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

11 In the Matter of)	ESCROW LICENSE NO. 9632610
12 THE COMMISSIONER OF BUSINESS)	ACCUSATION TO REVOKE ESCROW
13 OVERSIGHT,)	
14 Complainant,)	
15 v.)	
16 MASTER ESCROW, INC.,)	
17 Respondent.)	AGENT'S LICENSE PURSUANT TO
)	FINANCIAL CODE SECTION 17608
)	
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20 Jan Lynn Owen, the California Commissioner ("Commissioner") of Business Oversight,
21 alleges and charges as follows:

22 **I. INTRODUCTION**

23 1. Master Escrow, Inc. ("Master Escrow") is an escrow agent licensed by the California
24 Department of Business Oversight ("Department") pursuant to the Escrow Law of the State of
25 California (California Financial Code Section 17000, *et seq.*) ("Escrow Law").

26 2. Master Escrow received its escrow agent's license on May 20, 2010.

27 3. Master Escrow is an active status California corporation with its principal place of
28 business located at 237-A North Central Avenue, Number 203, Glendale, California 91203.

1 Previously, Master Escrow's principal place of business was at 315 West Arden Avenue, Suite 20,
2 Glendale, California 91203.

3 4. The Commissioner now seeks to revoke the escrow agent's license issued to Master
4 Escrow for violations of the Escrow Law, as set forth more fully below.

5 **II. MASTER ESCROW FAILS TO FILE ANNUAL REPORT FOR 2012**

6 5. Pursuant to Financial Code section 17406, all licensees under the Escrow Law are
7 required to file an annual report containing audited financial statements ("Annual Report") within one
8 hundred and five days after their chosen fiscal year end.

9 6. The chosen fiscal year end for Master Escrow was December 31.

10 7. Accordingly, Master Escrow was required to file its annual report for its 2012 fiscal
11 year on or before April 15, 2013.

12 8. On November 5, 2012, the Department sent Master Escrow a letter advising it that its
13 annual report for 2012 was due no later than April 15, 2013.

14 9. Despite the advisement, the Department did not receive Master Escrow's annual report
15 for its 2012 fiscal year end on or before April 15, 2013.

16 10. Consequently, on or about April 25, 2013, the Department sent Master Escrow a letter
17 notifying it that the Department had not received Master Escrow's 2012 annual report. The
18 Department's letter notified Master Escrow that, if Master Escrow did not submit its 2012 annual
19 report by May 6, 2013, Master Escrow would be assessed a \$100 penalty per day for the first five
20 days, and up to a \$500 penalty per day for each day thereafter until the report was received pursuant
21 to Financial Code section 17408. The Department's letter further notified Master Escrow that the
22 failure to file its annual report may result in a special examination of the company, which would be
23 billed to Master Escrow at the standard hourly rate under Financial Code section 17405.1, and may
24 result in the Commissioner revoking Master Escrow's escrow agent's license.

25 11. Again, despite the notification and penalty assessment warning, Master Escrow failed
26 to file its required annual report on or before May 6, 2013.

27 12. As a result, penalties for Master Escrow's failure to file its annual report for 2012
28 began accruing on May 6, 2013. (Financial Code § 17408.)

1 13. As of the date of this Accusation, Master Escrow has yet to file its annual report for
2 2012 with the Department.

3 **III. MASTER ESCROW FAILS TO PAY INVOICE FOR SPECIAL EXAMINATION**

4 14. On January 7, 2014, the Commissioner commenced a special examination of Master
5 Escrow due, at least in part, to Master Escrow’s failure to timely submit its annual report for 2012
6 (“Special Examination”). The Special Examination ended on February 6, 2014.

7 15. Pursuant to Financial Code section 17405.1, licensees shall pay for inspections and
8 examinations conducted by the Commissioner. Financial Code section 17608 provides that failure to
9 comply with Financial Code section 17405.1 can result in license revocation.

10 16. On May 19, 2014, the Department issued Master Escrow an invoice for the cost of the
11 Special Examination in the amount of \$5,787.95.

12 17. On June 30, 2014, the Department sent Master Escrow a letter informing Master
13 Escrow that its payment for the Special Examination was past due and warned that failure to pay the
14 invoice could result in suspension or revocation of Master Escrow’s license pursuant to Financial
15 Code section 17608.

16 18. On July 31, 2014, the Department sent Master Escrow another letter informing Master
17 Escrow that its payment for the Special Examination was past due. The Department’s letter also
18 informed Master Escrow that, if the invoice was not paid within 10 business days, the Department
19 would seek collection on the invoice from Master Escrow’s surety bond and could initiate an action
20 to suspend or revoke Master Escrow’s license.

21 19. As of the date of this Accusation, Master Escrow has yet to pay the invoice for the
22 Department’s Special Examination.

