

# State Bar Court of California Hearing Department Los Angeles

Counsel For The State Bar

Suzan J. Anderson Supervising Trial Counsel 1149 S. Hill Street Los Angeles, CA 90015 (213) 765-1209 Case Number (s)

10-O-00132, 10-O-04786, 10-O-05180, 10-O-05183 [inv. matters]

(for Court's use)

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FILED

PUBLIC MATTER

JUL 15 2010

STATE BAR COURT CLERK'S OFFICE LOS ANGELES

018 039 605

Bar # **160559** 

Bar # 138582

In Pro Per Respondent

Scott B. Hayward 101 Pacifica, Suite 100 Irvine, CA 92618 (949) 480-1767

Submitted to: Assigned Judge

Cubilities to. Assigned stage

In the Matter Of:

SCOTT B. HAYWARD

STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION AND ORDER APPROVING

Bar # 138582 STAYED SUSPENSION; NO ACTUAL SUSPENSION

A Member of the State Bar of California (Respondent)

Note: All information required by this form and any additional information which cannot be provided in the space provided, must be set forth in an attachment to this stipulation under specific headings, e.g., "Facts," "Dismissals," "Conclusions of Law," "Supporting Authority," etc.

# A. Parties' Acknowledgments:

- (1) Respondent is a member of the State Bar of California, admitted **December 12, 1988**.
- (2) The parties agree to be bound by the factual stipulations contained herein even if conclusions of law or disposition are rejected or changed by the Supreme Court.
- (3) All investigations or proceedings listed by case number in the caption of this stipulation are entirely resolved by this stipulation and are deemed consolidated. Dismissed charge(s)/count(s) are listed under "Dismissals." The stipulation consists of **15** pages, not including the order.
- (4) A statement of acts or omissions acknowledged by Respondent as cause or causes for discipline is included under "Facts."
- (5) Conclusions of law, drawn from and specifically referring to the facts are also included under "Conclusions of Law".
- (6) The parties must include supporting authority for the recommended level of discipline under the heading "Supporting Authority."

(DO HOL	write	above this line.)			
		o more than 30 days prior to the filing of this stipulation, Respondent has been advised in writing of any ending investigation/proceeding not resolved by this stipulation, except for criminal investigations.			
		lyment of Disciplinary Costs—Respondent acknowledges the provisions of Bus. & Prof. Code §§6086.10 & 40.7. (Check one option only):			
[ [ [		costs added to membership fee for calendar year following effective date of discipline. costs to be paid in equal amounts prior to February 1 for the following membership years: <b>2011 and 2012</b> (hardship, special circumstances or other good cause per rule 284, Rules of Procedure) costs waived in part as set forth in a separate attachment entitled "Partial Waiver of Costs" costs entirely waived			
Pr	ofe	avating Circumstances [for definition, see Standards for Attorney Sanctions for essional Misconduct, standard 1.2(b)]. Facts supporting aggravating circumstances equired.			
(1) [		Prior record of discipline [see standard 1.2(f)]			
(6	a)	State Bar Court case # of prior case			
(1	b)	☐ Date prior discipline effective			
(0	c)	Rules of Professional Conduct/ State Bar Act violations:			
(0	d)	Degree of prior discipline			
(6	e)	If Respondent has two or more incidents of prior discipline, use space provided below or a separate attachment entitled "Prior Discipline.			
(2)		<b>Dishonesty:</b> Respondent's misconduct was surrounded by or followed by bad faith, dishonesty, concealment, overreaching or other violations of the State Bar Act or Rules of Professional Conduct.			
(3) [		<b>Trust Violation:</b> Trust funds or property were involved and Respondent refused or was unable to account to the client or person who was the object of the misconduct for improper conduct toward said funds or property.			
(4)		Harm: Respondent's misconduct harmed significantly a client, the public or the administration of justice. To date, the Bunfills have not received a full refund of their legal fees.			
(5) [		<b>Indifference:</b> Respondent demonstrated indifference toward rectification of or atonement for the consequences of his or her misconduct.			
(6) [		<b>Lack of Cooperation:</b> Respondent displayed a lack of candor and cooperation to victims of his/her misconduct or to the State Bar during disciplinary investigation or proceedings.			
(7) [		<b>Multiple/Pattern of Misconduct:</b> Respondent's current misconduct evidences multiple acts of wrongdoing or demonstrates a pattern of misconduct.			
(8)		No aggravating circumstances are involved.			
Additio	ona	l aggravating circumstances			

