will be negotiated to begin August 2009 – payable to your current lender for the amount of \$691.86." Finally, this letter told AR2 to "enclose the mortgage coupon, 3 months most recent bank statement, 1-month most recent pay stubs." AR2 completed and delivered the paperwork provided by 21st Century along with the three post dated checks to the Arkansas notary public. The Arkansas notary public forwarded AR2's completed paperwork and checks to 21st Century.

7. In April 2009, AR3 contacted 21st Century by telephone concerning a renegotiation of the terms of AR3's residential mortgage loan. AR3's residence is located in Sherwood, Arkansas. AR3 spoke to a representative of 21st Century by the name of Michael. AR3 and Michael discussed the amount of AR3's existing mortgage loan as well as AR3's current monthly mortgage payments. Michael told AR3 that AR3 could claim a hardship in order to get a reduction in the interest rate AR3 was paying for his existing mortgage loan. Sometime after the telephone conversation between AR3 and Michael, 21st Century contacted a notary public in Arkansas. This Arkansas notary public was sent a packet of forms by 21st Century to present to AR3 for completion and signature. Included in this packet of forms was a letter from Michael

Herried, a “mortgage specialist” with 21st Century, to AR3, a form titled Loan Modification Application, and a form titled Residential Loan Modification Agreement. The information required from AR3 to complete the forms provided by 21st Century is all of the standard personal financial information required from a borrower, like AR3, by a mortgage broker or lender during the mortgage loan application process. The letter is attached hereto as Exhibit “3”. The letter stated that AR3’s proposed loan modification would be “a 30 year fixed [at] 4% interest rate with a monthly payment of \$1,297.37.” This letter also stated that AR3 would need to pay a fee of \$3,289.74 to 21st Century for this modified mortgage loan. The letter stated further that AR3 could pay for the fee with “a post dated check dated 5/1/09 for \$1,096.58, a post dated check dated 6/1/09 for \$1,096.58 and a post dated check dated 7/1/09 for \$1,096.58.” In addition, the letter stated that “your first payment will be negotiated to begin August 2009 – payable to your current lender for the amount of \$1,297.37.” Finally, this letter told AR3 to “enclose the mortgage coupon, 3 months most recent bank statement, 1-month most recent pay stubs.” AR3 completed and delivered the paperwork provided by 21st Century along with the three post dated checks to the Arkansas notary public. The Arkansas notary public forwarded AR3’s completed paperwork and checks to 21st Century.

8. 21st Century has never been licensed by the Department as a mortgage broker. Nevertheless, 21st Century solicited and accepted mortgage loan modification applications from AR1 through AR3 without first being licensed under the Arkansas FMLA with the Department.

9. Ayala and Herried have never been licensed by the Department as mortgage loan officers. Nevertheless, Ayala and Herried solicited and accepted mortgage loan modification applications from AR1 through AR3 without first being licensed under the Arkansas FMLA with the Department.

Applicable Law

10. Ark. Code Ann. § 23-39-503(b) states it is unlawful for any person to act or attempt to act, directly or indirectly, as a mortgage broker or loan officer with any person located in Arkansas without first obtaining a license from the Commissioner under the Arkansas FMLA.

11. Ark. Code Ann. § 23-39-503(c) states that it is unlawful for any person to employ, to compensate, or to appoint as its agent any person to act as a loan officer unless the loan officer is licensed as a loan officer with the Department under the Arkansas FMLA.

Conclusions of Law

12. 21st Century violated Ark. Code Ann. § 23-39-503(b) when it acted as a mortgage broker with AR1 through AR3 without first being licensed by the Department under the Arkansas FMLA.

13. Ayala violated Ark. Code Ann. § 23-39-503(b) when she acted a loan officer with AR1 and AR2 without first being licensed by the Department under the Arkansas FMLA.

14. Herried violated Ark. Code Ann. § 23-39-503(b) when he acted as a loan officer with AR3 without first being licensed by the Department under the Arkansas FMLA.

15. 21st Century violated Ark. Code Ann. § 23-39-503(c) when it allowed its employees Ayala and Herried to act as loan officers with AR1 through AR3 without first being licensed as loan officers by the Department under the Arkansas FMLA.

16. The conduct, acts, and practices of 21st Century, Ayala, Herried threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-39-514(d).

