MARY ANN SMITH
Deputy Commissioner
JUDY L. HARTLEY (CA BAR NO. 110628)
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Department of Corporations
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Attorneys for Complainant

BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, Complainant, vs. EFFICIENT SERVICE ESCROW GROUP, Respondent.	File No.: 963-2549 NOTICE AND SUMMARY OF FINDINGS PURSUANT TO CALIFORNIA FINANCIAL CODE SECTION 17621

TO: EFFICIENT SERVICES ESCROW GROUP
19671 Beach Boulevard, Suite 207
Huntington Beach, California 92648

FIRST FOUNDATION BANK
18101 Von Karman Avenue, Suite 750
Irvine, California 92612

Please take notice that the Commissioner of Corporations of the State of California finds:

1. Efficient Services Escrow Group ("Respondent"), is an escrow agent holding a valid and unrevoked license issued by the Commissioner of Corporations of the State of California ("Commissioner"), pursuant to the Escrow Law of the State of California (California Financial Code sections 17000).

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2. On or about February 25, 2013, the Commissioner received information from Escrow Agent's Fidelity Corporation ("EAFC"), the fidelity insurer for the independent escrow industry, that Respondent had notified EAFC on or about February 22, 2013 that Respondent had suffered shortages in its trust accounts totaling $1,558,339.00. Based upon such information, the Commissioner, by and through staff, commenced a special examination of the books and records of Respondent on or about February 26, 2013.

3. The special examination disclosed that Respondent had shortages in its two trust accounts totaling $1,558,339.00. The special examination disclosed that the shortages were apparently caused by "cyber theft" when funds on deposit in the trust accounts of Respondent were wired out of the country. The respective dates and amounts of the unauthorized wires were December 17, 2012 in the amount of $432,215.00, January 24, 2013 in the amount of $563,112.00, and January 30, 2013 in the amount of $563,112.00.

4. At the time the unauthorized wires occurred in January 2013, Respondent was in violation of Financial Code section 17404 and California Code of Regulations, title 10, section 1732.2(a)(3), which require escrow agent licensees to reconcile their trust account(s) on a monthly basis. The December 31, 2012 bank account statement for the trust account ending in 2416 clearly showed the unauthorized wire in the amount of $432,215.00 on December 17, 2012.

5. The regulatory examination of Respondent recently completed in September 2012 disclosed that Respondent was not maintaining its books and records in accordance with the requirements of the Escrow Law, in particular, its trust account books and records. The Department of Corporations' examiner discussed the violations of the Escrow Law with respect to the maintenance of proper books and records with Respondent during an exit conference. Respondent had been previously warned during its regulatory examination in 2009 regarding its then failure to maintain proper books and records.

6. Based upon the findings of the special examination, on or about February 26, 2013, the Commissioner made written demand to Respondent to cure the $1,558,339.00 shortage in the trust accounts no later than close of business February 27, 2013. Respondent failed to cure the shortage by close of business February 27, 2013 causing the Commissioner to issue an Order to

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Discontinue Escrow Activities Pursuant to California Financial Code Section 17415 against Respondent on February 28, 2013..

7. Respondent has had seven business days since it was served with the Order to Discontinue Escrow Activities to cure the trust account shortages. Notwithstanding, only $432,215.00 of the shortage has been cured when Respondent's bank was able to retrieve the funds from the December 17, 2012 wire. However, trust account shortages totaling $1,126,224.00 remain.

8. Financial Code section 17621 provides in pertinent part:

> Whenever it appears to the Commissioner that any escrow agent subject to this division:
> ...
> (b) Is conducting escrow business in an unsafe and unauthorized manner;
>
> (c) Has violated its charter or any law of the State of California;
> ...
> the commissioner shall dispatch a written notice and summary of findings, as referred to in Section 17415, to the principal officer of the escrow agent involved or to its manager of record; and such escrow agent shall be afforded a reasonable opportunity to comply or otherwise effect such remedy as the commissioner may deem acceptable. However, should the escrow agent so notified fail to comply within five days of receipt of the notice, or as soon as it appears to the commissioner that no compliance is possible, or in the event prompt delivery of the prescribed written notice is impossible, the commissioner may forthwith take possession of the property and business of such escrow agent and retain possession until such escrow agent resumes business or its affairs be finally liquidated as provided in this chapter. The escrow agent, with the consent of the commissioner, may resume business upon such conditions as the commissioner may prescribe.

9. Based upon the foregoing, the Commissioner finds that Respondent has violated Financial Code section 17404 and California Code of Regulations, title 10, section 1732.2, is conducting escrow business in an unsafe and unauthorized manner, and that no compliance is possible.

10. Pursuant to Financial Code sections 17621 and 17630, it is also necessary that a conservator be appointed as specified in the accompanying Order Appointing Peter A. Davidson As Conservator Pursuant to California Financial Code Section 17630.

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Dated: March 7, 2013
Los Angeles, CA

JAN LYNN OWEN
Commissioner of Corporations

By_____
Judy L. Hartley
Senior Corporations Counsel
Enforcement Division

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