

1 MARY ANN SMITH  
Deputy Commissioner  
2 DOUGLAS M. GOODING  
Assistant Chief Counsel  
3 LINDSAY BROOKE HERRICK  
Counsel (State Bar No. 224986)  
4 DEPARTMENT OF BUSINESS OVERSIGHT  
1515 K Street, Suite 200  
Sacramento, California 95814  
5 Telephone: (916) 445-3682  
6 Facsimile: (916) 445-6985

7 Attorneys for Complainant

12 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
13 OF THE STATE OF CALIFORNIA

15 In the Matter of: ) Escrow License No. 963-0409  
16 THE COMMISSIONER OF BUSINESS )  
OVERSIGHT, ) **ACCUSATION SUPPORTING**  
17 ) **REVOCAION OF LICENSE**  
18 Complainant, )  
19 v. )  
20 SERVICE ESCROW COMPANY, )  
Respondent. )

22 The Commissioner of the Department of Business Oversight (“Commissioner”,  
23 “Department” or “Complainant”) is informed and believes, and based upon such information and  
24 belief, alleges and charges Respondent Service Escrow Company (“Respondent”) as follows:

25 **I.**  
26 **FACTS**

27 Respondent is an escrow agent licensed by the Commissioner pursuant to the Escrow Law  
28 (Fin Code, § 17000 et seq.) on April 4, 1972 and maintained a business address of 2537 Honolulu

1 Avenue, Montrose, California and/or 4601 Wilshire Boulevard, Suite 240, Los Angeles,  
2 California. By letter dated September 15, 2010, Respondent notified the Commissioner that it was  
3 surrendering its escrow agent’s license and enclosed its original escrow license for surrender. On  
4 October 13, 2010, the Department sent by certified mail, instructions to Respondent regarding the  
5 requirements to surrender its escrow agent’s license, including that it submit a closing audit  
6 prepared by a Certified Public Accountant within 105 days from September 15, 2010 which  
7 reviews the trust account bank reconciliation and determines that all disbursements from  
8 remaining trust funds have been properly authorized. No closing audit, however, was ever filed by  
9 Respondent in order to effectively surrender the license.

10 On September 16, 2010, Respondent’s surety bond expired and no replacement bond was  
11 ever submitted to the Commissioner. Pursuant to Financial Code section 17415, the  
12 Commissioner therefore issued an Order to Discontinue Escrow Activities (“Order”) to  
13 Respondent on September 16, 2010 ordering it to immediately discontinue acceptance of any new  
14 escrow or joint control business, and of money, documents or other property in connection  
15 therewith. Respondent never challenged the Order.

16 **II.**

17 **VIOLATIONS OF THE ESCROW LAW AND AUTHORITY TO SACTION**

18 Respondent’s failures to file a closing audit report and maintain surety bond coverage  
19 violate requirements under the Escrow Law. Financial Code section 17600, subdivision (b),  
20 provides in pertinent part:

21 “A licensee that ceases to engage in the business regulated by this division  
22 and desires to no longer be licensed shall notify the commissioner in  
23 writing and, at that time, tender the license and all other indicia of  
24 licensure to the commissioner. Within 105 days of the written notice to  
25 the commissioner, the licensee shall submit to the commissioner at its own  
26 expense, a closing audit report as of the date the license is tendered to the  
27 commissioner for surrender, or for another period as the commissioner  
28 may specify, to be performed by an independent certified public  
accountant...A license is not surrendered until the commissioner has  
reviewed and accepted the closing audit report, a determination has been  
made by the commissioner that acceptance of the surrender is in the public  
interest, and tender of the license is accepted in writing by the  
commissioner.

Further, Financial Code section 17202, subdivision (a), provides in pertinent part:

1 “At the time of filing an application for an escrow agent’s license, the  
2 applicant shall deposit with the commissioner a bond satisfactory to the  
3 commissioner in the amount of at least...\$25,000. Thereafter, a licensee  
4 shall maintain a bond satisfactory to the commissioner in the amount of:  
5 (1) ...\$25,000 if 150 percent of the previous year’s average annual trust  
6 fund obligations, as calculated under Section 17348, equals...\$250,000 or  
7 less; (2) ...\$35,000 if 150 percent of the previous year’s average annual  
8 trust fund obligations, as calculated under Section 17348, equals at  
9 least...\$250,001 but not more than...\$500,000; or (3)...\$50,000 if 150  
10 percent of the previous year’s average annual trust fund obligations, as  
11 calculated under Section 17348, equals...\$500,001 or more. The bond  
12 shall run to the state for the use of the state and for any person who has  
13 cause against the obligor of the bond under the provision of this  
14 division...”

15 As such, Respondent’s violations of Financial Code sections 17600 and 17202 are  
16 grounds to revoke its escrow agent’s license. Financial Code section 17602.5 provides in  
17 pertinent part:

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

23 In addition, Financial Code section 17608, subdivision (b), provides in pertinent  
24 part: “The commissioner may, after notice and a reasonable opportunity to be heard,  
25 suspend or revoke any license if he finds that:...(b) The licensee has violated any provision  
26 of this division or any rule made by the commissioner under and within the authority of  
27 this division.”

28 Because Respondent did not submit a closing audit report to surrender its license  
and failed to maintain surety bond coverage, Respondent’s escrow agent’s license should  
be revoked.

**III.**

**PRAYER FOR RELIEF**

Complainant finds that, by reason of the foregoing, Service Escrow Company has violated  
Financial Code sections 17600 and 17202 which constitutes grounds for the revocation of its  
escrow agent’s license pursuant to Financial Code sections 17602.5 and 17608.

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WHEREFORE, IT IS PRAYED that the Respondent Service Escrow Company’s escrow agent’s license be revoked pursuant to Financial Code sections 17602.5 and 17608.

Dated: February 1, 2016

JAN LYNN OWEN  
Commissioner of Business Oversight

By: \_\_\_\_\_  
Lindsay B. Herrick  
Counsel  
Enforcement Division