

IN THE CIRCUIT COURT OF PULASKI COUNTY, ARKANSAS  
CIVIL DIVISION

A. HEATH ABSHURE,  
ARKANSAS SECURITIES COMMISSIONER

PLAINTIFF

v.

21<sup>st</sup> CENTURY LEGAL SERVICES, INC.

No.  
CV2009-5326  
@hdiy

FILED 07/29/09 09:07:30  
Pat o'brien Pulaski Circuit Clerk  
Cr08 By \_\_\_\_\_

DEFENDANT

**COMPLAINT FOR TEMPORARY AND/OR PERMANENT INJUNCTION TO  
ENFORCE ORDER, CIVIL FINE, AND FOR ANCILLARY RELIEF**

Comes now the Plaintiff, A. Heath Abshure, Arkansas Securities Commissioner, by and through counsel, Scott S. Freydl, Staff Attorney, and for his complaint alleges the following:

PARTIES

1. A. Heath Abshure (Commissioner) is the Arkansas Securities Commissioner, duly appointed in accordance with Ark. Code Ann. § 23-42-201(a). He is charged with the administration of the Arkansas Fair Mortgage Lending Act (FMLA), codified at Ark. Code Ann. §§ 23-39-501 through 23-39-518.
2. 21<sup>st</sup> Century Legal Services, Inc. (21<sup>st</sup> Century) is a California corporation, located in Rancho Cucamonga, California. 21<sup>st</sup> Century has never been licensed by the Arkansas Securities Department (Department) in accordance with the FMLA to engage in mortgage loan activity.

JURISDICTION AND VENUE

3. This is an action brought pursuant to the FMLA, specifically Ark. Code Ann. §§ 23-39-514(d)(3) and 23-39-514(l), which permits the Commissioner to seek the assessment of a civil

penalty, injunctive relief to enforce orders issued pursuant to the FMLA, and relief ancillary to injunctive relief as may be appropriate in the public interest, including, but not limited to obtaining a fine against the Defendant in the Circuit Court of Pulaski County, Arkansas.

4. This Court has jurisdiction pursuant to Ark. Code Ann. §§ 23-39-514(d)(3)(B) and 23-39-514(l)(1)(B).

5. Venue is proper in this Court pursuant to Ark. Code Ann. §§ 23-39-514(d)(3)(B) and 23-39-514(l)(1)(B).

#### FACTUAL ALLEGATIONS

6. In April 2009, Arkansas resident (AR) 1 contacted 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> Century was partnered with AR1's existing mortgage lender, so 21<sup>st</sup> Century could get AR1 a lower interest rate and monthly payment. Sometime after the telephone conversation between AR1 and Sandy, 21<sup>st</sup> Century contacted a notary public in Arkansas. This Arkansas notary public was sent a packet of forms by 21<sup>st</sup> Century to present to AR1 for completion and signature. Included in this packet of forms was a set of instructions for the Arkansas notary public to follow, a letter from Sandi Ayala, a "mortgage specialist" with 21<sup>st</sup> Century, to AR1, a form titled Loan Modification Application, and a form titled Residential Loan Modification Agreement. A copy of this letter is

attached hereto as "Exhibit A". Sandy Ayala a/k/a Sandi Ayala (Ayala) has never been licensed by the Department as a mortgage loan officer. The information in the forms 21<sup>st</sup> Century required AR1 to complete is the standard personal financial information required from a borrower, like AR1, by mortgage broker or mortgage lender during the mortgage loan application process. 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 said AR1 would need to pay an advance fee of \$1,694.30 to 21<sup>st</sup> Century for this modified mortgage loan. The letter stated further that AR1 could pay 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 21<sup>st</sup> 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 21<sup>st</sup> Century.

7. In April 2009, AR2 contacted 21<sup>st</sup> 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 21<sup>st</sup> 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, 21<sup>st</sup> Century contacted a notary public in Arkansas. This Arkansas notary public was sent a packet of forms by 21<sup>st</sup> 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 21<sup>st</sup> Century, to AR2, a form titled Loan Modification Application, and a form titled Residential Loan Modification Agreement. A copy of this letter is attached hereto as “Exhibit B”. Ayala has never been licensed by the Department as a mortgage loan officer. The information in the forms 21<sup>st</sup> Century required AR2 to complete is the standard personal financial information required from a borrower, like AR2, by mortgage broker or mortgage lender during the mortgage loan application process. 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 said AR2 would need to pay an advance fee of \$2,078.72 to 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> Century.

