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9
10 **BEFORE THE DEPARTMENT OF CORPORATIONS
OF THE STATE OF CALIFORNIA**

11 In the Matter of the) File Nos.:
12 Accusation and Statement of Issues of the)
CALIFORNIA CORPORATIONS) 603A562, 603A785, 603C636, 603C916,
13 COMMISSIONER,) 603C917, 603C918, 100-1935, 100-1936,
14 Complainant,) 100-3082, 100-3083, 100-3085, 100-1435,
15 v.) 100-1436, 100-1437, 100-1438, 100-1439,
16 Faas Financial, Inc.; Faas Financial, Inc.,) 100-1440, 100-1442, 100-1443, 100-1444,
doing business as FFI Payday Loans;) 100-1445, 100-1447, 100-1452, , 100-3547,
17 Faas Enterprises, Inc.; Faas Enterprises, Inc.,) 100-3548, and 100-3549
18 doing business as Cash 4 Checks, also doing)
19 business as Check Cashing Center, also doing)
20 business as FFI Payday Loans and also doing)
business as FFI Payday Loans.com,)
Respondents.)

21 Complainant, the California Corporations Commissioner (“Commissioner”), alleges:

22 **INTRODUCTION AND JURISDICTION**

23 The Commissioner of the Department of Corporations (“Department”) is mandated to
24 enforce the California Finance Lender Law (“CFL”) and the California Deferred Deposit
25 Transaction Law (“CDDTL”) found respectively in California Financial Code sections 22000 and
26 23000 *et seq.* All future references to sections are to the California Financial Code unless indicated
27 otherwise. The Commissioner seeks orders to revoke Respondents’ CFL and CDDTL licenses, deny
28 their license applications, void their consumer contracts and require them to forfeit charges and fees.

ACCUSATION AND STATEMENT OF ISSUES

I
STATEMENT OF FACTS

A. Background Concerning Respondents And Their Principal

Leonard A. Faas Jr. (“Leonard Faas”) is an individual who resides and does business at 18841 Sunnyview Circle, Yorba Linda, California. Faas is and was at all relevant times herein an officer, director and person in charge of the businesses of all Respondents. Faas’s wife, Patricia Faas, served as the corporate secretary and Faas’s sons, Leonard Anthony Faas, III and Cary A. Faas, Sr., were also officers and directors of Respondents. Diana Light, formerly Diana Sanchez, at various times has been listed as the only other officer of Respondents.

Leonard Faas and his family members, Leonard A. Faas, Sr. and Leonard A. Faas III, have formed or filed for other companies in California, including the following: Agajanian-Faas Racers, Inc., All City Financial, B & Y Heavy Movers, Inc., Blackstone Technology Partners, LLC, C.C.D. Enterprises, California Film, Cash 4 Checks, Castblast, Inc., Check Cashing Center, Faas, Inc., K-Lawn Corporation, LAF-GEF Construction Co., R V Tanks, Inc., Recreational Boats, Inc., Safeview DMS, Inc., Sanders’s Smog and Repair, Inc., and Walnut Creek Car Wash.

Leonard Faas applied to the Commissioner on behalf of Faas Financial, Inc., doing business as FFI Payday Loans for deferred deposit originator licenses, which is required to offer, originate, make, or arrange for a deferred deposit transaction or if one acts as an agent for a deferred deposit originator or assist a deferred deposit originator in the origin of a deferred deposit transaction.

A deferred deposit transaction is an agreement whereby one person gives funds to another person upon receipt of a personal check and it is agreed that the personal check shall not be deposited until a later date. A deferred deposit transaction is also referred to as a “payday loan” or “cash advance.”

As a result of Leonard Faas’ representations, the Commissioner issued five (5) deferred deposit transaction originator CDDTL licenses to Faas Financial, Inc., doing business as FFI Payday Loans (File No. 100-1935, 100-1936, 100-3082, 100-3083, and 100-3085). The location for each of these CDDTL licenses the Commissioner seeks to revoke is appended as **Exhibit 1**.

1 On or about April 20, 2007, pursuant to section 23005, subdivision (c) Leonard Faas filed
2 three (3) applications (File No. 100-3548, 100-3549, and 100-3083) with the Commissioner for
3 three additional CDDTL licenses for Faas Financial, Inc., doing business as FFI Payday Loans.
4 These three CDDTL applications were respectively for the following business addresses: 41125
5 Winchester Road, Suite B-03B, Temecula, California; 28282 Old Town Front Street, Temecula
6 California; and, 31610 Railroad Canyon Road, Canyon Lake, California. Although CDDTL
7 licenses were not issued for two of these locations Respondents advertised offering loans at them.

8 Based upon Leonard Faas' representations in applications filed in 2005 and thereafter, the
9 Commissioner issued to Respondent, Faas Financial, Inc., finance lender licenses under the CFL.
10 Faas Financial, Inc. currently has five (5) licenses under the CFL (File numbers 603A562,
11 603A785, 603C636, 603C917, and 603C918). The location for each of these CFL licenses the
12 Commissioner seeks to revoke is appended as **Exhibit 2**. Respondents falsely represent that Faas
13 Financial, Inc. **dba FFI Payday Loans** has a CFL license. On January 19, 2006, Faas Financial,
14 Inc. filed a California Finance Lenders Law short form application to obtain another license (File
15 No. 603C916) pursuant to section 22102 to do business at 545 S. State College Blvd. Anaheim,
16 California. This application has not been approved and the Commissioner seeks to deny it.