	C. Mitigating Circumstances [see standard 1.2(e)]. Facts supporting mitigating circumstances are required.						
	(1)		<b>No Prior Discipline:</b> Respondent has no prior record of discipline over many years of practice coupled with present misconduct which is not deemed serious.				
	(2)		No Harm: Respondent did not harm the client or person who was the object of the misconduct.				
) 1	(3) ment	X	Candor/Cooperation: Respondent displayed spontaneous candor and cooperation with the victims of his/her misconduct and to the State Bar during disciplinary investigation and proceedings.				
3	(4)	Remorse: Respondent promptly took objective steps spontaneously demonstrating remorse and recognition of the wrongdoing, which steps were designed to timely atone for any consequences of his/her misconduct.					
	(5)		<b>Restitution:</b> Respondent paid \$ on in restitution to without the threat or force of disciplinary, civil or criminal proceedings.				
	(6)		<b>Delay:</b> These disciplinary proceedings were excessively delayed. The delay is not attributable to Respondent and the delay prejudiced him/her.				
)	(7)	X	Good Faith: Respondent acted in good faith. Respondent ATTEMPTED to do his bear for The chemis.				
)	(8)		Emotional/Physical Difficulties: At the time of the stipulated act or acts of professional misconduct Respondent suffered extreme emotional difficulties or physical disabilities which expert testimony would establish was directly responsible for the misconduct. The difficulties or disabilities were not the product of any illegal conduct by the member, such as illegal drug or substance abuse, and Respondent no longer suffers from such difficulties or disabilities.				
	(9)	Severe Financial Stress: At the time of the misconduct, Respondent suffered from severe financial stress which resulted from circumstances not reasonably foreseeable or which were beyond his/her control and which were directly responsible for the misconduct.					
	(10)	Family Problems: At the time of the misconduct, Respondent suffered extreme difficulties in his/her personal life which were other than emotional or physical in nature.					
	(11)	1) Good Character: Respondent's good character is attested to by a wide range of references in the legal and general communities who are aware of the full extent of his/her misconduct.					
	(12)		<b>Rehabilitation:</b> Considerable time has passed since the acts of professional misconduct occurred followed by convincing proof of subsequent rehabilitation.				
	(13)		No mitigating circumstances are involved.				
	Addi	tiona	al mitigating circumstances				
		Ple	ase see Attachment, page 13.				
	D. [	Disc	ipline:				
	(1)	$\boxtimes$	Stayed Suspension:				

(6) Subject to assertion of applicable privileges, Respondent must answer fully, promptly and truthfully any inquiries of the Office of Probation and any probation monitor assigned under these conditions which are

(Do no	ot write	above :	this line.)		
	directed to Respondent personally or in writing relating to whether Respondent is complying or hat complied with the probation conditions.				to whether Respondent is complying or has
(7)	Within one (1) year of the effective date of the discipline herein, Respondent must provide to the Office Probation satisfactory proof of attendance at a session of the State Bar Ethics School, and passage of test given at the end of that session.			ne herein, Respondent must provide to the Office of n of the State Bar Ethics School, and passage of the	
			No Ethics School recommended. Reason	<b>n</b> :	•
(8)		Respondent must comply with all conditions of probation imposed in the underlying criminal matter and must so declare under penalty of perjury in conjunction with any quarterly report to be filed with the Office of Probation.			
(9)	$\boxtimes$	The following conditions are attached hereto and incorporated:			porated:
			Substance Abuse Conditions	$\boxtimes$	Law Office Management Conditions
			Medical Conditions	$\boxtimes$	Financial Conditions
F. O	the	r Con	ditions Negotiated by the Parties	<b>s</b> :	
(1)		Multistate Professional Responsibility Examination: Respondent must provide proof of passage of the Multistate Professional Responsibility Examination ("MPRE"), administered by the National Conference of Bar Examiners, to the Office of Probation within one year. Failure to pass the MPRE results in actual suspension without further hearing until passage. But see rule 9.10(b), Californi Rules of Court, and rule 321(a)(1) & (c), Rules of Procedure.			
(2)			No MPRE recommended. Reason:	•	
(2)		Oth	er Conditions:		

Attachment language (if any):
Please see Attachment, pages 10 through 14.

