

ATTORNEY GENERAL
NEVADA DEPARTMENT OF JUSTICE

555 East Washington Ave., #3900
Las Vegas, Nevada 89101-1068

GEORGE J. CHANOS
Attorney General



GERALD GARDNER
Assistant Attorney General

June 2, 2006

Patrick Missud, Esq.
91 San Juan Street
San Francisco, CA 94102

Re: *Your letter dated May 18, 2006.*

Dear Mr. Missud:

Thank you for your letter dated May 18, 2006. You indicated that you are entitled to more documentation and cited 645B.610(4). It is my understanding that you spoke with Deputy Commissioner Susan Eckhardt about that matter the morning of Friday, May 26, 2006, and that she has sent you the documentation that you requested via telephone on May 26, 2006. If that is not correct, please let me know.

May I also suggest that you contact the Bureau of Consumer Protection at the State of Nevada, Attorney General's Office? If Horton is engaged in a pattern of dishonest business practices, I think that would be the best agency to contact.

If you have any questions, please do not hesitate to contact me.

Sincere Regards,

GEORGE J. CHANOS
Attorney General

A handwritten signature in cursive script that reads "Robert A. Whitney".

Robert A. Whitney, Esq.
Deputy Attorney General

RAW:fpo



STATE OF NEVADA
DIVISION OF MORTGAGE LENDING
DEPARTMENT OF BUSINESS AND INDUSTRY

KENNY C. GUINN
Governor

SYDNEY H. WICKLIFFE, C.P.A.
Director

Patrick Missud
91 San Juan St
San Francisco CA 94112

June 1, 2006

SCOTT E. BICE
Commissioner

Re: Civil Subpoena for Production for Documents

Dear Mr. Missud:

The Mortgage Lending Division has received your request "pursuant to NRS 645B.610(4) . . . reason for determination [of a complaint]." Your complaint is directed at the DR Horton and its affiliate DHI Mortgage fka CH Mortgage. The Division regulates mortgage brokers and bankers under 645B and 645E which includes a definition in part as:

NRS 645B.0127 "Mortgage broker" defined.

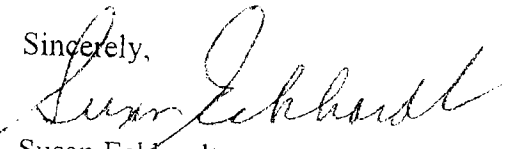
1. "Mortgage broker" means a person who, directly or indirectly:
 - (a) Holds himself out for hire to serve as an agent for any person in an attempt to obtain a loan which will be secured by a lien on real property;

We have reviewed the documentation and summary of your complaint that relate to the real estate transaction and purchase of the property from DR Horton, a builder. DR Horton is not nor have they been licensed as a mortgage broker under NRS 645B or 645E, and therefore the Division does not have regulatory jurisdiction over their actions.

DHI Mortgage is an affiliate of DR Horton and this information was disclosed to you in the Offer and Acceptance Contract of which you provided a copy to the Division. This contract also states that the Buyer is not required to use the affiliated mortgage company.

The Division does not have jurisdiction over builders and their actions concerning the contract related to the real estate transaction, therefore, we find that there is no violation related to DHI Mortgage, the licensed mortgage company related to the real estate transaction. We hope this information assists you.

Sincerely,


Susan Eckhardt

Carson City Office

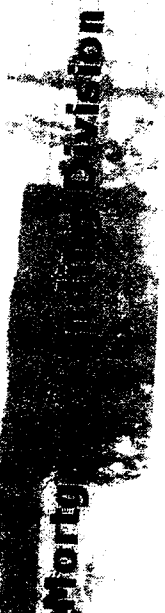
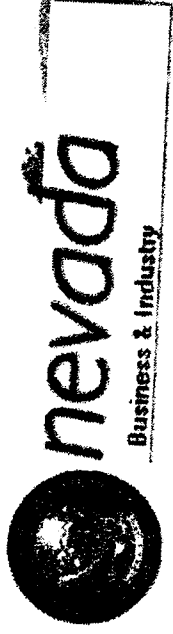
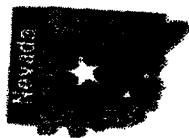
400 W. King Street, Suite 406
Carson City, Nevada 89703
(775) 684-7060 Fax (775) 684-7061