17 In 2004 the Commissioner issued to Respondent Faas Enterprises, Inc., doing business as
18 Cash 4 Checks twelve (12) CDDTL licenses (File Nos. 100-1435, 100-1436, 100-1437, 100-1438,
19 100-1439, 100-1440, 100-1442, 100-1443, 100-1444, 100-1445, 100-1447 and 100-1452) pursuant
20 to the CDDTL. The location for each of the preceding twelve CDDTL licenses the Commissioner
21 seeks to revoke is appended as **Exhibit 3**.

22 Faas Enterprises, Inc., engages in the business of deferred deposit transactions using the
23 business names "Check Cashing Center," "FFI Payday Loans" and "FFI Payday Loans.com." These
24 businesses represent themselves to be wholly owned by Faas Enterprises Inc. The Commissioner
25 has not issued any license to Faas Enterprises, Inc. to do business as "Check Cashing Center," as
26 "FFI Payday Loans" or as "FFI Payday Loans.com." Thus, Faas Enterprises, Inc. doing business as
27 "Check Cashing Center," as "FFI Payday Loans," and as "FFI Payday Loans.com" is in violation of
28 section 23005 for engaging in the CDDTL business using these names without a license to do so.

1 Leonard Faas and his companies are an extension of himself and the Faas family. There is
2 such a unity of ownership, interest, management, and control that there is no distinction between him
3 and his companies. He uses the business names interchangeably to conduct his CDDTL activities
4 and what he claims are CFL activities. Such business activities are in violation of numerous
5 provisions of the Financial Code as described below. As of October 31, 2003, financial statements
6 for Faas Financial, Inc. reflect assets and stockholder equity of \$100,000; the financial statements for
7 Faas Enterprises, Inc. reflect assets of \$3.3 million and stockholder equity of almost \$757,000 and
8 the financial statements for Leonard and Patricia Faas reflect a net worth that exceeds \$13 million.

9 **B. Leonard Faas’ Representations in Respondents’ License Applications**

10 Leonard Faas, on behalf of Respondents Faas Enterprises, Inc. and Faas Financial, Inc. doing
11 business as FFI Payday Loans, when seeking CDDTL licenses signed Declarations, designated as
12 “Exhibit K, ” under penalty of perjury that:

13 I (we) have obtained and read copies of the California Deferred Deposit
14 Transaction Law (Division 10 of the California Financial Code) and the
15 Rules (Chapter 3, Title, 10, California Code of Regulations) and am
16 familiar with their content: and,

17 I (we) agree to comply with all the provision[s] of the California Deferred
18 Deposit Transaction Law, including any rules or orders of the
19 Commissioner of Corporations.

20 Leonard Faas’ Declarations (Exhibits K) also states that “by signing this declaration” the
21 applicant hereby agrees (or attests) or declares understanding of the following items listed below:

- 22 **1. That the applicant hereby attests that the applicant (including
23 officers, directors and principals) has not engaged in conduct that
24 would be cause of denial of a license. (Emphasis added.)**

25 On December 31, 2004, a letter accompanied the Commissioner’s issuance of a CDDTL
26 license to Respondent, which informed Respondent of the following facts:

27 [T]here are certain obligations and responsibilities that a licensee must
28 comply with. The following information about a licensee’s obligations
and responsibilities regarding certain requirements of the California
Deferred Deposit Transaction Law is provided for your reference . . . a
licensee should review and become familiar with all provisions of the law
and rules and regulations.

1 Leonard Faas filed an application for a license under the CFL in mid 2004 on behalf of
2 Faas Financial, Inc. doing business as All City Financial, a fictitious business name that he
3 abandoned during the application process. On July 26, 2004, Leonard Faas signed the execution
4 section of the CFL application under penalty of perjury stating that he had read the foregoing
5 application, including all Exhibits thereto, or filed therewith and knows the contents thereof, and
6 that the statements therein are correct. Leonard Faas, on behalf of Respondents Faas Financial,
7 Inc. when seeking CFL licenses signed Declarations, designated as “Exhibit L” to Respondents’
8 CFL applications. On behalf or Respondents Leonard Faas signed these Declarations under
9 penalty of perjury stating (emphasis added here):

- 10 1. **The applicant will comply with all federal and state laws and**
11 **regulations** (including Division 10, commencing with Section 23000,
12 of the Financial Code), if it offers, arranges, acts as an agent for, or
13 assists a deferred deposit originator in the making of a deferred deposit
14 transaction (Financial Code Section 23037(i.).)

14 Faas, on behalf of Respondent Faas Financial, Inc. completed a declaration designated as
15 “Exhibit L” to Faas Financial Inc.’s CFL application and Leonard Faas signed under penalty of
16 perjury that:

17 “I, the undersigned, authorized to act on behalf of the applicant, declare that the
18 following statements are true and correct:

- 19 1. I (we) have obtained and read copies of the California Finance Lenders
20 Law (Division 9 of the California Financial Code) and the Finance
21 Company Rules (Chapter 3, Title, 10, California Code of Regulations) and
22 am familiar with their content: and,
23 2. I (we) agree to comply with all the provision[s] of the California
24 Finance Lenders Law and Finance Company Rules.”

24 Faas further declared under penalty of perjury his understanding of the following:

- 25 5. **That the applicant will file with the Commissioner of Corporations**
26 **an amendment to this application prior to any material change in**
27 **the information contained in the application for licensure,**
28 **including, without limitation, the plan of operation.** (Emphasis
added.)

1 6. **That the applicant hereby attests that the applicant (including**
2 **officers, directors and principals) has not engaged in conduct that**
3 **would be cause of denial of a license.** (Emphasis added.)

4 Leonard Faas applied for CFL licenses at other locations with the Commissioner stating
5 under penalty of perjury that Respondent Faas Financial, Inc was not using any fictitious
6 business names. However, Faas Financial, Inc. routinely used an unauthorized fictitious business
7 name. Thus, Faas Financial, Inc. failed to operate in conformity with the CFL application that
8 Leonard Faas filed. Therefore, as the control person for Faas Financial, Inc., Leonard Faas filed
9 a false application with the Commissioner.