1		e Matter of T B. HAYWA	RD, #138582	Case number(s): 10-O-00132, et seq.
Α	Mer	nber of the Sta	ate Bar	
La	aw C	Office Mana	gement Conditi	ons
a. Within days/ months/ years of the effective date of the discipline herein, Respondent must develop a law office management/organization plan, which must be approved by the Office of Probation. This plan must include procedures to (1) send periodic reports to clients; (2) document telephone messages received and sent; maintain files; (4) meet deadlines; (5) withdraw as attorney, whether of record or not, when clients cannot be contacted or located; (6) train and supervise support personnel and (7) address any subject area or deficiency that caused or contributed to Respondent's misconduct in the current proceeding.				
b.	$\boxtimes$	Within	days/six months/	years of the effective date of the discipline herein,

Respondent must submit to the Office of Probation satisfactory evidence of completion of

Practice Management and Technology Section of the State Bar of California and pay the

evidence of membership in the section to the Office of Probation of the State Bar of

year(s). Respondent must furnish satisfactory

no less than **six** hours of Minimum Continuing Legal Education (MCLE) approved courses in law office management, attorney client relations and/or general legal ethics. This requirement is separate from any MCLE requirement, and Respondent will not receive MCLE credit for attending these courses (Rule 3201, Rules of Procedure of the

Within 30 days of the effective date of the discipline, Respondent must join the Law

State Bar.)

dues and costs of enrollment for

California in the first report required.

	·			
1	the Matte		Case number(s):	
SC	COTT B. HA	YWARD, #138582	10-O-00132, et seq.	
Α	Member of t	he State Bar		
Fir	nancial Co	onditions		
a.	Restitution			
	annum) one or Respor	) to the payee(s) listed more of the payee(s) f	tion (including the principal amou below. If the Client Security Fur for all or any portion of the princip estitution to CSF in the amount(s)	nd ("CSF") has reimbursed al amount(s) listed below,
	Payee		Principal Amount	Interest Accrues From
		Carolyn Bunfill	\$4,650	May 2009
b.	nstalli Resport below with ear No late reprovathe pay	nt to the Office of Probridge o	ove-referenced restitution on the ovide satisfactory proof of payment report, or as otherwise directed the expiration of the period of promake any necessary final payme cluding interest, in full.	payment schedule set forth nt to the Office of Probation by the Office of Probation. Tobation (or period of
	raye	croor (as approasio	, minimum aymont / more	
	· L			
<ul> <li>Client Funds Certificate</li> <li>If Respondent possesses client funds at any time during the period or required quarterly report, Respondent must file with each required recertificate from Respondent and/or a certified public accountant or ot professional approved by the Office of Probation, certifying that:</li> </ul>			ach required report a accountant or other financial	
		business in the S	maintained a bank account in a State of California, at a branch loonat such account is designated as Account";	cated within the State of

- b. Respondent has kept and maintained the following:
  - A written ledger for each client on whose behalf funds are held that sets forth:
    - 1. the name of such client;
    - the date, amount and source of all funds received on behalf of such client:
    - 3. the date, amount, payee and purpose of each disbursement made on behalf of such client; and,
    - 4. the current balance for such client.
  - ii. a written journal for each client trust fund account that sets forth:
    - 1. the name of such account;
    - 2. the date, amount and client affected by each debit and credit; and,
    - 3. the current balance in such account.
  - iii. all bank statements and cancelled checks for each client trust account; and.
  - iv. each monthly reconciliation (balancing) of (i), (ii), and (iii), above, and if there are any differences between the monthly total balances reflected in (i), (ii), and (iii), above, the reasons for the differences.
- c. Respondent has maintained a written journal of securities or other properties held for clients that specifies:
- i. each item of security and property held;
- ii. the person on whose behalf the security or property is held;
- iii. the date of receipt of the security or property;
- iv. the date of distribution of the security or property; and,
- v. the person to whom the security or property was distributed.
- 2. If Respondent does not possess any client funds, property or securities during the entire period covered by a report, Respondent must so state under penalty of perjury in the report filed with the Office of Probation for that reporting period. In this circumstance, Respondent need not file the accountant's certificate described above.
- 3. The requirements of this condition are in addition to those set forth in rule 4-100, Rules of Professional Conduct.

