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8 Attorneys for Complainant

10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

12 In the Matter of the Accusation of)
13 THE COMMISSIONER OF BUSINESS) ORDER BARRING REBECCA PUGEDA
OVERSIGHT,) FROM ANY POSITION OF EMPLOYMENT,
14) MANAGEMENT OR CONTROL OF ANY
15 Complainant,) ESCROW AGENT
16 vs.)
17 REBECCA PUGEDA,)
18)
19 Respondent.)

21 The Commissioner of Business Oversight (“Commissioner”) finds that:

22 1. Rebecca Pugeda (“Pugeda”) was at all times relevant herein employed as an escrow
23 officer at Foundation Escrow Company (“Foundation”). Foundation is an escrow agent licensed by
24 the Commissioner pursuant to the Escrow Law of the State of California (California Financial Code
25 Section 17000 et seq.). Foundation has its place of business located at 2635 Camino Del Rio South,
26 Suite 204, San Diego, CA 92108.

27 2. On November 12, 2013, the Department of Business Oversight (“Department”)
28 commenced a regulatory examination of Foundation. The examination revealed the following:

1 3. From December 2009 through March 2010, Pugeda knowingly or recklessly processed
2 fraudulent double escrows on four short-sale properties by closing concurrent escrows. The double
3 escrows were performed when the straw buyer contracted to buy the property at a certain price, and
4 simultaneously contracted to sell the property to a legitimate buyer at an inflated price. Only the first
5 transaction was disclosed to the short-sale lender. A second purchase agreement between the straw
6 buyer (who would also be the straw seller in the second transaction) and the legitimate buyer was
7 processed simultaneously without being disclosed to the short-sale lender. The second transaction
8 would be at a higher price than the short-sale lender agreed to in the first transaction. Once escrow
9 closed on the second transaction for that property, the straw buyer would use those funds to purchase
10 the property for a lower price in the first transaction.

11 4. Pugeda failed to follow the written escrow instructions in all of these transactions. The
12 second transaction on each of the properties (from the straw seller to the legitimate buyer) directly
13 violated each short-sale lender's instructions.

14 5. Foundation received double escrow fees on each property as a result of these
15 transactions.

16 6. The Commissioner obtained and reviewed the effected escrow files. Pugeda, who was
17 the escrow officer in all eight transactions, violated California Financial Code section 17414 and
18 California Code of Regulations, title 10, section 1738.2 in the manner more fully described below:

19 a. Escrow Nos.: 15064-BP and 15290-BP:

20 This was a short-sale transaction involving the property located at 1303 West Muirlands
21 Drive, La Jolla, CA 92037. Escrow No. 15064-BP was a short sale transaction between the seller and
22 straw buyer. The second transaction in the double escrow, Escrow No. 15290-BP, was between the
23 straw seller and the buyer. The straw buyer in Escrow No. 15064-BP was the straw seller in Escrow
24 No. 15290-BP. The straw buyer/seller contracted to buy this property at \$860,500.00, and
25 simultaneously contracted the sale of this property to the buyer at an inflated price of \$929,000.00.
26 The funds used to purchase this property were from the sale proceeds of Escrow No. 15290-BP. The
27 Affidavit of "Arm's Length Transaction" that was signed by the straw buyer and the actual seller
28 states that "If the Buyer intends on performing a simultaneous closing (a/k/a flip), such a transaction

1 shall take place only if the re-conveyance is of equal or lesser value as to the current sales price
2 indicated in the Sales Contract.” Contrary to this statement, the re-conveyance in Escrow No. 15290-
3 BP was \$68,500.00 higher than the sales price in the original short-sale transaction, Escrow No.
4 15064-BP. Pugeda closed escrows on Escrow No. 15064-BP and Escrow No. 15290-BP on January
5 29, 2010. Additionally, Pugeda failed to follow the written escrow instructions.

