EFFICIENT SERVICES ESCROW GROUP

On February 28, 2013, the Department issued an order that froze the escrow activity of Efficient Services Escrow Group when it was learned that unauthorized wires had been transferred from two of its trust accounts. The company was given the opportunity to correct the trust shortage, but did not provide proof of correction. In order to start the process of releasing funds to customers with funds on deposit, on March 8, 2013 the Department issued additional orders to appoint a conservator. The conservator is Peter Davidson of Ervin, Cohen & Jessup LLP. At this time it is unknown when funds will be released and at what percentage. More information will become available once the conservator is able to fully assess the situation.

Q. How much is the trust shortage and what caused it?

A. The cause of the trust account shortage is under investigation. Initially, it was thought that the company was the victim of an internet "hacker". All possibilities are being considered.

What is known is that on three separate dates, funds totaling $1,558,339 were wired out of the trust accounts without authorization. These wires do not appear to be associated with any escrows processed by the company. One of the wires was retrieved, lowering the shortage amount to approximately $1.1 million.

Q. How can escrows opened with Efficient Services Escrow Group be processed?

A. Efficient Services Escrow Group is unable to process escrow transactions. Escrow files will have to be transferred to other escrow companies. For sale transactions, both buyers and sellers must agree on the successor escrow companies that will close the transactions. The conservator will transfer remaining files to companies willing to accept them. If there are funds on deposit with Efficient Services Escrow Group, these cannot be transferred until released by the conservator.

Q. When will the funds be available?

A. The exact timeframe for disbursement is unknown. Before funds can be disbursed, the conservator must reconcile the total funds available with the potential claims. Once this is done, he will determine whether a partial or full release can be made on a pro rata basis.

Q. Will customers receive all of the funds due them?

A. No. Every effort will be made to return the highest percentage available, but unless the trust account shortage is cured, customers will not receive all of their funds.

Q. How do escrow companies that accepted transferred files from Efficient Services Escrow Group access the funds that were on deposit before the action was taken by the Department of Corporations?

A. Until the conservator is in position to release the funds, the parties will have to determine for themselves how to account for the funds on deposit with Efficient Services Escrow Group. This may include the redeposit of funds from the buyer. The successor escrow company must keep in mind the escrow laws and rules when closing these transactions; meaning, they can't close short and any change in terms must be conveyed to all parties, including the lenders. Once the conservator is in position to disburse funds, the funds will be transferred to the successor escrow company for distribution to the appropriate party.

Q. A check received from Efficient Services Escrow Group and deposited into my account was returned by the bank. Why did this happen since it was issued before the Department froze the accounts?

A. Once the order was put in place, all activity on the account was stopped. Checks not paid by the bank before the Department's action was taken, will be handled through the claims process.

Q. Are escrow companies insured?

A. Escrow companies that process escrow transactions similar to Efficient Services Escrow Group are bonded for trust fund shortages that are caused by the officers or employees of the escrow company. Additional information is required to determine whether this shortage is covered under the provisions of the bond.

Q. What is the claims process?

A. The conservator has access to the company's records; therefore, he has deposit and outstanding check information. The open files will be transferred to escrow companies willing to process them. When the funds on deposit with Efficient Services Escrow Group are ready to be disbursed, the funds will be transferred to the successor escrow companies. Funds associated with unpaid checks will be forwarded to the payees by the conservator.

Q. Where can I get more information about the actions taken by the Department of Corporations?

A. The orders issued by the Department are posted on its website at www.corp.ca.gov.

The Department will continue to provide updates as more information becomes available.