23 **IV. MASTER ESCROW FAILS TO SUBMIT CLOSING AUDIT REPORT**

24 20. On January 13, 2014, The Department received a letter from Master Escrow in which
25 Master Escrow declared its desire to surrender its escrow agent’s license. Enclosed in the letter were
26 Master Escrow’s escrow agent’s license and an apparent joint resolution of Master Escrow’s board of
27 director declaring Master Escrow’s desire to surrender its license and exit the escrow industry.

28 21. Pursuant to Financial Code section 17600, a licensee can only surrender their escrow
agent’s license if: (1) the licensee informs the Commissioner of their desire in writing while

1 tendering their license; and (2) the licensee submits a closing audit report within 105 days of the
2 written notice to the Commissioner. An escrow agent's license is not surrendered until the
3 Commissioner reviews and accepts the closing audit report, determines that the surrender is in the
4 public interest, and accepts tender of the license in writing.

5 22. In response to Master Escrow's letter of January 13, 2014, the Department sent Master
6 Escrow a letter on February 3, 2014, in which the Department informed Master Escrow of the license
7 surrender requirements of Financial Code section 17600, including Master Escrow's obligation to
8 submit a closing audit within 105 days from the date on which Master Escrow provided written
9 notice of its desire to surrender to the Department. The Department also informed Master Escrow
10 that merely returning the license to the Department did not constitute an effective surrender.

11 23. On May 19, 2014, the Department sent another letter to Master Escrow in which the
12 Department noted that it had not yet received Master Escrow's closing audit and informed Master
13 Escrow that the Department would proceed with revoking Master Escrow's license unless Master
14 Escrow submitted its closing audit by May 29, 2014.

15 24. As of the date of this Accusation, Master Escrow has yet to submit a closing audit
16 report to the Commissioner.

17 V. APPLICABLE LAW

18 25. Financial Code section 17405.1 provides, in pertinent part:

19 The cost of every inspection and examination of a licensee or other person
20 subject to this division shall be paid to the commissioner by the licensee or
21 person examined, and the commissioner may maintain an action for the
22 recovery of these costs in any court of competent jurisdiction.

23 26. Financial Code section 17406, subdivision (a) provides, in pertinent part:

24 Each licensee shall submit to the commissioner, at the licensee's own
25 expense, an audit report containing audited financial statements covering
26 the calendar year or, if the licensee has an established fiscal year, then for
27 that fiscal year, within 105 days after the close of the calendar or fiscal
28 year, as applicable.

27 27. Financial Code section 17600 provides:

(a) An escrow agent's license remains in effect until surrendered, revoked,
or suspended.

(b) A licensee that ceases to engage in the business regulated by this
division and desires to no longer be licensed shall notify the commissioner

1 in writing and, at that time, tender the license and all other indicia of
2 licensure to the commissioner. Within 105 days of the written notice to the
3 commissioner, the licensee shall submit to the commissioner, at its own
4 expense, a closing audit report as of the date the license is tendered to the
5 commissioner for surrender, or for another period as the commissioner
6 may specify, to be performed by an independent certified public
7 accountant. The closing audit shall include, but not be limited to,
8 information required by the commissioner, a bank reconciliation of the
9 trust account, and a verified statement from a certified public accountant
10 confirming lawful disbursement of funds. A license is not surrendered
11 until the commissioner has reviewed and accepted the closing audit report,
12 a determination has been made by the commissioner that acceptance of
13 the surrender is in the public interest, and tender of the license is
14 accepted in writing by the commissioner.

28. Financial Code section 17602.5 provides, in pertinent part:

If any licensed escrow agent fails to make any reports required by law or
by the commissioner within ten (10) days from the date designated for the
making of the reports, or within any extension of time granted by the
commissioner, . . . such failure shall constitute grounds for the suspension
or revocation of the license held by such escrow agent.

29. Financial Code section 17608 provides, in pertinent part:

The commissioner may, after notice and a reasonable opportunity to be
heard, suspend or revoke any license if he finds that:

(b) The licensee has violated any provision of this division or any rule
made by the commissioner under and within the authority of this division.

IV. PRAYER

The Commissioner finds that, by reason of the foregoing, Master Escrow, Inc. has violated
Financial Code sections 17405.1, 17406, and 17600, and that it is in the best interests of the public to
revoke the escrow agent's license of Respondent Master Escrow, Inc.

WHEREFORE, IT IS PRAYED that the MASTER ESCROW, INC.'s escrow agent's license
be revoked, pursuant to Financial Code section 17608.

Dated: March 9, 2015

JAN LYNN OWEN
California Commissioner of Business Oversight

By: _____
MARY ANN SMITH
Deputy Commissioner