Web Address: www.mld.nv.gov

Las Vegas Office

Office of the Commissioner
3075 E. Flamingo, Suite 104-A
Las Vegas, Nevada 89121
(702) 486-0780 Fax (702) 486-0785

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MORTGAGE LENDING DIVISION

Welcome to the home page for the Division of Mortgage Lending. The Division is authorized to enforce the statutes and regulations pertaining to Mortgage Bankers, Mortgage Brokers, Mortgage Agents, Escrow Agencies and Escrow Agents. The Division's mission is to safeguard public interest by coordinating with industry groups to promote professionalism and ethics of the mortgage lending and escrow industries, and to ultimately provide consumers with a meaningful resolution process.

LAS VEGAS OFFICE

Office of the Commissioner
 3075 E. Flamingo # 100
 Las Vegas, Nevada 89121
 (702) 486-0780 • Fax (702) 486-0785
mid.nv.gov

Pending consent and settlement agreements

Pursuant to NRS 622.330, any person may request that the Division conduct a public meeting to discuss the terms of consent or settlement agreements

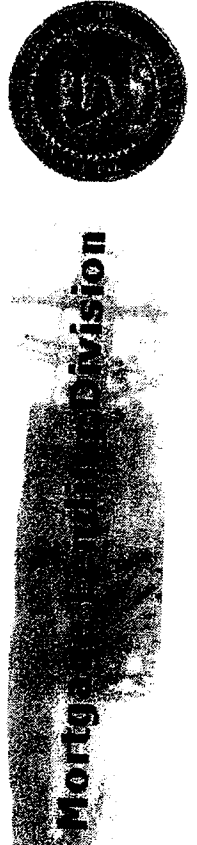
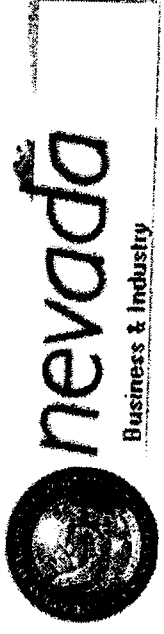
CARSON CITY OFFICE

Licensing Office
 400 W King Street, Suite 101
 Carson City, Nevada 89703
 (775) 684-7060 • Fax: (775) 684-7061
mid.nv.gov

******What's New******

USA Commercial Mortgage, Co. dba USA Capital, a licensed mortgage broker in Nevada/ License Number 333, has filed a voluntary petition for

↳ Sounds Like Jurisdiction



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DHI MORTGAGE COMPANY LTD

Lic No: 134

Corporate Name:

Current Status: Active License

Principal: DAWN FRALEY

Licensed Since: 3/22/2004

Contact Us

2 Office(s)

(Principal office is the first one listed)

8215 S EASTERN AVE, SUITE 225

Address 2:

Qualified Employee: DAWN FRALEY

City: LAS VEGAS

State: NV

Zip: 89123

Phone: 702-407-2700

15 active licensed agents

[Return](#)

8675 S EASTERN AVENUE, BLDG. D

Address 2:

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Mortgage Lending Division



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MICHAEL MASON

Associated with

DHI MORTGAGE COMPANY LTD

ID: 25320

Address: 8215 S EASTERN AVE, SUITE 225

City: LAS VEGAS

State: NV

Zip: 89123

Phone: 702-407-2700

Fax: 702-407-2370

Status: Active Licensed

Date Reg: 6/29/2004

License Expires: 6/29/2007

Renewal Date: JUNE 29

11/03 - 3/04 ?