10 On January 26, 2005, a letter accompanied the Commissioner’s issuance of a CFL
11 license to Respondent Faas Financial Inc. and directed to the attention of Leonard Faas the
12 following:

13 As you know, one of the documents you provided when you filed your
14 application for this license, was a statement that you understood certain
15 obligations and responsibilities as a licensee under the California Finance
16 Lenders Law. . .

17 **C. Respondents’ Deceptive Practices, False Advertising and Unlicensed Activities**

18 Leonard Faas arranged for each one of his Faas Financial, Inc. CFL licensed businesses to
19 be co-located at the same business premises with one of his CDDTL licensed businesses, namely
20 Faas Financial, Inc., doing business as FFI Payday Loans. Thus, Leonard Faas’ CFL licenses
21 operate at the same business addresses as his CDDTL licenses.

22 Leonard Faas obtained multiple CDDTL and CFL licenses by misrepresenting his businesses.
23 Leonard Faas never disclosed in any of his applications filed with the Department that he would be
24 (1) offering what he referred to as “FFI Payday Loans” of up to \$600; (2) that a consumer/borrower
25 would be required to execute multiple agreements that were tied together and contingent on each
26 other; or, (3) that he would engage in unlicensed CFL and CDDTL activities under various names.

27 Leonard Faas advertised “**FFI Payday Loans**” and advertised “loans of up to \$600” and
28 “FAST CASH.” Some of Leonard Faas’ advertisements for FFI Payday Loans are attached as
29 **Exhibit 4.** Leonard Faas’ “FFI Payday Loans” chart shows he offered loans from \$50 to \$660 in
30 \$25 increments. Leonard Faas’ fee charts for FFI Payday Loans are at **Exhibit 5.** However, under

1 the CDDTL the maximum deferred deposit transaction/payday loan is \$300.

2 Leonard Faas' businesses routinely engaged in use of multiple agreements to circumvent the
3 \$300 cap on payday loans. To arrange for his advertised \$600 loan through Faas Financial, Inc.
4 doing business as FFI Payday Loans, Leonard Faas required consumers/borrowers to execute
5 multiple agreements – one agreement with “FFI Payday Loans,” for what purports to be a CFL loan
6 and one with “FFI Payday Loans” for what is a CDDTL agreement. Leonard Faas tied the multiple
7 agreements together such that of the total amount, sixty percent (60%) of each transaction would be
8 purportedly a CFL loan and forty percent (40%) would be a deferred deposit transaction/payday
9 loan. Even the fees were tied together. Leonard Faas advertised a combined ten percent (10%) fee
10 for the multiple agreements. By combining the agreements Leonard Faas circumvented the \$300
11 maximum cap on deferred deposit transactions. By offering up to a \$600 loan with a ten percent
12 (10%) fee Leonard Faas gained an illegal competitive advantage over other CDDTL licensees. In
13 reality the multiple agreements enabled Leonard Faas to charge in excess of what would be
14 permitted if only one loan under the CFL was given to a borrower pursuant to the CFL provisions
15 that limit fees.

16 “FFI Payday Loans” charts that set forth the amount of fees also falsely implied that the
17 stated amounts for Respondents' “DD Advance” and Consumer Loan” were “governed by the
18 Department of Corporations.”

19 Faas Enterprises, Inc. is the registrant for the domain name ffipaydayloans.com. A
20 consumer who visits the website for FFI Payday Loans' and clicks on the links to apply for a
21 payday loan has his Internet browser directed to the website for www.cash4checks.net, which is
22 also registered to Leonard Faas. The technical contact for the website of cash4checks.net is listed
23 “Faas, Leonard busterpig@value.net.” At all relevant times the web pages containing the consumer
24 agreements and disclosures for ffipayloans.com and cash4checks.net lacked the required CDDTL
25 disclosures in violation of section 23035.

26 **D. The Department Regulatory Examinations Results and Leonard Faas' Response**

27 In 2006 and 2007 the Commissioner's examiners conducted CFL-CDDTL regulatory
28 examinations of CFL licensee Respondent Faas Financial, Inc. and CDDTL licensee Respondent

1 Faas Financial, Inc., doing business as FFI Payday Loans. The examinations revealed that Faas
2 Financial, Inc. and Faas Financial, Inc. doing business as FFI Payday Loans were engaged in CFL
3 and CDDTL violations. From September 2005 until December 11, 2006, Respondents made a
4 total of at least 29,000 multiple CFL-CDDTL agreements. The amount of funds loaned totaled
5 approximately \$7 million. The amount of excess fees charged to consumers is at least \$700,000.

6 On December 11, 2006, the Commissioner’s examiners informed Leonard Faas that his
7 multiple agreements were in violation of the CFL and CDDTL. Yet, Leonard Faas continued to
8 engage in the multiple agreements until at least February 2007. The Commissioner’s examiners
9 also wrote to Respondent Faas Financial, Inc. in March 2007 stating the Department required
10 refunds to be made to consumers/borrowers of all excess charges for the multiple agreements.
11 Leonard Faas refused to do so claiming that the multiple agreements do not involve payday loans
12 but are two transactions, one a CDDTL advance and the other a CFL loan.

13 Leonard Faas’ claim that one of the multiple agreements is for “CFL loans” issued under the
14 fictitious business name, FFI Payday Loans is false for several reasons. First, all the “CFL loans”
15 are in fact CDDTL loans and have the indicia of payday loans: (1) an advance of a sum of money (2)
16 in exchange for deferring (3) for a short period of time (4) until a specific date (5) the depositing of a
17 customer's personal check for (6) that same amount of money (7) plus a fee (8) pursuant to a written
18 agreement.

