

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER**

**CASE NO C-09-033**

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ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:**

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

**RESPONDENTS**

**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 21<sup>st</sup> 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. 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 Department as a mortgage broker.

3. Sandy Ayala a/k/a Sandi Ayala (“Ayala”) is a “mortgage specialist” for 21<sup>st</sup> 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 21<sup>st</sup> 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 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 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 holder, 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 notary 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. The information required from AR1 to complete the forms provided by 21<sup>st</sup> Century is all of the standard personal financial information required

from a borrower, like AR1, by mortgage broker or 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 a fee of \$1,694.30 to 21<sup>st</sup> 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 \$691.86." 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.

6. 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 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. The information required from

AR2 to complete the forms provided by 21<sup>st</sup> Century is all of the standard personal financial information required from a borrower, like AR2, by mortgage broker or 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 a 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.

7. 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 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, 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. The information required from AR3 to complete the forms provided by 21<sup>st</sup> Century is all of the standard personal financial information required from a borrower, like AR3, by mortgage broker or 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 a fee of \$1,694.30 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.

8. 21<sup>st</sup> Century has never been licensed by the Department as a mortgage broker. Nevertheless, 21<sup>st</sup> 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. 21<sup>st</sup> 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. 21<sup>st</sup> 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 21<sup>st</sup> 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).

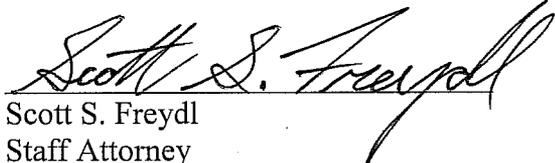
## Legal Authority to Issue Cease and Desist Order

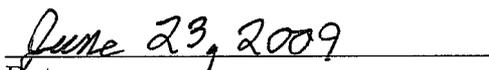
17. Upon finding that any action of a person is in violation of the Arkansas FMLA, the Commissioner may summarily order the person to cease and desist from the prohibited action. Ark. Code Ann. § 23-39-514(d).

### Prayer for Relief

**WHEREFORE**, the Staff respectfully requests that the Commissioner order 21<sup>st</sup> 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,

  
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Scott S. Freydl  
Staff Attorney  
Arkansas Securities Department

  
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Date