History

Date	Event	Company
253206/29/2004	Application Received	DHI MORTGAGE COMPANY LTD, 8215 S EASTERN AVE, SUITE 225
253205/16/2005	Terminated	DHI MORTGAGE COMPANY LTD, 8215 S EASTERN AVE, SUITE 225
	Inactive	

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NEVADA DEPARTMENT OF JUSTICE

555 East Washington Ave., #3900
Las Vegas, Nevada 89101-1068

GEORGE J. CHANOS
Attorney General

GERALD GARDNER
Assistant Attorney General



June 27, 2006

Patrick Missud, Esq.
91 San Juan Street
San Francisco, CA 94102

Re: *Your letter dated June 20, 2006.*

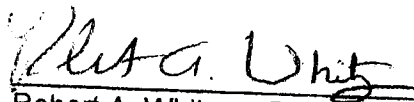
Dear Mr. Missud:

Thank you for your letter dated June 20, 2006. I am sorry for the late response. I was on vacation from June 16, 2006, until today. Could you please send the declarations referenced in your letter to both me and the Division of Mortgage Lending? May I suggest that you send, for the short-term future, correspondence to the Division of Mortgage Lending to Commissioner Scott Bice, since Ms. Eckhardt's last day was today? Thanks.

If you have any questions, please do not hesitate to contact me.

Sincere Regards,

GEORGE J. CHANOS
Attorney General


Robert A. Whitney, Esq.
Deputy Attorney General

(+ benefits/perks/kickbacks.)

State of Nevada

Mortgage Lending Division

Announces...

Open Recruitment for:

Deputy Commissioner (Unclassified)

ANOTHER ONE
BITES THE DUST
♪♪♪

Maximum Annual Salary: \$76,908, Effective July 1, 2006, (Employee / Employer Paid Retirement)

Salary will reflect applicant's level of experience and is based on retirement contributions by employee and employer. Employer paid contribution plan is available with a reduced gross salary.

RECRUITMENT OPEN TO: All qualified persons.

RECRUITING FOR: A permanent, full-time unclassified vacancy located in the Mortgage Lending Division, Department of Business and Industry.

APPLICATIONS ACCEPTED UNTIL: Position is filled.

THE POSITON: The position is located in Las Vegas. The incumbent will report to the Commissioner, Mortgage Lending Division and is responsible for providing leadership, direction, and oversight to the Division's examination, investigation, and licensing staffs. Responsibilities include supervision of a staff of approximately twenty-seven employees that are responsible for examining, licensing, complaint processing, and enforcement activities regarding mortgage lenders and agents. The work also involves administrative functions such as developing and administering regulations, policies and procedures, assessing and collecting fees from mortgage industry licensees, and providing consumer and industry education. Travel (primarily in-state) will be required to perform the duties of this position.

TO QUALIFY: A minimum of three years practical experience in mortgage lending, banking, credit unions, or other financial institutions is expected of which at least one year was at a level that included supervisory or administrative experience. Such experience should have demonstrated knowledge and experience in applying federal and state regulations in the mortgage industry and/or supervising a program directly related to or primarily involved in the work performed by mortgage lenders.

IDEAL CANDIDATE WILL POSSESS, IN ADDITION TO MINIMUM QUALIFICATIONS:

- Experience in mortgage lending.
- Familiarity with NRS and NAC 645A, 645B and 645E and NRS 233B
- Excellent writing and communication skills.
- Administrative ability and experience including knowledge of budget preparation and administration.
- Extensive Supervisory experience.
- Personal characteristics such as good judgment, flexibility, punctuality, and dependability.

tion

Corruption trial is baring all sorts of dirty secrets in Vegas

By **KEN RITTER**
Associated Press

LAS VEGAS — Even in a town used to baring it all — where gangster Bugsy Siegel is considered a founding father, showgirls are a way of life and old-timers fondly recall when the mob ran the casinos — the revelations in a political corruption trial have been shocking.