19 Second, one of the obligations of a licensee is to inform the Department if the licensee is
20 using a name other than its legal name pursuant to section 22155. The Commissioner’s examiners
21 found that Leonard Faas and Respondents regularly advertised and transacted business as “FFI
22 Payday Loans.” (See **Exhibits 4 and 5.**) But at no time has Leonard Faas or FFI Payday Loans ever
23 been licensed to do business in California as a finance lender pursuant to the CFL. The
24 Commissioner never authorized Faas Financial, Inc. to transact CFL business using the name “FFI
25 Payday Loans” or any other fictitious business name. Leonard Faas failed to obtain a CFL license
26 from the Commissioner that would authorize Respondent Faas Financial, Inc. to transact CFL
27 business as “FFI Payday Loans,” as required pursuant to section 22155. Leonard Faas on behalf of
28 Respondent Faas Financial, Inc. never even filed an amendment to its CFL application as required

1 by section 22108 and California Code of Regulations section 1422.

2 Third, the surety bond of Faas Financial Inc.’s CFL licenses does not cover “FFI Payday
3 Loans.” Therefore, Respondent would not have been in compliance with CFL surety requirements.

4 Fourth, the Commissioner informed Respondent Faas Financial Inc. that it could not use the
5 fictitious business name FFI Payday Loans for CFL activities. If these were true CFL loans as
6 Leonard Faas claims then he has engaged in unlicensed CFL activities in violation of section 22100.

7 Assuming arguendo as Leonard Faas and Respondents claim, that the CFL loans of FFI
8 Payday Loans were legally made under a Department CFL license then they would be in violation of
9 section 22311 which prohibits Respondents from requiring a borrower in connection with or
10 incidental to the making of any loan to contract for purchase, or agree to purchase, any other thing in
11 connection with the loan. Moreover, if these were bona fide CFL loans they would be in violation of
12 section 22307, subdivision (b), which states that the payment date shall be due not less than 15 days
13 nor more than one month and 15 days from the date the loan is made. Leonard Faas’ and
14 Respondents’ purported “CFL loan” had a payment date only 14 days after the date of the contract.

15 Regardless of whether Respondents multiple agreements are governed by the CFL or the
16 CDDTL they violate the Financial Code. The advertising of Respondents, including the yellow page
17 ads and information posted on their websites, violate the CDDTL and are misleading. Respondents
18 failed to include the information required by the Financial Code and/or misrepresented the
19 agreements to consumers/borrowers.

20 In view of Leonard Faas’ false applications filed with the Commissioner, the activities of
21 Respondents that violate the CFL and CDDTL and his unlicensed CFL business, the Commissioner
22 proposes to issue the following orders:

23 An order revoking the five (5) CFL licenses of Faas Financial, Inc. (File Nos. 603A562,
24 603A785, 603C636, 603C917 and 603C918) pursuant to section 22714;

25 An order denying the application of Faas Financial, Inc. (File No. 603C916) pursuant to
26 section 22109;

27 An order revoking the five (5) CDDTL licenses of Faas Financial, Inc. (File Nos.100-1935,
28 100-1936, 100-3082, 100-3085, 100-3547) pursuant to section 23052;

1 An order denying the three (3) applications of Faas Financial, Inc. (File Nos. 100-3548,
2 100-3549, 100-3083) for CDDTL licenses pursuant to section 23011;

3 An order revoking the twelve (12) CDDTL licenses of Faas Enterprises, Inc. (File Nos.
4 100-1435, 100-1436, 100-1437, 100-1438, 100-1439, 100-1440, 100-1442, 100-1443, 100-1444,
5 100-1445, 100-1447 and 100-1452) pursuant to section 23052;

6 An order that voids Respondents’ deferred deposit transaction contracts pursuant to section
7 23060 and requires Respondents’ forfeiture of all charges and fees on the multiple agreement
8 transactions pursuant to sections 23061 and 23062; and awards costs pursuant to section 23046.

9 **II**
10 **FINANCE LENDERS LAW AND DEFERRED DEPOSIT TRANSACTION LAW**

11 Faas and Respondents are required to comply with the California Finance Law (“CFL”) and
12 California Deferred Deposit Transaction Law (“CDDTL”). Both the CFL and CDDTL prohibit
13 multiple loans to a borrower or making one transaction contingent upon another. CFL section
14 22311, in relevant part with emphasis added, states:

15 **No person in connection with or incidental to the making of any loan**
16 **regulated by this division may require the borrower to contract for**
17 **purchase, or agree to purchase, any other thing in connection with**
18 **the loan.**

19 CDDTL section 23037, in relevant part with emphasis added, states:

20 In no case shall a licensee do any of the following: . . .

21 **(b) Accept any collateral for a deferred deposit transaction.**

22 **(c) Make any deferred deposit transaction contingent on the purchase**
23 **of insurance or any other goods or services. . . .**

24 **(f) Engage in any unfair, unlawful, or deceptive conduct, or make any**
25 **statement that is likely to mislead in connection with the business of**
26 **deferred deposit transactions. . . .**

27 **(i) Offer, arrange, act as an agent for, or assist a deferred deposit**
28 **originator in any way in the making of a deferred deposit transaction**
unless the deferred deposit originator complies with all applicable
federal and state laws and regulations, including the provisions of this
division.

1 Section 23035 sets forth the requirements of the written agreements for deferred deposit
2 transactions, which in relevant part with emphasis added states:

3 (a) A licensee may defer the deposit of a customer's personal check for up to 31
4 days, pursuant to the provisions of this section. **The face amount of the check**
5 **shall not exceed three hundred dollars (\$300). Each deferred deposit**
6 **transaction shall be made pursuant to a written agreement as described in**
7 **subdivision (e) that has been signed by the customer and by the licensee or**
8 **an authorized representative of the licensee. . . .**

9 (c) Before entering into a deferred deposit transaction, licensees shall distribute
10 to customers a notice that shall include, but not be limited to, the following: . . .