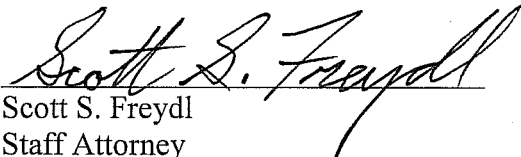
Legal Authority to Issue Cease and Desist Order

17. Upon finding that any action of a person is in violation of the Arkansas FMLA, the Commissioner may summarily order the person to cease and desist from the prohibited action. Ark. Code Ann. § 23-39-514(d).

Prayer for Relief

WHEREFORE, the Staff respectfully requests that the Commissioner order 21st Century, Ayala, and Herried to immediately CEASE AND DESIST from acting or attempting to act as a mortgage broker or mortgage loan officers in the State of Arkansas until it and/or they are properly licensed under the Arkansas FMLA with the Department; and, for all other relief to which the Staff may be entitled.

Respectfully submitted,



Scott S. Freydl
Staff Attorney
Arkansas Securities Department

6/24/09
Date



April 28, 2009

CASE ID: [REDACTED]

Dear [REDACTED]

**IS YOUR LOAN GOING NEGATIVE?
IS YOUR HOME PAYMENT TOO HIGH?
ARE YOU IN A PAYMENT YOU CAN'T AFFORD?
WE CAN RESTRUCTURE YOUR LOAN!**

We will help get your mortgage note modified to get rates as low as 3%!
Term Expansions, Stop Foreclosure, Principle Reductions Short Sales, Fixed Rates, Deed In Lieu.
We will request for all delinquent payments and any current payments that have not been made to be forgiven or be placed on the back-end of your modification. Our goal is to put you in a better loan and give you a new start.

OUR LOAN PROFESSIONALS ARE HERE TO HELP YOU!

Your credit score doesn't matter. The value of your home is not a factor.
This is all about giving you a BRAND NEW START, and stabilizing your financial situation.

The \$300 Billion housing rescue bill was passed by the Congress and President Bush has signed it. Essentially, the government will pay for homeowners to do loan re-modification through their mortgage holder. Conditions and fees subject to change per lender.

Our agreement will be the amount of \$477.15 for May, \$477.15 for June and \$740.00 processing fee. The total amount will be made payable to 21st Century LS for the modification of your mortgage.

The \$1,694.30 fee may be split into monthly payments. You may pay with a personal check, cashier's check or money order made payable to: 21st Century LS. You may pay a post dated check dated 5/01/09 for \$564.77, a post dated check dated 6/01/09 for \$564.77 and a post dated check dated 7/01/09 for \$564.76.

Your proposed loan modification is a 30 year fixed / 4 % interest rate with a monthly payment of \$477.15 (impounds included). Your monthly savings is \$230.33. Total savings over a 30-year period is \$82,918.80. Any delinquent mortgage payments will be brought current.

Your first payment will be negotiated to begin August 2009 - payable to your current lender for the amount of \$477.15.
Your new proposed note with payment and terms of your loan will be stated on paperwork to follow from your current lender.

This process can take anywhere up to 90 to 120 days of working diligently with your lender.

Please enclose the mortgage coupon, 3 months most recent bank statement, 1-month most recent pay stubs and any other letters or notification that the mortgage lender has sent to you.

If you have any questions, please feel free to call me.

Sincerely,
Sandi Ayala
Mortgage Specialist
21st Century Legal Services

**9340 Baseline Road, Suite 105
Rancho Cucamonga, CA 91701
Phone 909-987-2321 Fax 909-944-8558**



April 28, 2009

CASE ID: [REDACTED]

Dear [REDACTED]

**IS YOUR LOAN GOING NEGATIVE?
IS YOUR HOME PAYMENT TOO HIGH?
ARE YOU IN A PAYMENT YOU CAN'T AFFORD?
WE CAN RESTRUCTURE YOUR LOAN!**

We will help get your mortgage note modified to get rates as low as 3%!
Term Expansions, Stop Foreclosure, Principle Reductions Short Sales, Fixed Rates, Deed In Lieu.
We will request for all delinquent payments and any current payments that have not been made to be forgiven or be placed on the back-end of your modification. Our goal is to put you in a better loan and give you a new start.

OUR LOAN PROFESSIONALS ARE HERE TO HELP YOU!

Your credit score doesn't matter. The value of your home is not a factor.
This is all about giving you a BRAND NEW START, and stabilizing your financial situation.