6 b. Escrow Nos.: 15144-BP and 15402-BP:

7 This is a short-sale transaction involving the property located at 2783 Sutter Ridge Drive,
8 Chula Vista, CA 91915. Escrow No. 15144-BP was a short sale transaction between the sellers and
9 straw buyer. The second transaction in the double escrow, Escrow No. 15402-BP, was between the
10 straw seller and the buyer. The straw buyer in Escrow No. 15144-BP was the straw seller in Escrow
11 No. 15402-BP. The straw buyer/seller contracted to buy this property at \$625,000.00, and
12 simultaneously contracted the sale of this property to a legitimate buyer at an inflated price of
13 \$750,000.00. The funds used to purchase this property were from the sale proceeds of Escrow No.
14 15402-BP. The short-sale acceptance letter states that this transaction is between the seller and buyer
15 as indicated on certified HUD1. “Any unauthorized title transfer or change of buyer(s) will be a
16 violation of this demand, making it immediately null and void.” Contrary to this statement, the
17 property was resold in Escrow No. 15402-BP for an inflated price one day after Escrow No. 15144-
18 BP closed. Pugeda closed escrows on Escrow No. 15144-BP and Escrow No. 15402-BP on March
19 18, 2010 and March 19, 2010, respectively. Additionally, Pugeda failed to follow the written escrow
20 instructions.

21 c. Escrow Nos.: 15268-BP and 15325-BP:

22 This was a short-sale transaction involving the property located at 64355 Eagle Mountain
23 Avenue, Desert Hot Springs, CA 92240. Escrow No. 15268-BP was a short sale transaction between
24 the sellers and straw buyer. The second transaction in the double escrow, Escrow No. 15325-BP, was
25 between the straw seller and the buyers. The straw buyer in Escrow No. 15268-BP was the straw
26 seller in Escrow No. 15325-BP. The straw buyer/seller contracted to buy this property at
27 \$125,000.00, and simultaneously contracted the sale of this property to a buyer at an inflated price of
28 \$145,000.00. The funds used to purchase this property were from the sale proceeds of Escrow No.

1 15325-BP. Pugeda closed escrows on Escrow No. 15268-BP and Escrow No. 15325-BP on March
2 19, 2010 and March 22, 2010, respectively. Additionally, Pugeda failed to follow the written escrow
3 instructions of the lender.

4 d. Escrow Nos.: 15012-BP and 15014-BP:

5 This was a short-sale transaction involving the property located at 7073 Appian Drive, Unit B,
6 San Diego, CA 92139. Escrow No. 15012-BP was a short sale transaction between the sellers and
7 straw buyers. The second transaction in the double escrow, Escrow No. 15014-BP, was between the
8 straw seller and the buyers. The straw buyers in Escrow No. 15012-BP were the straw sellers in
9 Escrow No. 15014-BP. The straw buyers/sellers contracted to buy this property at \$121,500.00, and
10 simultaneously contracted the sale of this property to a legitimate buyer at an inflated price of
11 \$150,000.00. The funds used to purchase this property were from the sale proceeds of Escrow No.
12 15402-BP. Pugeda closed escrows on Escrow No. 15144-BP and Escrow No. 15402-BP on
13 December 14, 2009. Finally, Pugeda failed to follow the written escrow instructions of the lender.

14 7. On September 19, 2014, the Commissioner issued a Notice of Intention to Issue Order
15 Pursuant to California Financial Code Section 17423 (Bar From Employment, management or
16 Control of Any Escrow Agent), Accusation and accompanying documents against Pugeda based upon
17 the above described findings. Puged was personally served with those documents on September 20,
18 2014.

19 8. The Commissioner has received no request for a hearing from Pugeda, and the time
20 period in which to request a hearing pursuant to Financial Code section 17423(b) has expired.

21 9. The above described violations constitute grounds under California Financial Code
22 section 17423 to bar a person from any position of employment, management or control of any
23 escrow agent.

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THEREFORE, it is hereby ordered that Rebecca Pugeda is barred from any position of employment, management or control of any escrow agent. This Order is effective as of the date hereof.

Dated: October 10, 2014
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division