11 **(3) That the customer cannot be prosecuted in a criminal action in**
12 **conjunction with a deferred deposit transaction for a returned check or**
13 **be threatened with prosecution.**

14 **(4) The department's toll-free telephone number for receiving calls**
15 **regarding customer complaints and concerns.**

16 **(5) That the licensee may not accept any collateral in conjunction**
17 **with a deferred deposit transaction.**

18 **(6) That the check is being negotiated as part of a deferred deposit**
19 **transaction made pursuant to Section 23035 of the Financial Code**
20 **and is not subject to the provisions of Section 1719 of the Civil Code.**
21 **No customer may be required to pay treble damages if this check**
22 **does not clear.**

23 (d) The following notices shall be clearly and conspicuously posted in the
24 unobstructed view of the public by all licensees in each location of a business
25 providing deferred deposit transactions in letters not less than one-half inch in
26 height: . . .

27 **(2) The schedule of all charges and fees to be charged on those**
28 **deferred deposit transactions with an example of all charges and**
29 **fees that would be charged on at least a one-hundred-dollar (\$100)**
30 **and a two-hundred-dollar (\$200) deferred deposit transaction,**
31 **payable in 14 days and 30 days, respectively, giving the**
32 **corresponding annual percentage rate. The information may be**
33 **provided in a chart as follows: . . .**

34 (e) An agreement to enter into a deferred deposit transaction shall be in
35 writing and shall be provided by the licensee to the customer. The written
36 agreement shall authorize the licensee to defer deposit of the personal check,
37 shall be signed by the customer, and shall include all of the following: . . .

38 **(2) A clear description of the customer's payment obligations as**
39 **required under the Federal Truth In Lending Act and its**
40 **regulations.**

- 1 **(3) The name, address, and telephone number of the licensee. . . .**
- 2 **(7) An itemization of the amount financed as required under the**
- 3 **Federal Truth In Lending Act and its regulations. . . .**
- 4 **(9) That the customer cannot be prosecuted or threatened with**
- 5 **prosecution to collect.**
- 6 **(10) That the licensee cannot accept collateral in connection with**
- 7 **the transaction.**
- 8 **(11) That the licensee cannot make a deferred deposit transaction**
- 9 **contingent on the purchase of another product or service. . . .**

(h) Under no circumstances shall a deferred deposit transaction agreement include any of the following: . . .

(5) Any unconscionable provision.

Fees a CDDTL licensee may charge are limited by section 23036 that states, in part:

(a) A fee for a deferred deposit transaction shall not exceed 15 percent of the face amount of the check. . . .

(c) A licensee shall not enter into an agreement for a deferred deposit transaction with a customer during the period of time that an earlier written agreement for a deferred deposit transaction for the same customer is in effect. (Emphasis added.) . . .

(f) No amount in excess of the amounts authorized by this section shall be directly or indirectly charged by a licensee pursuant to a deferred deposit transaction. (Emphasis added.)

All CDDTL licensees are required to file a verified annual report with the Commissioner pursuant to section 23026 and California Code of Regulations, title 10, section 2030. Section 22036, in relevant part, states:

On or before March 15 of each year, beginning March 2006, each licensee shall file an annual report with the commissioner pursuant to procedures that the commissioner shall establish. . . For the previous calendar year, these reports shall include the following:

- (a) The total number and dollar amount of deferred deposit transactions made by the licensee.
- (b) The total number of individual customers who entered into deferred deposit transactions.
- (c) The minimum, maximum, and average amount of deferred deposit transactions.

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- (d) The average annual percentage rate of deferred deposits.
- (e) The average number of days of deferred deposit transactions.
- (f) The total number and dollar amount of returned checks.
- (g) The total number and dollar amount of checks recovered.
- (h) The total number and dollar amount of checks charged off.

Both the CFL and CDDTL mandate specific requirements concerning advertising and fees, charges and rates. CFL sections 22161, 22162, and 22163 require the following, respectively:

No person shall advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast in any manner, any statement or representation with regard to the business subject to the provisions of this division, including the rates, terms, or conditions for making or negotiating loans, that is false, misleading, or deceptive, or that omits material information that is necessary to make the statements not false, misleading, or deceptive, or in the case of a licensee, that refers to the supervision of the business by the state or any department or official of the state.

No licensee shall place an advertisement disseminated primarily in this state for a loan unless the licensee discloses in the printed text of the advertisement, or in the oral text in the case of a radio or television advertisement, **the license under which the loan would be made or arranged.** (Emphasis added.)

The commissioner may require that rates of charge, if stated by a licensee, be **stated fully and clearly in the manner that the commissioner deems necessary to prevent misunderstanding by prospective borrowers.** (Emphasis added.)

Similarly CDDTL section 23027 prohibits a licensee from engaging in advertising that is false, misleading or deceptive and in relevant part, with emphasis added, states:

(a) No licensee shall advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed or broadcast, in any manner, any statement or representation with regard to the business subject to the provisions of this division, including the rates, terms, or conditions for making or negotiating deferred deposit transactions, that is **false, misleading, or deceptive, or that omits material information that is necessary to make the statements not false, misleading, or deceptive.**

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(b) No licensee shall place an advertisement disseminated primarily in this state for a deferred deposit transaction unless the licensee discloses in the printed text of the advertisement, or the oral text in the case of a radio or television advertisement, that the **licensee is licensed by the department pursuant to this division.**

(c) The commissioner may require that **rates of charges or fees, if stated by the licensee, be stated fully and clearly** in the manner that the commissioner deems necessary to give adequate information to, or to prevent misunderstanding by, prospective customers.