Tough-talking strip club owner-turned-government star witness Michael Galardi says he tossed bags of cash to put politicians and others in his pocket. And when blue velvet Crown Royal bags stuffed with cash weren't enough, say Galardi and prosecutors, he traded sex — using strippers, dancers and other club employees to keep elected leaders happy and voting his way.

For six weeks, jurors in the so-called G-sting trial have listened to FBI wiretaps, watched videotapes and heard testimony about politicians allegedly taking bribes.

"It's got everything," said Eric Herzik, a University of Nevada, Reno, political science professor who has followed the case. "High-level political figures in one of the most high-profile cities in America, basically admitting they're taking bribes."

Closing arguments were scheduled to begin today.

Two former Clark County commissioners, Dario Herrera and Mary Kincaid-Chauncey, are standing trial on federal charges of conspiracy, wire fraud and extortion under color of official right. They could get 45 years in prison if convicted. A third former commissioner, Lance Malone, who also was Galardi's lobbyist, is due to stand trial in August. All three pleaded not guilty.

A fourth former commissioner, Erin Kenny, pleaded guilty and has testified for the prosecution.

County officials rarely face such scandalous accusations or draw so much attention from federal investigators and prosecutors, but the Clark County Commission is one of the most powerful elected bodies in the state. Out of Nevada's 2.2 million people, 1.7 million of them live in Clark County, where Las Vegas thrives on hotels, casinos and fancy clubs.

Herrera, a one-time rising political star who addressed the Democratic National Convention in 2000, has admitted he interrupted a golf outing with Galardi to have sex behind the bushes with one of Galardi's workers. As his wife dabbed her eyes in the courtroom's first row, Herrera

admitted getting lap dances from a stripper at one of Galardi's clubs and said he'd had an affair with another Galardi employee during a trip to a California resort.

Galardi said he got sex at least six times from Kenny, which she denies.

Galardi claimed he paid \$200,000 to Herrera from 1999 to 2003, and \$85,000 to Kincaid-Chauncey.

Herrera denied ever receiving cash from Galardi or Malone, but said he took a \$10,000 check as a campaign contribution.

Kincaid-Chauncey testified she never traded votes for Galardi's cash, but she acknowledged accepting money from Galardi through Malone. One envelope with \$4,000 in cash went to help pay a grandson's ski school scholarship. An additional \$5,000 was a campaign contribution for her son's failed bid for North Las Vegas City Council.

The case hinges on whether jurors believe Galardi, who pleaded guilty to racketeering in Las Vegas and in a related corruption case in San Diego, where two councilmen were convicted. He has been promised no more than five years in federal prison on both the San Diego and Las Vegas charges, and could get probation.

(2) COMMISSIONERS & COUNTING.
(+1)

Las Vegas 'perfect spot' to try mortgage fraud

HUBBLE SMITH

REVIEW-JOURNAL

Nevada has made the FBI's 10 list of states for mortgage fraud investigation, an initiative for a fraud prevention firm said.

Mortgage fraud probably totals in the billions of dollars nationally each year, and runs most rampant in hot housing markets such as Las Vegas, said Steve Schroeder, who founded Sacramento, Calif.-based CoreLogic in 1996. The company developed a tool to help prevent fraud based on an econometric model that identifies flaws in housing

valuation.

"We found the majority of fraud in the mortgage lending marketplace came through mortgage brokers," he said. "We don't know if it's word of mouth or organized crime. Maybe someone says, 'If you really need a loan, go to Joe.'"

If borrowers want to push the limit on what they can spend for a house, Schroeder said, they're not going to apply with financial institutions such as Washington Mutual, Countrywide or Wells Fargo.

"They're going to go to

▶ SEE FRAUD PAGE 8D

Rapid appreciation makes LV target

▶ FRAUD:

Fast appreciation makes LV target

CONTINUED FROM PAGE 1D

mortgage brokers to see what they can do for them. We started to see concentrations of these cases from very specific mortgage brokers. These brokers who were concentrated, if they weren't participating (in the loan), they were facilitating."