The \$300 Billion housing rescue bill was passed by the Congress and President Bush has signed it. Essentially, the government will pay for homeowners to do loan re-modification through their mortgage holder. Conditions and fees subject to change per lender.

Our agreement will be the amount of \$691.86 for June, \$691.86 for July and \$695.00 processing fee. The total amount will be made payable to 21st Century LS for the modification of your mortgage.

The \$2,078.72 fee may be split into monthly payments. You may pay with a personal check, cashier's check or money order made payable to: 21st Century LS. You may pay a post dated check dated 6/01/09 for \$692.91, a post dated check dated 7/01/09 for \$692.91 and a post dated check dated 8/01/09 for \$692.90.

Your proposed loan modification is a 30 year fixed / 4 % interest rate with a monthly payment of \$691.86 (impounds included). Your monthly savings is \$147.70. Total savings over a 30-year period is \$53,172. Any delinquent mortgage payments will be brought current.

Your first payment will be negotiated to begin September 2009 - payable to your current lender for the amount of \$691.86.
Your new proposed note with payment and terms of your loan will be stated on paperwork to follow from your current lender.

This process can take anywhere up to 90 to 120 days of working diligently with your lender.

Please enclose the mortgage coupon, 3 months most recent bank statement, 1-month most recent pay stubs and any other letters or notification that the mortgage lender has sent to you.

If you have any questions, please feel free to call me.

Sincerely,
Sandy Ayala
Mortgage Specialist
21st Century Legal Services

**9340 Baseline Road, Suite 105
Rancho Cucamonga, CA 91701
Phone 909-987-2321 Fax 909-944-8558**

April 27, 2009

CASE ID: [REDACTED]

Dear [REDACTED]

**IS YOUR LOAN GOING NEGATIVE?
IS YOUR HOME PAYMENT TOO HIGH?
ARE YOU IN A PAYMENT YOU CAN'T AFFORD?
WE CAN RESTRUCTURE YOUR LOAN!**

We will help get your mortgage note modified to get rates as low as 3%!
Term Expansions, Stop Foreclosure, Principle Reductions, Short Sales, Fixed Rates, Deed In Lieu.
We will request for all delinquent payments and any current payments that have not been made to be forgiven or be placed on the back-end of your modification. Our goal is to put you in a better loan and give you a new start.

OUR LOAN PROFESSIONALS ARE HERE TO HELP YOU!

Your credit score doesn't matter. The value of your home is not a factor.
This is all about giving you a BRAND NEW START, and stabilizing your financial situation.
The \$300 Billion housing rescue bill was passed by the Congress and President Bush has signed it. Essentially, the government will pay for homeowners to do loan re-modification through their mortgage holder. Conditions and fees subject to change per lender.

Our agreement will be the amount of \$1,297.37 for May, \$1,297.37 for June and \$695.00 processing fee. The total amount will be made payable to 21st Century LS for the modification of your mortgage.

The \$3,289.74 fee may be split into monthly payments. You may pay with a personal check, cashier's check or money order made payable to: 21st Century LS. You may pay a post dated check dated 5/01/09 for \$1,096.58, a post dated check dated 6/01/09 for \$1,096.58 and a post dated check dated 7/01/09 for \$1,096.58.

**Your proposed loan modification is a 30 year fixed / 4 % interest rate with a monthly payment of \$1,297.37 (impounds included). Your monthly savings is \$415.63.
Total savings over a 30-year period is \$149,626.80.**

Any delinquent mortgage payments will be brought current.
Your first payment will be negotiated to begin August 2009 - payable to your current lender for the amount of \$1,297.37.
Your new proposed note with payment and terms of your loan will be stated on paperwork to follow from your current lender.

This process can take anywhere up to 90 to 120 days of working diligently with your lender.
With all our customers we have a 98% ratio of success. If the Modification of your loan is not accepted by your lender, you will receive a full refund, minus the postage and handling.

Please enclose the mortgage coupon, 3 months most recent bank statement, 1-month most recent pay stubs and any other letters or notification that the mortgage lender has sent to you.

If you have any questions, please feel free to call me.

Sincerely,
Michael Herried
Mortgage Specialist
21st Century Legal Services

9340 Baseline Road, Suite 105
Rancho Cucamonga, CA 91701
Phone 909-987-2321 Fax 909-944-8558