CFL section 22100 sets forth the absolute requirement for a license and unequivocally states:

No person shall engage in the business of a finance lender or broker without obtaining a license from the commissioner.

CFL section 22154, subdivision (a), states:

No licensee shall conduct the business of making loans under this division within any office, room, or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, except as is authorized in writing by the commissioner upon the commissioner's finding that the character of the other business is such that the granting of the authority would not facilitate evasions of this division or of the rules and regulations made pursuant to this division. An authorization once granted remains in effect until revoked by the commissioner.

CFL section 22327 prohibits the splitting of loans or inducing a borrower to be obligated under more than one contract of loan at the same time with the result of obtaining a higher rate of charge. Section 22327, in relevant part, states:

No licensee shall knowingly induce any borrower to split up or divide any loan with any other licensee. No licensee shall induce or permit any borrower to be or to become obligated directly or indirectly, or both, under more than one contract of loan at the same time with the same licensee for the purpose or with the result of obtaining a higher rate of charge than would otherwise be permitted by this article . . .”

The CFL limits the amount of administrative fees that may be charged to borrowers. Section 22305, with emphasis added, states:

In addition to the charges authorized by Section 22303 or 22304, a licensee may contract for and receive an administrative fee, which shall be

1 fully earned immediately upon making the loan, with respect to a loan of a
2 bona fide principal amount of not more than two thousand five hundred
3 dollars (\$2,500) **at a rate not in excess of 5 percent of the principal**
4 **amount (exclusive of the administrative fee) or fifty dollars (\$50),**
5 **whichever is less,** and with respect to a loan of a bona fide principal
6 amount in excess of two thousand five hundred dollars (\$2,500), at an
7 amount not to exceed seventy-five dollars (\$75). **No administrative fee**
8 **may be contracted for or received in connection with the refinancing**
9 **of a loan unless at least one year has elapsed since the receipt of a**
10 **previous administrative fee paid by the borrower.** Only one
11 administrative fee may be contracted for or received until the loan has
12 been repaid in full. For purposes of this section, "bona fide principal
13 amount" shall be determined in accordance with Section 22251.

14 The CFL limits when a lender can require a borrower to repay the loan in Section 22307,
15 which in relevant part and with emphasis added, states:

16 (b) The loan contract shall provide for **payment of the aggregate**
17 **amount contracted to be paid in substantially equal periodical**
18 **installments, the first of which shall be due not less than 15 days nor**
19 **more than one month and 15 days from the date the loan is made.**

20 III 21 RESPONDENTS' VIOLATIONS

22 The Commissioner's examiners commenced a regulatory examination of the Respondent's
23 books and records at Respondents' businesses. The regulatory examination disclosed that
24 Respondents had failed to comply with numerous legal requirements imposed on all CFL and
25 CDDTL licensees. Specific violations include, but are not limited to, the following:

- 26 1. Respondent Faas Financial, Inc. and Faas Enterprises, Inc. filed false
27 applications and annual reports with the Commissioner by excluding
28 inter alia information about the multiple agreements with borrowers in
violation of sections 23005, 23010 and 23026 and California Code of
Regulations sections 2020, 2030 and 1422;
2. Respondent Faas Financial, Inc.'s multiple agreements exceeded \$300
in violation of sections 23035 and 23037;
3. Respondent Faas Financial, Inc.'s arrangement for multiple
agreements to customers were in violation of sections 23036 and
23037;

- 1 4. Respondents engaged in unfair, unlawful or deceptive conduct, and
2 arranged for deferred deposit transaction without complying with
3 federal and state laws and regulations in violation of section 23037;
- 4 5. The advertising of Respondents Leonard Faas, Faas Financial, Inc.,
5 Faas Enterprises, Inc. and their fictitious business names was false and
6 deceptive in violation of sections 22161, 22162, 22163 and 23027;
- 7 6. Respondent Faas Financial, Inc.’s CFL activities were conducted
8 within the same place of business as Faas Financial, Inc.’s CDDTL
9 activities without written authorization from the Commissioner in
10 violation of section 22154;
- 11 7. Respondent Faas Financial, Inc., induced borrowers to split up or
12 divide their loans between Faas Financial, Inc. as a CDDTL
13 transaction and Faas Financial, Inc. as a purported “CFL loan” in
14 violation of section 22327;
- 15 8. Assuming the purported “CFL loan” to be bona fide then Respondent
16 Faas Financial, Inc, received a CFL administrative fee more than once
17 a year in violation of section 22305;
- 18 9. Assuming the purported “CFL loan” to be bona fide then Respondent
19 Faas Financial, Inc.’s CFL loan contracts provided for planned
20 payment dates that were 14 days or less in violation of section 22307;
- 21 10. Assuming the purported “CFL loan” to be bona fide then Respondent
22 Faas Financial, Inc. required borrowers to purchase payday loans in
23 connection with their CFL loans in violation of section 22311;
- 24 11. Assuming the purported “CFL loan” to be bona fide then Leonard
25 Faas and Faas Financial Inc. engaged in unlicensed CFL activities by
26 operating as FFI Paydays Loans in violation of section 22100; and
- 27 12. Leonard Faas and Faas Enterprises, Inc. doing business as FFI Payday
28 Loans and/or as FFIPaydayLoans.com engaged in unlicensed activities
in violation of section 23050 and in other CDDTL violations.

In June 2007 the Commissioner commenced a further examination of Respondents. The examination and investigation reveals the same or similar violations of the CDDTL and CFL as those found in 2006.