## d. Client Trust Accounting School

Within one (1) year of the effective date of the discipline herein, Respondent must supply to the Office of Probation satisfactory proof of attendance at a session of the Ethics School Client Trust Accounting School, within the same period of time, and passage of the test given at the end of that session.

## **ATTACHMENT TO**

## STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION

IN THE MATTER OF:

SCOTT B. HAYWARD

CASE NUMBER(S): ET AL.

10-O-00132, et seq.

Respondent admits that the following facts are true and that he is culpable of violations of the specified statutes and/or Rules of Professional Conduct.

#### **CASE NUMBER 10-O-00132**

#### **FACTS**

- 1. On May 1, 2009, Respondent entered into a business agreement (the "Agreement") with RJV Financial, Inc. (RJV), a loan modification business owned and operated by non-attorneys, Reinaldo Valdes and Donna Langston-Valdes (Donna). The Agreement called for Respondent, through his lawfirm, Loss Mitigation Law Group (LMLG) to provide legal supervision and guidance to RJV's business of processing home mortgage loan modifications. RJV was responsible for obtaining the clients and Respondent was responsible for processing their loan modifications.
- 2. Pursuant to the Agreement, Respondent was to receive the larger of \$250 per client or 6.25% of the total fee paid by the client. The Agreement provided that the client would pay the entire fee for the loan modification to LMLG, then Respondent would deduct his attorney fee portion from the fee and pay the remainder to RJV. In order to facilitate the Agreement, Donna was to act as bookkeeper for LMLG solely as to LMLG's business with RJV, and was made a signatory of the LMLG bank account.
- 3. In May 2009, Rick and Carolyn Bunfill retained Respondent through LMLG and sent a check for \$4,900 in advanced legal fees made payable to LMLG. Pursuant to the agreement, Donna would have deposited the fees in LMLG's account, paid Respondent his portion and deducted the remainder for RJV.
- 4. Respondent submitted the necessary information to their lender in order to obtain a loan modification, but on July 1, 2009, the lender denied the modification and informed Respondent that it was denied because the Bunfills were current on their mortgage.
- 5. Pursuant to their retainer agreement with Respondent, the Bunfills requested a refund of their advanced attorney fees pursuant to their retainer agreement with Respondent. On July 20, 2009, Respondent informed Donna, his bookkeeper, to issue their refund. Respondent assumed the refund had been issued to the Bunfills, but did not follow up on the issuance of the refund.
  - 6. Several months later Respondent learned that the refund to the Bunfills had never been issued.

7. On May 3, 2010, Respondent sent the Bunfills a check for \$250 accompanied by a letter which reaffirmed his debt to them and that he would be making payments until the entire \$4,900 was refunded to them.

## **CONCLUSIONS OF LAW**

By entering into the agreement with RJV and accepting clients referred by RJB, Respondent formed a partnership with a person who is not a lawyer where the activities consisted of the practice of law in willfully violation of Rule 1-310 of the Rules of Professional Conduct.

By obtaining his payment from the advanced legal fee paid by the Bunfills and allowing the remainder of the advanced legal fee to be forwarded RJV, Respondent willfully shared legal fees with a person who is not a lawyer in violation of Rule 1-320(A) of the Rules of Professional Conduct.

By failing to follow up on the refund to the Bunfills upon their demand, and failing to make any payments to the Bunfills until May 10, 2010, Respondent willfully failed to promptly refund unearned fees in violation of Rule 3-700(D)(2) of the Rules of Professional Conduct.

#### **CASE NUMBER 10-O-04786**

## **FACTS**

- 8. In March 2010, Respondent sent a letter to Ronald Hansen, a non-client, regarding Mr. Hansen's mortgage and his mortgage lender. The letter contained such phrases as, "FINAL NOTICE", "LENDER MISCONDUCT INVESTIGATION", "IMPORTANT NOTICE REGARDING PREDATORY LENDING", "PREDATORY LENDING INVESTIGATION AND MISCONDUCT AUDIT", and "FAILURE TO RESPOND TO THIS NOTICE MAY AFFECT YOUR LEGAL RIGHTS."
- 9. The letter also identified Mr. Hansen's mortgage lender and included Mr. Hansen's mortgage loan amount.

