



COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE AGENCY CASE NO. 2022-AH-0015

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

v.

DANNY YEN dba
REAL ESTATE EDUCATIONAL SERVICES

RESPONDENT

AGREED ORDER

STATEMENT OF FACTS

1. The Department of Financial Institutions ("DFI") is responsible for regulating and licensing entities and certain individuals engaged in the business in mortgage brokering, origination, and processing in accordance with the provisions set forth in Kentucky Revised Statutes (KRS) Chapter 286.8 ("The Act").
2. Danny Yen dba Real Estate Education Services ("Respondent") was an NMLS -approved course provider, with an identifier number of 1405046 and a mailing address of 3643 Adams Street, Carlsbad, California 92008.
3. DFI's Non depository Consumer Protection Branch (CPB) received information from a notice of significant information, which is a protocol established by state financial regulators ("SRR") for the sharing of supervisory information of critical import to the regulatory community.
4. The notice stated that Respondent conducted his business in California under the fictitious business name of Real Estate Educational Services

("REES"). At all times relevant to the conduct described in the notice, REES was approved by the Nationwide Multistate Licensing System & Registry ("NMLS") to offer education training to mortgage loan originators ("MLO" or "MLOs") and was assigned an NMLS-Approved course provider identifier number of 1405046.

5. The Mortgage Testing and Education Board ("MTEB"), which was created by SRR, has approved Administrative Action Procedures for S.A.F.E. Testing and Education Requirements and NMLS-Approved course providers ("AAP").

6. In late 2020, MTEB obtained information about suspicious activity that identified a possible MLO education fraud scheme coordinated by and implemented through REES. Based on that information, and pursuant to the AAP, the Investigative Review Committee ("IRC") approved opening and pursuing an investigation into this matter.

7. Based on the findings of the investigation, the following relevant facts were determined:

a. That for direct compensation REES knowingly and actively coordinated with at least 607 MLOs, including MLOs who were licensed and/or became licensed in Kentucky, to implement the Education Fraud Schemes during the relevant period of 2017 through 2020. Specifically, REES facilitated the Education Fraud Schemes with Kentucky MLOs as it related to PE and/or CE requirements associated with licensure under KRS 286.8-255;

b. That, under the Online Education Fraud Scheme, REES completed PE and/or CE courses on behalf of MLOs from their Carlsbad address with an

Internet Protocol (IP) address of 76.88.84.139, which REES had leased from Charter Communications during the relevant period of 2017 through 2020. The MLOs were not physically present at the Carlsbad address and did not take, participate in, or complete the PE and/or CE courses at or from the Carlsbad address;

c. That, under the In-person Education Fraud Scheme, REES gave banked credit hours for course credit corresponding to completion of 8 hours of NMLS-approved education. REES provided credit to MLOs, but REES did not actually teach the course. REES did not require MLOs to attend a course in person for 8 hours of instruction to receive course credit. REES did not require MLOs to take a graded final exam. Effectively, the MLOs were provided education credit for pay without completing any actual education or coursework. All MLOs that received banked credit hours for the NMLS-approved course obtained course credit without having ever attended the class; and

d. That REES provided false or misleading information to NMLS on behalf of the MLOs that participated in the Education Fraud Schemes by making entry into NMLS that the MLOs completed certain PE and/or CE requirements, which are mandatory requirements that the MLOs must complete to qualify for licensure.

e. As reflected in NMLS during the years 2017 through 2020, when those Kentucky MLOs were not qualified to engage in mortgage loan origination activity due to their participation in the Education Fraud Schemes, those Kentucky MLOs originated mortgage loans and for which they are respectively

presumed to have received mortgage loan origination compensation for each of those respective transactions.

STATUTORY AUTHORITY

8. KRS 286.220(1) states in pertinent part that "[i]t shall be unlawful for any person to make or cause to be made, in any document filed with the commissioner, a governmental agency, the Nationwide Mortgage Licensing System and Registry, or in any proceeding under this subtitle, any statement that is, at the time and in light of the circumstances under which it is made, false or misleading in any material respect, including an omission of a material fact."

VIOLATION

9. Respondent filed or caused to be filed documentation with the NMLS on behalf of Kentucky licensed MLOs which was false or misleading regarding completion of PE and/or CE requirements associated with licensure under KRS 286.8-255 in violation of KRS 286.220(1).

AGREEMENT AND ORDER

10. Respondent neither admits nor denies violating any provision of KRS 286.220 or any regulations promulgated thereunder.

11. To resolve this matter without litigation or other adversarial proceedings, DFI and Respondent agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

12. In the interest of economically and efficiently resolving the violations described herein, DFI and Respondent agree as follows:

a. Respondent agrees to pay a civil penalty assessment in the amount of Six Thousand Two Hundred Dollars (\$6,200) for the violations described herein, which shall be payable upon entry of this order;

b. All payments shall be made electronically through the NMLS system or certified check;

c. Respondent shall cease and desist from any future violations of the Kentucky Financial Services Code;

d. Respondent waives his right to demand a hearing at which he would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on his own behalf, or to otherwise appeal or set aside this Order;

e. Respondent consents to and acknowledges the jurisdiction of DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such;

f. In consideration of execution of this Agreed Order, Respondent hereby releases and forever discharges the Commonwealth of Kentucky, The Department of Financial Institutions, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondent ever

had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration;

g. By signing below, Respondent acknowledges he has read the foregoing Agreed Order and knows and fully understands its contents; and

h. This Agreed Order shall constitute the Final Order in this matter.

SO ORDERED on this the 30th day of August, 2022.

/s/ Charles A. Vice

CHARLES A. VICE
COMMISSIONER

Charles
A. Vice

Digitally signed by: Charles A. Vice
DN: CN = Charles A. Vice email = charles.vice@ky.gov C = US
O = Dept. of Financial Institutions OU = PPC/DFI/Commissioner
Date: 2022.08.30 08:07:34 -05'00'