8. In April 2009, AR3 contacted 21<sup>st</sup> 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 21<sup>st</sup> 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, 21<sup>st</sup> Century contacted a notary public in Arkansas. This Arkansas notary public was sent a packet of forms by 21<sup>st</sup> Century to present to AR3 for completion and signature. Included in this packet of forms was a letter from Michael Herried (Herried), a “mortgage specialist” with 21<sup>st</sup> Century, to AR3, a form titled Loan Modification Application, and a form titled Residential Loan Modification Agreement. A copy of the letter is attached hereto as “Exhibit C”. Herried has never been licensed by the Department as a mortgage loan officer. The information in the forms 21<sup>st</sup> Century required AR3 to complete is the standard personal financial information required from a borrower, like AR3, by mortgage broker or mortgage lender during the mortgage loan application process. 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 said AR3 would need to pay an advance fee of \$3,289.74 to 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> Century.

9. On June 24, 2009, the Commissioner entered a Cease and Desist Order against 21<sup>st</sup> Century, Ayala, and Herried concerning the violations of the FMLA detailed above. A copy of

this Cease and Desist Order is attached hereto as "Exhibit D". Further, a copy of this Cease and Desist Order was served on the Defendant by certified, return receipt United States mail on June 26, 2009. The Defendant has not requested that the Commissioner schedule a hearing concerning said Cease and Desist Order as is permitted by Ark. Code Ann. § 23-39-514(d)(2).

10. The aforementioned Cease and Desist Order specifically directed 21<sup>st</sup> Century to immediately cease and desist from all mortgage loan activity in Arkansas until such time as it obtained the proper license under the FMLA. Further, the Cease and Desist Order directed the staff of the Department to continue its investigation into the activities of 21<sup>st</sup> Century, Ayala, and Herried to determine if they had engaged in any activities which are prohibited under the FMLA, including but not limited to, any activities which may have been misleading, deceptive, or which constituted a fraud upon any person.

11. Since the entry of said Cease and Desist Order, 21<sup>st</sup> Century has not applied for or been granted any license under the FMLA by the Department.

12. An Arkansas notary public has provided the staff of the Department with evidence that the Defendant is in violation of said Cease and Desist Order by continuing to contact Arkansas residents in an effort to solicit mortgage loan modification applications. On or about July 17, 2009, an Arkansas notary public was contacted by a representative of 21<sup>st</sup> Century, Michelle. This representative of 21<sup>st</sup> Century wanted the Arkansas notary public to meet with AR4. The Arkansas notary public was to have AR4 complete a loan modification application and other paperwork for 21<sup>st</sup> Century. Shortly after receiving this meeting request from 21<sup>st</sup> Century, the Arkansas notary public received a second telephone call from the representative of 21<sup>st</sup> Century. The representative of 21<sup>st</sup> Century stated to the Arkansas notary public that the meeting with AR4 was cancelled, because AR4 decided not to renegotiate her mortgage loan. AR4 told the

staff of the Department that she received an unsolicited telephone call from a representative of 21<sup>st</sup> Century, Steve, during the third week of July 2009. On behalf of 21<sup>st</sup> Century, Steve offered to renegotiate AR4's current mortgage loan. After contacting the Arkansas Attorney General's office about 21<sup>st</sup> Century, AR4 ultimately decided not to meet with the Arkansas notary public.

13. On July 17, 2009, the aforementioned Arkansas notary public received an e-mail from a representative of 21<sup>st</sup> Century, Ana Domiguez. Again, the Arkansas notary public was to have AR5 complete a loan modification application, a UCI authorization and release, a lender workout package, and a hardship letter. In addition, the Arkansas notary public was to pick-up the following items from AR5: three to four checks as advanced payment of 21<sup>st</sup> Century's fee, a copy of AR5's identification, a copy of the mortgage statement, two pay stubs, and two bank statements. All of the completed forms, checks, and documents were to be returned by the Arkansas notary public to 21<sup>st</sup> Century. Since the Arkansas notary public knew about the Department's Cease and Desist Order, she did not contact or meet with AR5.

14. On or about July 21, 2009, the previously mentioned Arkansas notary public was contacted by a representative of 21<sup>st</sup> Century, Brissa Cazares. This representative of 21<sup>st</sup> Century wanted the Arkansas notary to meet with another Arkansas resident. The Arkansas notary public was to have AR6 complete a loan modification application, an authorization to release, a lender workout package, and a loan modification letter. In addition, the notary was to pick-up the following items from AR6: three to four checks as advanced payment of 21<sup>st</sup> Century's fee, a copy of the AR6's identification, a copy of the mortgage statement, two pay stubs, and two bank statements. All of the completed forms, checks, and documents were to be returned by the Arkansas notary public to 21<sup>st</sup> Century. Since the Arkansas notary public knew about the Department's Cease and Desist Order, she did not attend this meeting.

