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7	Attorneys for Complainant		
8	BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT		
9	OF THE STATE OF CALIFORNIA		
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11	In the Matter of:)	
12	THE COMMISSIONER OF BUSINESS) ACCUSATION IN SUPPORT OF NOTICE OF	
13	OVERSIGHT,) INTENT TO BAR DAVID LEE HARDIN, JR.) FROM EMPLOYMENT, MANAGEMENT, OR	
14	Complainant,) CONTROL OF ANY FINANCE LENDER,) BROKER, MORTGAGE LOAN	
15	v.	ORIGINATOR, OR PROGRAM	
16	DAVID LEE HARDIN, JR.,) ADMINISTRATOR PURSUANT TO) FINANCIAL CODE SECTION 22169	
17	Respondent.)	
18)	
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22	The Commissioner of Business Oversight (Commissioner) is informed and believes, and		
23	based upon such information and belief, alleges and charges as follows:		
25		I.	
26	<u>introduction</u>		
27		o administer and enforce the provisions of the	
28	California Financing Law (Fin. Code, § 22000 et	seq.) (CFL) and the rules and regulations	
20	promulgated thereunder.		
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ACCUSATION

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agreement:

1 GF Capital, which does business in California as GF Capital Group, (GF Capital) is 2 a Nevada Corporation with a principal place of business at 2922 Daimler Street, Santa Ana, California 92705. GF Capital is a finance lender licensed by the Commissioner, CFL License 3 4 number 60DBO-58214. 5 3. David Lee Hardin, Jr. (Hardin) is employed by GF Capital. Hardin was convicted of mail fraud, a felony, on July 3, 2013. Hardin was sentenced to 41 months in prison and ordered to 6 7 pay \$1,504,700.30 in restitution. 8 Under the provisions of Financial Code section 22169, the Commissioner brings this 4 9 action to bar Hardin from any position of employment, management, or control of any finance lender, broker, mortgage loan originator, or program administrator because Hardin was convicted of 10 11 a crime involving dishonesty, fraud, or deceit. 12 II. 13 **Statement of Facts** 14 A. Hardin's Mail Fraud Conviction On February 21, 2013, the United States Attorney filed an information against 15 5. 16 Hardin, alleging mail fraud in the matter titled *United States of America v. David Lee Hardin, Jr.*, 17 Case No. 8:13-cr-00019-JVS (Central District of California, Southern Division). 18 6. On March 6, 2013, a plea agreement was entered. Hardin admitted that he was 19 guilty of mail fraud, 18 U.S.C. § 1341, and agreed with the following facts as stated in the plea

From at least on or about April 27, 2007 to at least in or about December 2012 . . . defendant owned a majority interest in, and operated, HRE Mortgage, Inc., doing business as Covenant Mortgage, Covenant Debt Solutions, Inc., and Covenant Marketing Group, Inc. (collectively the "Business Entities"). The Business Entities provided mortgage and debt settlement services. From as least April 2007 through at least July 2010, defendant solicited investments in a note pool, a marketing pool, and the debt settlement business from various persons The investments were structured as loans to the Business Entities.

Defendant told investors that the loan proceeds would be used for specific purposes relating to the Business Entities. In particular, defendant told investors that the funds would be used to finance a home building project, to originate mortgages and to fund the debt settlement business, which would generate profits

through the sale of the homes, the origination of mortgages and the fees from the debt settlement services. Defendant did not tell investors that their funds would be used for the Business Entities' operational costs or defendant's personal expenses.

In fact, a large percentage of the investors' funds were used for purposes other than those defendant had represented to the investors. A substantial portion of

In fact, a large percentage of the investors' funds were used for purposes other than those defendant had represented to the investors. A substantial portion of the investors' funds was used to fund the Business Entities' operational costs, including salaries of employees, advertising, and repayment of principal and/or interest on loans from earlier investors, who were falsely told that the payments came from the business entities profits. Some of the investors' funds were used for defendant's personal expenses, including rent and car payments. Defendant did not disclose to investors that their funds were being used in this manner, nor that the Business Entities were losing money in their business activities. Instead, investors received statements in the mail indicating that their investments were making a profit.

In total, defendant raised more than \$2,990,283 in loans from investors to the Business Entities. Of that amount, investors lost more than \$1.2 million.

On or about the following date, defendant, for the purpose of executing and attempting to execute the above-described scheme to defraud, willfully caused the transmission, and aided and abetted the transmission, of the following items, among others, by means of the U.S. mails in interstate and foreign commerce: May 14, 2008 mailing of a \$25,000 check from R.H. to one of the Business Entities.

7. According to the plea agreement, Hardin understood that the mail fraud conviction could result in collateral consequences, including revocation of a professional license.

B. Hardin's Sentencing

- 8. On July 1, 2013, the Court imposed the following sentence enhancements: a 16-level enhancement based on the amount of loss (\$1.6 million), and a 2-level enhancement based on the number of victims (in excess of 10-49). Hardin was entitled to a 3-level reduction for accepting responsibility for his actions.
- 9. On July 3, 2013, the court entered a judgment and commitment order. The court adjudged Hardin guilty of mail fraud, ordered him to spend 41 months in prison, and to pay \$1,504,700.30 in restitution.

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III.

Law

- 10. Financial Code section 22169 provides in pertinent part:
 - (a) The commissioner may, after appropriate notice and opportunity for hearing, by order . . . bar a person, including a mortgage loan originator, from any position of employment with, or management or control of, any finance lender, broker, program administrator, or any other person, if the commissioner finds either of the following:

* * * *

(2) That the person has been convicted of or pleaded nolo contendere to any crime, or has been held liable in any civil action by final judgment, or any administrative judgment by any public agency, if that crime or civil or administrative judgment involved any offense involving dishonesty, fraud, or deceit, or any other offense reasonably related to the qualifications, functions, or duties of a person engaged in the business in accordance with the provisions of this division.

IV.

Conclusion

11. The Commissioner finds that, by reason of the foregoing, Hardin has been convicted of a crime involving dishonesty, fraud, or deceit, and based thereon grounds exist to bar Hardin from any position of employment, management, or control of any finance lender, broker, mortgage loan originator, or program administrator.

WHEREFORE IT IS PRAYED that pursuant to Financial Code section 22169, subdivision (a)(2), David Lee Hardin, Jr. be barred from any position of employment, management, or control of any finance lender, broker, mortgage loan originator, or program administrator.

Dated: January 16, 2019 Los Angeles, CA

JAN LYNN OWEN Commissioner of Business Oversight

Danielle A. Stoumbos
Senior Counsel

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