Their numbers are small, perhaps five or six in Las Vegas among the 200 to 300 licensed operating brokers, Schroeder said.

"We process one-fourth of mortgages in the United States, and it's moving up pretty significantly in Las Vegas," he said.

"In some parts of Las Vegas, there's not as much demand as there is supply in some of the more distressed areas of the marketplace, but it's camouflaged by the overall market itself."

PROTECT YOURSELF

Get referrals for real estate and mortgage professionals. Check the licenses of the industry professionals with state, county or city regulatory agencies.

Look at written information to include recent comparable sales in the area, and other documents such as tax assessments, to verify the value of the property.

Review the title history to determine if the property has been sold multiple times within a short period. It could mean that this property has been "flipped" and the value falsely inflated.

Check out the tips on the Mortgage Bankers Association's Web site, www.mba.com.

Ed Gage, a mortgage broker in Sacramento, said another avenue for fraud is when mortgage brokers don't give accurate buyer qualifications to the bank.

He used as an example someone who wants to sell a house for \$100,000. A buyer comes along and says he'll pay \$140,000 for the home, giving the seller a down payment of \$40,000 and financing the remaining \$100,000.

"The lender gets stuck with the full amount," Gage said. Typically, lenders qualify buyers for about 80 percent of the home value, he said.

Mortgage brokers can commit fraud more easily in Las Vegas because of 30 percent to 50 percent appreciation rates over the past couple of years, Schroeder said.

"In some parts of Las Vegas, there's not as much demand as there is supply in some of the more distressed areas of the marketplace, but it's camouflaged by the overall market itself," he said. "That makes Las Vegas the perfect spot to conduct fraud. I don't know that there's anything the market can do until it stabilizes."

Another trick is to go through the mortgage broker instead of the lending institution for an appraisal of the home.

"If you call a mortgage institution, they order the appraisal and they hire the appraiser. If the borrower calls a mortgage broker, the mortgage broker orders the appraisal. If the broker has a buddy that's an

Brian Allen, Reporter

G-Sting: Galardi Names Politicians on His Payroll



Mike Galardi talks with Eyewitness News, Apr. 5, 2006



Dario Herrera outside the federal courthouse, Apr. 5, 2006



City Councilman Michael McDonald (file photo)



City Councilman Frank Hawkins (file photo)

G-Sting: Meet The Players slideshow

Read about the players in the G-Sting Trial

G-Sting Trial:

Day 14 Wrap Up -- April 5 -- 8:15 p.m.

For the first time, former strip club owner Mike Galardi names politicians he says he was paying for votes. Two former county commissioners are accused of accepting those bribes: Dario Herrera and Mary Kincaid-Chauncey.

Now the man at the center of the FBI investigation, who says those commissioners along with several others were on his payroll, took the stand Wednesday naming names. Mike Galardi spoke briefly with *Eyewitness News*, as he entered the George Federal Courthouse.

Mike Galardi: "I feel good."

Reporter Brian Allen: "Are you nervous at all?"

Mike Galardi: "No, not at all."

Galardi testified he first bribed an elected official 16 years ago by giving \$10,000 to Las Vegas city councilman Frank Hawkins to settle a licensing issue for his Cheetahs strip club. In the mid-90s, Galardi says he paid city councilman Michael McDonald \$5,000 a month for a series of years for political influence.

Galardi also claims that Clark County Deputy District Attorneys Gary Guymon and Craig Hendricks received free drinks, lap dances and sexual favors whenever they visited Cheetahs. In fact, Galardi says police officers, firefighters, judges and politicians pretty much had the run of Cheetahs if he knew they were there.

It's a deal Galardi says he extended to former county commissioner Dario Herrera... "because he was the man. I considered him the man. He's the chairman of the county commission. I needed his vote."

Dario Herrera countered, "Listen, I said this morning that I was expecting some incredibly imaginative testimony and I think we've heard that this afternoon."