## VIOLATIONS AND RELIEF REQUESTED

15. The Cease and Desist Order attached hereto as “Exhibit D” is authorized under Ark. Code Ann. § 23-39-514(d).

16. The plaintiff re-alleges and incorporates by reference all factual allegations set forth in ¶¶ 6-14.

17. The facts set out in ¶¶ 6-8 of this complaint show that the Defendant has violated the FMLA as codified at Ark. Code Ann. § 23-39-503(b) on numerous occasions. Ark. Code Ann. § 23-39-503(b) states that it is unlawful for any person to act, directly or indirectly, as a mortgage broker without first obtaining a license from the Commissioner. In Ark. Code Ann. § 23-39-501(20) the definition of person includes a corporation, like 21<sup>st</sup> Century. In addition, in Ark. Code Ann. § 23-39-501(15) a mortgage broker is defined as a person who for compensation or other gain contacts borrowers by telephone, electronic means, mail, or in person to solicit, accept, or offer to accept applications for mortgage loans; or to negotiate or offer to negotiate the terms or conditions of a mortgage loan. In violation of Ark. Code Ann. § 23-39-503(b), 21<sup>st</sup> Century acted as a mortgage broker when its employees and agents contacted Arkansas residents by telephone and in person to solicit, offer, and accept mortgage loan modification applications and collect fees from residents of the State of Arkansas without first obtaining a license from the Commissioner. Ark. Code Ann. § 23-39-514(l) allows the Commissioner to apply to this Court for a temporary or permanent injunction and a fine in an amount of not more than ten thousand dollars (\$10,000.00) for each violation of the FMLA. Further, the Commissioner is seeking a temporary or permanent injunction and such fine from this Court against the Defendant for each violation of the FMLA as detailed in ¶¶ 6-8.



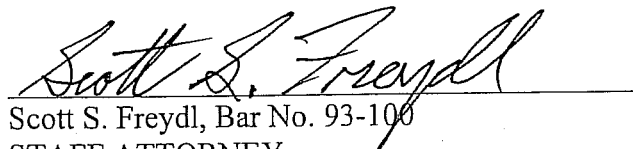
18. The facts set out in ¶¶ 6-8 of this complaint show that the Defendant has violated the FMLA as codified at Ark. Code Ann. § 23-39-503(c) on numerous occasions. Ark. Code Ann. § 23-39-503(c) states that it is unlawful for any person to employ, to compensate, or to appoint as its agent any person to act as a loan officer unless the loan officer is licensed as a loan officer by the Commissioner. In Ark. Code Ann. § 23-39-501(20) the definition of person includes a corporation, like 21<sup>st</sup> Century. In Ark. Code Ann. § 23-39-501(11) the definition of loan officer is an individual who for compensation as an employee solicits, accepts, or offers to accept applications for mortgage loans; or negotiates or offers to negotiate the terms or conditions of mortgage loans. In violation of Ark. Code Ann. § 23-39-503(c), 21<sup>st</sup> Century employed for compensation Ayala, Herried, Mandingo Gibbs, Richard Almerraz, and others to solicit, accept, or offer to accept applications for mortgage loan modifications; or to negotiate or offer to negotiate a modification of the terms or conditions of mortgage loans in Arkansas without said persons being licensed as loan officers by the Commissioner. Ark. Code Ann. § 23-39-514(1) allows the Commissioner to apply to this Court for a temporary or permanent injunction and a fine in an amount of not more than ten thousand dollars (\$10,000.00) for each violation of the FMLA. Further, the Commissioner is seeking a temporary or permanent injunction and such fine from this Court against the Defendant for each violation of the FMLA as detailed in ¶¶ 6-8.

19. The facts set out in ¶¶ 9-14 of this complaint show that the Defendant has willfully and wantonly failed to comply with the Cease and Desist Order entered by the Commissioner on June 24, 2009. Further, pursuant to Ark. Code Ann. § 23-39-514(d)(2) the time for the Defendant to contest the Cease and Desist Order has passed. Ark. Code Ann. § 23-39-514(d)(3) states that a person shall be subject to a civil penalty of up to twenty-five thousand dollars (\$25,000.00) for each violation of the Commissioner's cease and desist order, after the entry of

the order, if no appeal is requested by the person subject to the cease and desist order, and the person continues to engage in the prohibited action in violation of the Commissioner's order. In Ark. Code Ann. § 23-39-501(20) the definition of person includes a corporation, like 21<sup>st</sup> Century. In violation of the Commissioner's Cease and Desist Order, the Defendant continues to have its employees solicit mortgage loan modification applications from residents of the State of Arkansas without first being licensed by the Department.

