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11 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
12 OF THE STATE OF CALIFORNIA

13 In the Matter of:	)	OAH CASE NO.: 2022020415
)	
14 THE COMMISSIONER OF FINANCIAL	)	NMLS LICENSE NO.: 278683
15 PROTECTION AND INNOVATION,	)	FIRST AMENDED ACCUSATION
)	
16 Complainant,	)	Hearing Dates: June 8 – 9, 2022
	)	Hearing Time: 9:00 a.m.
17 v.	)	Location: 320 West 4th Street, Suite 630
	)	Los Angeles, CA 90013
18 JOHN A. KROCHMAN,	)	Call-In No.: (916) 245-8850
	)	Conf. ID: 533 522 595 #
19 Respondent.	)	Judge: Unassigned
)	
)	
)	

23 Clothilde V. Hewlett, the Commissioner of Financial Protection and Innovation
24 (Commissioner), is informed and believes, and based on such information and belief, alleges and
25 charges Respondent John A. Krochman (Krochman) as follows.

26 **I.**

27 **Jurisdiction**

28 1. The Commissioner has jurisdiction over the licensing and regulation of persons

1 engaged in the business of making, servicing, or brokering residential mortgage loans, including
2 mortgage loan originators (hereinafter, MLO or MLOs), under the California Financing Law (CFL)
3 (Fin. Code, § 22000 et seq.) and the California Residential Mortgage Lending Act (CRMLA) (Fin.
4 Code, § 50000 et seq.). The Commissioner is authorized to administer the CFL, CRMLA, and the
5 rules and regulations promulgated in title 10 of the California Code of Regulations (CCR). The
6 Commissioner has continuous authority to exercise the powers authorized by the CFL and CRMLA
7 even after a license has been surrendered, suspended, or revoked.

8 2. Krochman first received his MLO license from the Commissioner on June 30, 2015.

9 3. The original Accusation seeking revocation of Krochman’s license was issued on
10 December 20, 2021, and served upon Krochman on December 29, 2021, throughout which time
11 Krochman maintained an approved-inactive MLO license.

12 4. Krochman allowed his MLO license to lapse on January 1, 2022, after the
13 Commissioner had issued her accusation.

14 5. Under the provisions of Financial Code sections 22109.1, 22169, 22172, 22704,
15 22705, 22714, and 22755 of the CFL, the Commissioner brings this action to revoke Krochman’s
16 MLO license or, in the alternative, bar Krochman from holding an MLO license, because Krochman
17 violated the Nationwide Mortgage Licensing System and Registry (NMLS) student Rules of Conduct
18 (ROC) by using the services of Danny Yen, d/b/a Real Estate Educational Services (REES) to
19 complete his NMLS-approved online pre-licensure (PE) and/or continuing education (CE) courses,
20 which in turn constitutes a violation of the licensing requirements of the Department of Financial
21 Protection and Innovation under the CFL.

22 6. Specifically, Krochman used and compensated REES to obtain credit through both an
23 online fraud scheme and an in-person fraud scheme. In the online fraud scheme, Krochman had
24 REES complete two online courses on his behalf in 2019 and 2020. The courses for which Krochman
25 received credit were completed by REES through an IP address associated with REES. Additionally,
26 under the in-person fraud scheme, Krochman paid REES to annually report completion of an in-
27 person course for three years from 2018 to 2020. REES did not teach the in-person course and
28 Krochman never attended the in-person course nor completed the required test or course work to

1 receive course credit.

2 **II.**

3 **Statement of Facts**

4 *NMLS Pre-Licensing and Continuing Education*

5 7. The State Regulatory Registry LLC (SRR), which owns and operates the NMLS,
6 administers PE and CE and Uniform State Test protocols. Title V of Public Law 110-289, the Secure
7 and Fair Enforcement for Mortgage Licensing Act of 2008 (the SAFE Act), requires that state-
8 licensed MLOs complete PE prior to initial licensure and annual CE thereafter. (See Fin. Code, §§
9 22109.2 and 22109.5.)

10 8. In order to meet PE requirements contemplated under the SAFE Act, state-licensed
11 MLOs must complete 20 hours of NMLS–approved education. (Fin. Code, § 22109.2.)

12 9. In order to meet CE requirements contemplated under the SAFE Act, state-licensed
13 MLOs must complete eight hours of NMLS–approved education on an annual basis. (Fin. Code, §
14 22109.5.)

15 *REES*

16 10. REES, NMLS course provider number 1405046, was an NMLS–approved course
17 provider during the years 2017 to 2020.

18 11. The NMLS had approved REES to offer one in-person 8-hour “DBO-SAFE Act
19 Comprehensive: Mortgage Continuing Education” course.

20 12. REES was never approved by the NMLS to offer PE or CE online to MLOs.

21 13. During all times relevant herein, REES had its primary place of business located at
22 3643 Adams Street, Carlsbad, California.

23 14. During all times relevant herein, REES, by and through Danny Yen, maintained with
24 his Internet Service Provider an IP address at 76.88.84.139 (the IP Address). The IP Address assigned
25 to Danny Yen is associated with REES’ business address, 3643 Adams Street, Carlsbad, California.

