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6 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of the Accusation of THE) File No.: 963-1752
COMMISSIONER OF BUSINESS)
12 OVERSIGHT,) ACCUSATION
13)
Complainant,)
14)
vs.)
15)
16 CHRISTINE CHUNG,)
Respondent.)
17)
18)
19)

20 The Complainant is informed and believes, and based upon such information and belief,
21 alleges and charges Respondent as follows:

22 I

23 Respondent Christine Chung ("Chung") is, and was at all times relevant herein, the president
24 and one-third shareholder of United Escrow Company ("United"), an escrow agent licensed by the
25 California Commissioner of Business Oversight ("Commissioner" or "Complainant") pursuant to the
26 Escrow Law of the State of California (California Financial Code Section 17000 et seq.). United
27 has its principal place of business located at 3440 Wilshire Boulevard, Suite 600, Los Angeles,
28 California 90010. United has two branch locations at 6281 Beach Boulevard, Suite 100, Buena

1 Park, California 90621 and 3600 Wilshire Boulevard, Suite 913, Los Angeles, California 90010.

2 II

3 On or about May 3, 2012, the Commissioner, by and through staff, commenced a regulatory
4 examination of the books and records of United. The regulatory examination disclosed that United,
5 by and through Chung, had made unauthorized disbursements to United in at least forty (40) escrows
6 totaling \$37,175.68 between May 2010 and May 2012 in violation of Financial Code section
7 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. Each of the
8 unauthorized disbursements of trust funds also caused a shortage to exist in the trust account in
9 violation of California Code of Regulations, title 10, section 1738.1.

10 Thirty-five (35) of the unauthorized disbursements to United totaling \$35,054.63 represented
11 dormant trust funds that should have been escheated to the State Controller pursuant to the
12 Unclaimed Property Law, Code of Civil Procedure, section 1500 et seq. In five (5) of these escrows,
13 the unauthorized disbursements to United, which totaled \$2,658.85, were re-issuances of
14 unauthorized dormant trust funds to United that United had been instructed by the Commissioner to
15 replace to the trust funds during a special examination commenced on May 5, 2008. A spreadsheet
16 detailing the unauthorized disbursements involving dormant trust funds is attached and incorporated
17 herein as Exhibit A.

18 The remaining five unauthorized disbursements totaling \$2,121.05 involved United
19 overstating vendor invoices on the closing statements and/or cancelation instructions in violation of
20 Financial Code section 17414(a)(2), and then disbursing the overstated amount to United in violation
21 of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738
22 and 1738.2. The Buena Park branch manager represented that taking extra fees in this manner in
23 bulk sale transactions was a company policy, which Chung later confirmed. These five unauthorized
24 disbursements along with the falsification of escrow records to cover up the unauthorized
25 disbursements are as follows:

26 1. Escrow Number 71708-BA – closed on 10-28-11:

27 On or about October 28, 2011, United inflated the charges from First Corporate Solutions on
28 the closing statements by \$400.00. Thereafter, on or about November 2, 2011, United disbursed the

1 \$400.00 to itself via a transfer to its fee account.

2 2. Escrow Number 71720-BA – closed on 2-10-12:

3 On or about February 10, 2012, United inflated the charges from First Corporate Solutions on
4 the closing statements by \$675.05. Thereafter, on or about February 13, 2012, United disbursed the
5 \$675.05 to itself via a transfer to its fee account.

6 3. Escrow Number 71743-BA – closed on 2-28-12:

7 On or about February 28, 2012, United inflated the charges from First Corporate Solutions on
8 the closing statements by \$466.00. Thereafter, on or about March 7, 2012, United disbursed the
9 \$466.00 to itself via a transfer to its fee account.

10 4. Escrow Number 53509-RK – closed on 2-22-12:

11 On or about February 22, 2012, United inflated the charges from First Corporate Solutions on
12 the closing statements by \$300.00. Thereafter, on or about February 22, 2012, United disbursed the
13 \$300.00 to itself via a transfer to its fee account.

14 5. Escrow Number 53601-TL – closed on April 24, 2012:

15 On or about March 13, 2012, United inflated the charges from First Corporate Solutions on
16 the cancelation instruction by \$300.00. Thereafter, on or about April 24, 2012, United disbursed the
17 \$300.00 to itself via a transfer to its fee account.

18 III

19 The May 3, 2012 regulatory examination disclosed that seventeen of the twenty-three escrow
20 files (or 73.9%) initially examined during the dormant escrow review had unauthorized
21 disbursements. As a result, on or about December 20, 2012, United, through Chung, was required to
22 conduct a global review of dormant escrow files for unauthorized fees for the period of December 1,
23 2009 through December 1, 2012. On or about March 13, 2013, Chung represented that the global
24 review had been completed and no further unauthorized fees were found. A review by the
25 Commissioner’s staff of four of the escrow files included in the global review period revealed
26 unauthorized disbursements of dormant trust funds to United in all four escrows. When the
27 sampling was expanded to include another ten files, the review disclosed unauthorized
28 disbursements of dormant trust funds to United in nine of the ten escrow files. Accordingly, Chung

1 violated Financial Code section 17703(b) when she represented that there were no further
2 unauthorized disbursements of dormant trust funds to United.

3 IV

4 United maintains a separate trust account for funds that need to be escheated to the State
5 Controller under the Unclaimed Property Law. United does not maintain a ledger for its escheat
6 trust account, but a report listing all the trust funds to be escheated. During the regulatory
7 examination, a review regarding the dormant trust funds that were to be escheated by United from
8 the May 5, 2008 special examination was conducted. The review disclosed that funds to be
9 escheated from twenty-two escrows were not on the escheat report. United, through Chung, was
10 requested to provide the reconciliation for the escheat trust account for May 31, 2012 in order to
11 determine what may have happened to these trust funds that were to be escheated. Pursuant to
12 Financial Code section 17404 and California Code of Regulations, title 10, section 1732.2, United is
13 required to reconcile all its trust accounts on a monthly basis. United and Chung did not provide a
14 reconciliation for the escheat trust account until on or about May 6, 2013, which report covered the
15 period ending on April 30, 2013.

16 V

17 California Financial Code section 17423 provides in pertinent part:

18 (a) The commissioner may, after appropriate notice and opportunity
19 for hearing, by order, . . . bar from any position of employment,
20 management, or control any escrow agent, or any other person, if the
21 commissioner finds either of the following:

22 (1) That the . . . bar is in the public interest and that the person has
23 committed or caused a violation of this division or rule or order of
24 the commissioner, which violation was either known or should have
25 been known by the person committing or causing it or has caused material
26 damage to the escrow agent or to the public.

25 VI

26 Complainant finds that, by reason of the foregoing, Respondent Christine Chung has violated
27 or caused the violations of Financial Code sections 17404, 17414(a)(1) and 17414(a)(2) and
28 California Code of Regulations, title 10, sections 1732.2, 1738, 1738.1, and 1738.2 and it is in the

1 best interests of the public to bar Respondent Christine Chung from any position of employment,
2 management or control of any escrow agent.

3 WHEREFORE, IT IS PRAYED that Respondent Christine Chung be barred from any
4 position of employment, management or control of any escrow agent.

5 Dated: July 9, 2014
6 Los Angeles, CA

JAN LYNN OWEN
Commissioner of Business Oversight

7 By _____
8 Judy L. Hartley
9 Senior Corporations Counsel
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