WHEREFORE, the Plaintiff, the Commissioner, respectfully requests that this Court enter an order granting a temporary and permanent injunction against the Defendant enjoining the Defendant from conducting any mortgage loan activity in Arkansas; a fine in the amount of \$10,000.00 for each violation of the FMLA contained in the Ceased and Desist Order attached hereto; a civil penalty in the amount of \$25,000.00 for each violation of the attached Cease and Desist Order by the Defendant as detailed above; and, for all other relief as may be appropriate in the public interest.

Respectfully Submitted,



Scott S. Freydl, Bar No. 93-100  
STAFF ATTORNEY  
Arkansas Securities Department  
201 East Markham Street, Suite 300  
Little Rock, Arkansas 72201  
Telephone: (501) 324-9266  
Facsimile: (501) 324-9268

7/29/09  
Date

April 28, 2009

CASE ID: 117564.28.2 009

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 21<sup>st</sup> 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: 21<sup>st</sup> 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  
21<sup>st</sup> 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: 117564.28.2009

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.

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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 21<sup>st</sup> 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: 21<sup>st</sup> 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

21<sup>st</sup> 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: 117564.27.2009

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.

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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 21<sup>st</sup> 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: 21<sup>st</sup> 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  
21<sup>st</sup> Century Legal Services

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

BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO C-09-033

RECEIVED

09 JUN 24 PM 2:00

IN THE MATTER OF:

ARKANSAS SECURITIES DEPT.

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

ORDER NO. C-09-033-09-CD01

**CEASE AND DESIST ORDER**

On June 23, 2009, the Staff of the Arkansas Securities Department ("Staff") filed a Request for a Cease and Desist Order, as amended by an Amended Request for Cease and Desist Order filed on June 24, 2009 (collectively, the "Request"), stating that it has information and certain evidence in its possession that indicates 21<sup>st</sup> Century Legal Services, Inc., Sandy Ayala also known as 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. The Arkansas Securities Commissioner ("Commissioner") has reviewed the Request, and based upon representations made therein, finds that:

**FINDINGS OF FACT**

1. The Staff's Request asserts the following representations of fact:
  - a. 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.
  - b. Sandy Ayala, also known as 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.

- c. 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.
- d. 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 to the Staff's Request 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.

- e. 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 existing 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 to the Staff's Request 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 said 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.

- f. 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 AR3's 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 to the Staff's Request 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 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.

- g. 21st Century has never been licensed by the Department as a mortgage broker. Nonetheless, 21st Century solicited and accepted mortgage loan modification applications from AR1, AR2, and AR3 without first being licensed under the FMLA with the Department.
- h. 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, AR2, and AR3 without first being licensed under the FMLA with the Department.

#### CONCLUSIONS OF LAW

2. 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 FMLA. Ark. Code Ann. § 23-39-503(b).

3. 21st Century violated Ark. Code Ann. § 23-39-503(b) when it acted as a mortgage broker with AR1, AR2, and AR3 without first being licensed under the FMLA.

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

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

6. 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 under the FMLA. Ark. Code Ann. § 23-39-503(c).

7. 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, AR2, and AR3 without first being licensed as loan officers by the Department under the FMLA.

8. Upon finding that any action of a person is in violation of the FMLA, the Commissioner may summarily order the person to cease and desist from the prohibited action. Ark. Code Ann. § 23-39-514(d)(1). Considering the seriousness of the violations, the recurrent nature of the violations, the opportunity to commit future violations, the degree of harm to the borrowers resulting from the violations, the remedial function to be serviced by this Cease and Desist Order, and based on the Findings of Fact and Conclusions of Law, this Cease and Order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-39-514.

#### ORDER

9. 21st Century Legal Services, Inc., Sandy Ayala also known as Sandi Ayala, and Michael Herried shall immediately cease and desist from all mortgage loan activity in Arkansas until such time as each as obtained the proper license under the FMLA.

10. The Staff of the Arkansas Securities Department shall continue its investigation into the activities of 21st Century Legal Services, Inc., Sandy Ayala also known as Sandi Ayala, and Michael Herried to determine if they have engaged in any activities which are prohibited under the FMLA, including but not limited to, any activities which may be misleading, deceptive, or which constitute a fraud upon any person.

11. A hearing on this Cease and Desist Order shall be held if requested by 21st Century Legal Services, Inc., Sandy Ayala also known as Sandi Ayala, and/or Michael Herried in writing within thirty days of the date of the entry of this Cease and Desist Order, or if

otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner  
201 East Markham, Suite 300  
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-39-514(d).



A. Heath Abshire  
Arkansas Securities Commissioner

June 24, 2009  
Date