Additionally, the most recent examination and investigation indicates unlicensed activities, false advertising and other CDDTL violations. Respondents, specifically FFI Pay Loans advertise

1 and offer payday loans at locations that have never been licensed by the Commissioner and
2 advertise that Respondent Faas Financial, Inc. “dba FFI Payday Loans is licensed by the
3 Department of Corporations . . . pursuant to the CFL”, which it has never been.

4 Leonard Faas and/or Faas Enterprises, Inc.; Faas Enterprises, Inc. doing business as Cash
5 4 Checks; also doing business as Check Cashing Center, also doing business as FFI Payday Loans
6 also doing business as FFI Payday Loans.com have failed to comply with various disclosure
7 requirements to consumers even though Respondents were advised by the Commissioner’s
8 examiners of the CDDTL and CFL requirements.

9 Without question after December 11, 2006, until at least January 22, 2007 Respondents
10 continually and willfully engaged in multiple agreements that aggregate almost \$1.2 million.
11 These multiple agreements were in willful violation of the California Financial Code.
12 Respondents were aware that their businesses operations were not in compliance with CFL and
13 CDDTL legal requirements and received notice from the Commissioner’s examiners about their
14 violations advising them to stop them in December 2006, but they failed to do so. After the
15 Commissioner’s representatives informed Respondents that refunds were to be made to
16 consumers-borrowers they refused to do so. Thus, Respondents owned and controlled by
17 Leonard Faas failed to comply with the Commissioner’s demand to make restitution to
18 consumers/borrowers who were overcharged despite their financial ability to do so.

19 Respondents’ course of business constitutes a scheme to evade the requirements of the
20 CDDTL. Leonard Faas and his companies are incapable of operating businesses in compliance
21 with the CFL and CDDTL as demonstrated by their pattern of violations and refusal to comply with
22 the Commissioner’s requirements. The Commissioner would never have licensed Respondents had
23 he been aware of their operations that violate multiple provisions of the CFL and CDDTL.

24 IV

25 COMMISSISONER’S AUTHORITY TO REVOKE RESPONDENTS’ LICENSES

26 Both the CFL and CDDTL have provision for revocation of a license after its issuance.
27 CFL section 22714 states, in relevant part:
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1 (a) The commissioner shall suspend or revoke any license, upon notice and
2 reasonable opportunity to be heard, if the commissioner finds any of the
following:

3 (1) The licensee has failed to comply with any demand, ruling, or
4 requirement of the commissioner made pursuant to and within the
authority of this division.

5 (2) The licensee has violated any provision of this division or any rule or
6 regulation made by the commissioner under and within the authority of
this division.

7 (3) A fact or condition exists that, if it had existed at the time of the
8 original application for the license, reasonably would have warranted the
commissioner in refusing to issue the license originally.

9
10 CDDTL section 23052 states:

11 The commissioner may suspend or revoke any license, upon notice and
12 reasonable opportunity to be heard, if the commissioner finds any of the
following:

13 (a) The licensee has failed to comply with any demand, ruling, or
14 requirement of the commissioner made pursuant to and within the
authority of this division.

15 (b) The licensee has violated any provision of this division or any
16 rule or regulation made by the commissioner under and within
17 the authority of this division.

18 (c) A fact or condition exists that, if it had existed at the time of
19 the original application for the license, reasonably would have
20 warranted the commissioner in refusing to issue the license
originally.

21 Leonard Faas owns, controls and directs Faas Financial, Inc.; Faas Financial, Inc. doing
22 business as FFI Payday Loans; Faas Enterprises, Inc.; Faas Enterprises, Inc. doing business as Cash
23 4 Checks; Faas Enterprises, Inc. doing business as the Check Cashing Center; Faas Enterprises, Inc.
24 doing business as FFI Payday Loans, and Faas Enterprises, Inc. doing business as FFI Payday
25 Loans.com. There is such a unity of interest, ownership, dominion and control of Respondents by
26 Leonard Faas and the Faas family that the corporate form should be disregarded. Respondents and
27 Leonard Faas as the alter ego of Respondents Faas Financial, Inc.; Faas Financial, Inc., doing
28 business as FFI Payday Loans; Faas Enterprises, Inc.; Faas Enterprises, Inc. doing business as Cash

1 4 Checks; Faas Enterprises, Inc. doing business as the Check Cashing Center; Faas Enterprises, Inc.
2 doing business as FFI Payday Loans, and Faas Enterprises, Inc. doing business as FFI Payday
3 Loans.com violated numerous provisions of the CFL and CDDTL rules and regulations thereunder.
4 If the Commissioner had known Respondents and Leonard Faas and his alter egos companies were
5 going to engage in a scheme involving multiple violations in an attempt to evade the legal
6 requirements and facilitate fraudulent conduct, the Commissioner would have refused to issue
7 Leonard Faas and his companies any license. In view of the nature and duration of violations by
8 Leonard Faas and his companies, it is in the best interests of the public to revoke Respondents' CFL
9 and CDDTL licenses.

10 **V**
11 **COMMISSISONER'S AUTHORITY TO DENY RESPONDENTS' LICENSE**
12 **APPLICATIONS**

13 Section 22109 sets forth grounds for denial of a CFL license application, stating in part:

14 (a) Upon reasonable notice and opportunity to be heard, the commissioner
15 may deny the application for any of the following reasons:

16 (1) A false statement of a material fact has been made in the application.

17 (2) An officer, director, general partner, person responsible for the
18 applicant's lending activities in this state, or person owning or controlling,
19 directly or indirectly, 10 percent or more of the outstanding interests or
20 equity securities of the applicant has, within the last 10 years, been
21 convicted of or pleaded nolo contendere to a crime, or committed an act
22 involving dishonesty, fraud, or deceit, if the crime or act is substantially
23 related to the qualifications, functions, or duties of a person engaged in
24 business in accordance with this division.