26 *REES Investigation*

27 15. The Mortgage Testing and Education Board (MTEB), which was created by SRR, has
28 approved “Administrative Action Procedures for S.A.F.E. Testing and Education Requirements”

1 (AAP), which extends administrative authority to the MTEB to investigate alleged violations of the
2 NMLS student Rules of Conduct (ROC).

3 16. The AAP also extends administrative authority to the MTEB and SRR to investigate
4 alleged violations of the NMLS Standards of Conduct (SOC), which apply to all NMLS–Approved
5 course providers.

6 17. In late 2020, SRR obtained information concerning suspicious activity and that that
7 information identified a possible MLO education cheating scheme coordinated by and implemented
8 through REES and its owners and operators, including Danny Yen. Based on that information, and
9 pursuant to the AAP, SRR initiated an investigation into the matter.

10 *Findings of SRR and Department of Financial Protection & Innovation Investigation*

11 18. On or about December 15, 2020, SRR staff received a “suspicious relations” report
12 involving suspected individuals completing online NMLS–approved education courses on behalf of
13 another.

14 19. Subsequent SRR research found at least 113 education students associated with taking
15 online PE and/or CE courses from the IP Address in Carlsbad, California (the SRR report).

16 20. Krochman was identified in the SRR report as one of the 113 students that had
17 completed PE and/or CE from the IP Address in Carlsbad, California and who received NMLS
18 course credit under the online fraud scheme.

19 21. The Commissioner has determined that the IP Address in question belonged to Danny
20 Yen, REES’ owner and operator.

21 22. Krochman neither resides nor works at 3643 Adams Street, Carlsbad, California, the
22 physical address associated with the IP Address identified by the Commissioner as belonging to
23 REES.

24 23. Based upon the results of the SRR report and the IP Address information, it was
25 determined that Krochman had used the services of REES and compensated REES to complete two
26 classes during 2019 and 2020 in violation of the ROC.

27 24. Additional investigation revealed evidence that REES fraudulently provided course
28 credit to MLOs who had never attended and completed REES’ 8-hour in-person CE course in

1 Westminster, California in an in-person fraud scheme.

2 25. Krochman was identified in NMLS records as receiving course credit for REES' 8-
3 hour in-person CE course in 2018, 2019, and 2020. It was determined that none of these courses ever
4 took place and Krochman never attended an in-person course corresponding to the course credits.
5 Consequently, Krochman never took a knowledge examination required for course credit. It was
6 determined that Krochman had used REES to obtain three years of course credits from 2018 to 2020
7 in violation of the ROC under the in-person fraud scheme.

8 26. The ROC provide in relevant part:

9 ROC 3: I understand that the SAFE Act and state laws require me to
10 spend a specific amount of time in specific subject areas. Accordingly,
11 I will not attempt to circumvent the requirements of any NMLS
approved course.

12 ROC 4: I will not divulge my login ID or password or other login
13 credential(s) to another individual for any online course.

14 ROC 5: I will not seek or attempt to seek outside assistance to complete
15 the course.

16 ROC 9: I will not engage in any conduct that is dishonest, fraudulent,
17 or would adversely impact the integrity of the course(s) I am
18 completing and the conditions for which I am seeking licensure or
renewal of licensure.

19 27. By using the services of another to complete his PE and/or CE and paying for
20 fraudulent course credits through a non-existent course, Krochman violated ROC 3, 4, 5, and 9, and
21 engaged in conduct that was dishonest, fraudulent, and that adversely impacted the integrity of the
22 courses Krochman completed and the conditions and qualifications for which Krochman sought
23 licensure or renewal of licensure.

24 **III.**

25 **Violations of the CFL**

26 28. The Commissioner may revoke an MLO license if a licensee violates any provision of
27 the CFL, or any rules or regulations adopted thereunder. (Fin. Code, § 22172, subd. (a)(1).)
28

1 29. As described in paragraphs 10 through 23, above, Krochman used another to complete
2 his PE and/or CE in violation of the ROC under the online fraud scheme. As described in paragraphs
3 24 through 25, Krochman used REES to obtain three years of course credits from 2018 to 2020 under
4 the in-person fraud scheme. In using another to complete his required education and in falsely
5 obtaining course credits through an in-person course that he never attended, Krochman violated
6 Financial Code section 22755, subdivisions (b), (g), (h), and (j), which provide in pertinent part:

7 It is a violation of this division for a mortgage loan originator to do any
8 of the following:

9 . . .
10 (b) Engage in any unfair or deceptive practice toward any person.
11 . . .

12 (g) Fail to make disclosures as required by this division and any other
13 applicable state or federal law, including regulations thereunder.

14 (h) Fail to comply with this division or rules or regulations
15 promulgated under this division, or fail to comply with any other state
16 or federal law, including the rules and regulations thereunder,
17 applicable to any business authorized or conducted under this division.
18 . . .