#### CONCLUSIONS OF LAW

By utilizing the wording in the March 2010 letter, Respondent sent a communication which contained material which was deceptive and which tended to confuse, deceive or mislead the public in willfull violation of Rule 1-400(D)(2).

By including Mr. Hansen's mortgage lender and mortgage loan amount in the March 2010 letter, Respondent willfully violated sections 14701(a) and 14702 of the California Business and Professions Code in willful violation of Business and Professions Code section 6068(a).

#### **CASE NUMBER 10-O-04786**

#### **FACTS**

12. In February 2010, Respondent sent a letter to Timothy Little, a non-client, regarding Mr. Little's mortgage and his mortgage lender. The letter contained such phrases as, "Lender Misconduct Investigation", "Your lender may be under investigation for <u>predatory lending and lender misconduct</u>.", "You may be a victim.", and "... time to participate is very limited."

#### **CONCLUSIONS OF LAW**

By utilizing the wording in the March 2010 letter, Respondent sent a communication which contained material which was deceptive and which tended to confuse, deceive or mislead the public in willfull violation of Rule 1-400(D)(2).

#### **CASE NUMBER 10-O-05183**

#### **FACTS**

- 10. In April 2010, Respondent sent a letter to Alan Engard, a non-client, regarding Mr. Engard's mortgage and his mortgage lender. The letter contained such phrases as, "FINAL NOTICE", "LENDER MISCONDUCT INVESTIGATION", "IMPORTANT NOTICE REGARDING PREDATORY LENDING", "PREDATORY LENDING INVESTIGATION AND MISCONDUCT AUDIT", and "FAILURE TO RESPOND TO THIS NOTICE MY AFFECT YOUR LEGAL RIGHTS."
- 11. The letter also identified Mr. Engard's mortgage lender and included Mr. Engard's mortgage loan amount.

#### **CONCLUSIONS OF LAW**

By utilizing the wording in the March 2010 letter, Respondent sent a communication which contained material which was deceptive and which tended to confuse, deceive or mislead the public in willfull violation of Rule 1-400(D)(2).

By including Mr. Engard's mortgage lender and mortgage loan amount in the March 2010 letter, Respondent willfully violated sections 14701(a) and 14702 of the California Business and Professions Code in willful violation of Business and Professions Code section 6068(a).

#### PENDING PROCEEDINGS.

The disclosure date referred to, on page 2, paragraph A(6), was June 21, 2010.

#### COSTS OF DISCIPLINARY PROCEEDINGS.

Respondent acknowledges that the Office of the Chief Trial Counsel has informed respondent that as of June 18, 2010, the prosecution costs in this matter are \$0. Respondent further acknowledges that should this stipulation be rejected or should relief from the stipulation be granted, the costs in this matter may increase due to the cost of further proceedings.

## MITIGATING CIRCUMSTANCES.

Respondent has no record of prior discipline since being admitted to the State Bar of California and commencing his practice of law in December 1988.

Respondent displayed candor and cooperation with the State Bar during the investigation of these matters. In so doing, Respondent recognized and acknowledged the wrongfulness of his conduct.

Respondent also demonstrated his remorse by taking affirmative steps to address the misconduct committed in these matters. Respondent no longer has any affiliation with any non-attorney loan modification businesses. Respondent is doing a more comprehensive screening of any potential loan modification clients at no cost and has turned away more clients than he has accepted. Respondent has changed his advertising to comply with Rule 1-400 of the Rules of Professional Conduct.

Respondent has started making payments to the Bunfills and has stipulated that he will refund their entire legal fee although he did not receive the entire fee.

#### DISCUSSION RE STIPULATED DISCIPLINE.

Standard 1.3 of the *Standards For Attorney Sanctions For Professional Misconduct* provides that the primary purpose of discipline is the protection of the public, the courts and legal profession; maintenance of high professional standards; and the preservation of public confidence in the legal profession.

Standard 2.6 states that disbarment or suspension depending on the gravity of the offense or the harm, if any, to the victims, with due regard to the purposes of imposing discipline, for violations of section 6068 of the Business and Professions Code.

