

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 54683 / November 1, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12469

In the Matter of

**SALVATORE FAVATA (aka
Sam Favata),**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF
1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Salvatore Favata (aka Sam Favata) (“Favata”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Favata, age 46, is a resident of Yorba Linda, California. From December 2002 until April 2006 Favata was the president of National Consumer Mortgage LLC's ("NCM") investment division. During the relevant period, Favata engaged in the unregistered offer and sale of so-called "private money investment notes." Favata was not registered in any capacity with the Commission or the NASD.

2. On October 19, 2006, a final judgment was entered by consent against Favata, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Salvatore Favata, Civil Action Number SACV06-943 JVS (ANx), in the United States District Court for the Central District of California.

3. The Commission's complaint alleged that, in connection with the sale of "private money investment notes," Favata falsely told investors that their money would be used to fund high interest rate residential mortgage loans, that they would receive annual interest payments between 30-60 percent of their original investment, and that the loans underlying the notes would be secured by real property. In reality, Favata used investor funds to pay returns to existing investors in a Ponzi-scheme fashion, to pay operating expenses of NCM's more conventional mortgage brokerage business and to pay Favata's gambling debts which amounted to more than \$10 million. The complaint also alleged that Favata sold unregistered securities and acted as an unregistered broker-dealer.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Favata's Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Favata be, and hereby is barred from association with any broker or dealer. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the

conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Nancy M. Morris
Secretary