19 (j) Negligently make any false statement or knowingly and willfully
20 make any omission of material fact in connection with any information
21 or reports filed with a governmental agency or the [NMLS] or in
22 connection with any investigation conducted by the commissioner or
23 another governmental agency.

24 30. Thus, Krochman violated provisions of the CFL, and under Financial Code section
25 22172, subdivision (a)(1), Krochman’s MLO license must be revoked.

26 **IV.**

27 **Financial Responsibility, Character, and General Fitness**

28 31. The Commissioner must deny an MLO license if the licensee fails to meet the
minimum criteria for licensure, which includes a requirement that the applicant “has demonstrated

1 such financial responsibility, character and general fitness as to command the confidence of the
2 community and to warrant a determination that the [MLO] will operate honestly, fairly, and
3 efficiently within the purposes of this division.” (Fin. Code, § 22109.1, subd. (a)(3).)

4 32. As described in paragraphs 10 through 23, above, Krochman violated ROC 3, 4, 5, and
5 9 by using the services of another, REES, to complete his PE and/or CE during 2019 and 2020.

6 33. In violating the ROC by using the services of another to complete his PE and/or CE,
7 Krochman does not meet the minimum criteria for licensure under the CFL and his license must be
8 revoked.

9 34. As described in paragraphs 24 through 25, above, Krochman violated ROC 3, 4, 5, and
10 9 by using REES to falsely obtain course credits through an in-person course that he never attended
11 for the years 2018, 2019, and 2020.

12 35. In violating the ROC by using REES to falsely obtain course credits through an in-
13 person course that he never attended for the years 2018, 2019, and 2020, Krochman does not meet the
14 minimum criteria for licensure under the CFL and his license must be revoked.

15 **V.**

16 **Applicable Statutes**

17 36. Financial Code section 22109.1 provides in pertinent part:

18 (a) The commissioner shall deny an application for a mortgage loan
19 originator license unless the commissioner makes, at a minimum, the
20 following findings:

21
22 (3) The applicant has demonstrated such financial responsibility,
23 character, and general fitness as to command the confidence of the
24 community and to warrant a determination that the [MLO] will operate
25 honestly, fairly, and efficiently within the purposes of this division.

26 37. Financial Code section 22169 provides in pertinent part:

27 (a) The commissioner may, after appropriate notice and opportunity for
28 hearing, by order . . . bar . . . [an MLO] 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 . . . the following:

1 (1) That the . . . bar is in the public interest and that the person has
2 committed or caused a violation of this division or rule or order of the
3 commissioner, which violation was either known or should have been
4 known by the person committing or causing it or has caused material
5 damage to the finance lender, broker, program administrator, or
6 mortgage loan originator, or to the public[.]

7 38. Financial Code section 22172 provides in pertinent part:

8 (a) The commissioner may do one or more of the following:

9 (1) Deny, suspend, revoke, condition, or decline to renew a mortgage
10 loan originator license for a violation of this division, or any rules or
11 regulations adopted thereunder.

12 (2) Deny, suspend, revoke, condition, or decline to renew a [MLO]
13 license if an applicant or licensee fails at any time to meet the
14 requirements of Section 22109.1 or 22109.4, or withholds information
15 or makes a material misstatement in an application for a license or
16 license renewal.

17 **VI.**

18 **Prayer**

19 For the reasons set forth above, the Commissioner finds that Krochman participated in an
20 education fraud scheme by using REES to complete his PE and/or CE coursework under both the
21 online fraud scheme and the in-person fraud scheme in violation of the ROC and Financial Code
22 section 22755, subdivisions (b), (g), (h), and (j). Furthermore, Krochman has not demonstrated the
23 financial responsibility, character, and general fitness required under Financial Code section 22109.1,
24 subdivision (a)(3) of the CFL to continue to hold an MLO license.

25 Accordingly, the Commissioner has grounds to revoke Krochman's MLO license under
26 Financial Code section 22172, subdivisions (a)(1) and (a)(2).

27 In the alternative, it is in the public interest and the Commissioner has grounds to bar
28 Krochman from any position of employment with, or management or control of, any finance lender,
broker, program administrator, or any other person, as an MLO under Financial Code section 22169,
subdivision (a)(1) when Krochman participated in an education fraud scheme by using REES to
complete his PE and/or CE coursework under both the online fraud scheme and the in-person fraud

1 scheme in violation of the ROC and Financial Code section 22755, subdivisions (b), (g), (h), and (j).
2 Furthermore, Krochman has not demonstrated the financial responsibility, character, and general
3 fitness required under Financial Code section 22109.1, subdivision (a)(3) of the CFL to hold an MLO
4 license and therefore he should be barred from holding such a license based upon his dishonest
5 conduct.

6 WHEREFORE IT IS PRAYED that the MLO license issued to John A. Krochman be
7 revoked. In the alternative, it is prayed that John A. Krochman be barred from any position of
8 employment with, or management or control of, any finance lender, broker, program administrator, or
9 employment as an MLO.

10 Dated: March 24, 2022
11 Los Angeles, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection &
Innovation

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13
14 By: _____
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