25 (3) The applicant or an officer, director, general partner, person
26 responsible for the applicant's lending activities in this state, or person
27 owning or controlling, directly or indirectly, 10 percent or more of the
28 outstanding interests or equity securities of the applicant has violated any
provision of this division or the rules thereunder or any similar regulatory
scheme of the State of California or a foreign jurisdiction.

Section 23011 states the grounds for denial of a CDDTL license application, in part, stating:

(a) Upon reasonable notice and the opportunity to be heard, the
commissioner may deny the application for any of the following reasons:

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(1) Any false statement of material fact has been made in the application.

(2) Any officer, director, general partner, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has, within the last 10 years (A) been convicted of or pleaded nolo contendere to a crime, or (B) committed any act involving dishonesty, fraud, or deceit, if the crime or act is substantially related to the qualifications, functions, or duties of a person engaged in business in accordance with this division.

(3) The applicant or any officer, director, or general partner, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

Engaging in CFL and CDDTL violations are grounds under California Financial Code section 22109 and 23011 to deny the license applications that Respondents previously filed with the Commissioner under the CFL and CDDTL.

**VI
COMMISSISONER’S AUTHORITY TO VOID RESPONDENT’S DEFERRED
DEPOSIT TRANSACTION CONTRACTS**

Section 23060 provides for the voiding of deferred deposit transaction contracts and states:

(a) If any amount other than, or in excess of, the charges or fees permitted by this division is willfully charged, contracted for, or received, a deferred deposit transaction contract shall be void, and no person shall have any right to collect or receive the principal amount provided in the deferred deposit transaction, any charges, or fees in connection with the transaction.

(b) If any provision of this division is willfully violated in the making or collection of a deferred deposit transaction, the deferred deposit transaction contract shall be void, and no person shall have any right to collect or receive any amount provided in the deferred deposit transaction, any charges, or fees in connection with the transaction.

**VII
COMMISSISONER’S AUTHORITY TO REQUIRE FORFEITURE OF ALL CHARGES
AND FEES ON THE DEFERRED DEPOSIT TRANSACTIONS**

Section 23061 provides for forfeiture of any amount received in connection with a deferred deposit transaction other than amounts permitted by this division. Section 23061, in part, states:

1 (a) If any amount other than, or in excess of, the charges permitted by this
2 division is charged, contracted for, or received in connection with a
3 deferred deposit transaction, for any reason other than a willful act of the
4 licensee, the licensee shall forfeit all charges and fees on the deferred
5 deposit transaction and may collect or receive only the principal amount of
6 the transaction.

7 Section 23062 similarly provides for forfeiture when any provision of the CDDTL is
8 violated in the making or collection of a deferred deposit transaction. Section 23062, in part, states:

9 (a) If any provision of this division is violated in the making or collection
10 of a deferred deposit transaction, for any reason other than a willful act of
11 the licensee, the licensee shall forfeit all charges and fees on the deferred
12 deposit and may collect or receive only the principal amount.

13 CONCLUSION

14 Complainant finds, by reason of the foregoing, that:

15 Respondents have committed various violations of the CFL and CDDTL, including sections
16 23026, 23027, 23035, 23036, 23037, 23005, 22161, 22162, 22163, or alternatively sections 22100,
17 22154, 22327, 22305, 22307, 22311 as well as sections 1422, 2020 and 2030 of title 10 of the
18 California Code of Regulations.

19 Respondents are incapable of operating in compliance with the CFL and CDDTL as
20 demonstrated by their numerous violations. It is in the best interests of the public to revoke
21 Respondents' CFL and CDDTL licenses, deny Respondents' applications for CFL and CDDTL
22 licenses, void Respondents' contracts and require the return of all sums to consumers for their
23 violations.

24 **WHEREFORE IT IS PRAYED** that:

- 25 a. The five (5) CFL licenses of Faas Financial, Inc. (File Nos. 603A562,
26 603A785, 603C636, 603C917 and 603C918) be revoked pursuant to
27 section 22714;
- 28 b. The application from Faas Financial, Inc. (File No. 603C916) for a
CFL license be denied pursuant to section 22109;

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- c. The five (5) deferred deposit transaction licenses of Respondent Faas Financial, Inc. doing business as FFI Payday Loans (File Nos. 100-1935, 100-1936, 100-3082, 100-3085, 100-3547) be revoked pursuant to Financial Code section 23052;
- d. The three (3) applications for CDDTL licenses from Faas Financial, Inc. doing business as FFI Payday Loans (File Nos. 100-3548, 100-3549, 100-3083) for CDDTL licenses be denied pursuant to section 23011;
- e. The twelve (12) CDDTL licenses of Faas Enterprises, Inc. (File Nos. 100-1435, 100-1436, 100-1437, 100-1438, 100-1439, 100-1440, 100-1442, 100-1443, 100-1444, 100-1445, 100-1447 and 100-1452) be revoked pursuant to section 23052;
- f. An Order issue that voids the deferred deposit transactions of Respondent Faas Financial Inc., and Faas Financial, Inc., doing business as FFI Payday Loans, and prohibits Respondents’ right to collect or receive the principal amounts provided in the deferred deposit transactions, and any charges or fees in connection with transactions pursuant to Financial Code section 23060;
- g. An Order issue pursuant to Financial Code sections 23061 and 23062 that requires Respondents Faas Financial, Inc., and Faas Financial, Inc., doing business as FFI Payday Loans, to forfeit all charges, fees and other amounts received by Respondent on all the deferred deposit transactions; and,
- h. An Order awarding examinations costs to the Commissioner pursuant to section 23046.

Dated: June 22, 2007
San Francisco, California

Respectfully submitted,

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Joan E. Kerst
Senior Corporations Counsel
Attorney for Complainant