Standard 2.10 states that reproval or suspension is the appropriate discipline, with due regard to the harm suffered by any victim and the purposes of imposing discipline, for violations of any Rules of Professional Conduct not specifically specified in other Standards, such as the Rule violations here.

The parties submit that the stipulated discipline in this matter complies with the Standards both specifically and with regard to the general purposes and goals of the disciplinary process.

Respondent's misconduct is aggravated by the fact that it harmed his clients and deprived them of the fees they paid for a period of time. However, Respondent has already begun making payments to the clients to fully refund the fees.

Respondent has also made changes to his practice as outlined above to avoid committing any further misconduct as outlined herein.

Given the aggravating and mitigating circumstances present in this case, a one year stayed suspension, along with the probationary conditions set forth herein, is consistent with Standards 2.6 and 2.10.

Finally, the parties submit that given Respondent's recognition of wrongdoing, along with his conduct in attempting to rectify the harm he caused, the stipulated discipline and probationary conditions in this matter are sufficient to assure that Respondent will conform his future conduct to ethical standards, and therefore, protect the public, courts and profession. This is consistent with Standard 1.3.

## SIGNATURE OF THE PARTIES

By their signatures below, the parties and their counsel, as applicable, signify their agreement with each of the recitations and each of the terms and conditions of this Stipulation Re Fact, Conclusions of Law and Disposition.

6/25/10	Mont Imward	Scott B. Hayward
Date	Respondent's Signature	Print Name
-628		
Date	Respondent's Counsel Signature	Print Name
6/28/10	Inga I had	Suzan J. Anderson
Date	Deputy Prial Counsel's ≸ignature	Print Name •

In the Matte		Case Number(s): 10-O-00132, et seq.
30011 B.	11A 1 WARD, #130302	10-0-00 102, 01 004.
	0	RDER
	ERED that the requested dismissal	and that it adequately protects the public, of counts/charges, if any, is GRANTED without
	The stipulated facts and dispositio RECOMMENDED to the Supreme	n are APPROVED and the DISCIPLINE Court.
		on are APPROVED AS MODIFIED as set forth ECOMMENDED to the Supreme Court.
	All Hearing dates are vacated.	
The second is	a are beyond by the etimyletics on on	proved unless: 1) a motion to withdraw or modify
the stipular or further of effective of	ation, filed within 15 days after service modifies the approved stipulation. (\$	proved unless: 1) a motion to withdraw or modify be of this order, is granted; or 2) this court modifies See rule 135(b), Rules of Procedure.) <b>The</b> active date of the Supreme Court order herein, 1.18(a), California Rules of Court.)
07	-13-10	CI A
Date		Judge of the State Bar Court
		RICHARD A. PLATEL

Form approved by SBC Executive Committee. (Rev. 5/5/05; 12/13/2006.)

## CERTIFICATE OF SERVICE

[Rule 62(b), Rules Proc.; Code Civ. Proc., § 1013a(4)]

I am a Case Administrator of the State Bar Court of California. I am over the age of eighteen and not a party to the within proceeding. Pursuant to standard court practice, in the City and County of Los Angeles, on July 15, 2010, I deposited a true copy of the following document(s):

STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION AND ORDER APPROVING

in a sealed envelope for collection and mailing on that date as follows: by first-class mail, with postage thereon fully prepaid, through the United States Postal  $\boxtimes$ Service at Los Angeles, California, addressed as follows: **SCOTT B HAYWARD** HAYWARD LAW GROUP PC **101 PACIFICA STE 100 IRVINE CA 92618** by certified mail, No. , with return receipt requested, through the United States Postal Service at , California, addressed as follows: by overnight mail at , California, addressed as follows: by fax transmission, at fax number . No error was reported by the fax machine that I used. By personal service by leaving the documents in a sealed envelope or package clearly labeled to identify the attorney being served with a receptionist or a person having charge of the attorney's office, addressed as follows: by interoffice mail through a facility regularly maintained by the State Bar of California  $\boxtimes$ addressed as follows: SUZAN ANDERSON, Enforcement, Los Angeles I hereby certify that the foregoing is true and correct. Executed in Løs Angeles, California, on July 15, 2010.

> Angela Owens-Carpenter Case Administrator State Bar Court