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California Corporations Commissioner
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9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE) Case No.: 963-0873
CALIFORNIA CORPORATIONS)
12 COMMISSIONER,) ORDER BARRING LINDA J. CHAVEZ
13) FROM ANY POSITION OF EMPLOYMENT,
Complainant,) MANAGEMENT OR CONTROL OF ANY
14) ESCROW AGENT
15 vs.)
16 LINDA J. CHAVEZ,)
17 Respondent.)
18 _____)

19 The California Corporations Commissioner finds:

20 A. Respondent Linda J. Chavez ("Chavez") was at all times relevant herein, the manager
21 and an escrow officer at Dependable Escrow Co. ("Dependable"), an escrow agent licensed by the
22 California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow
23 Law of the State of California (California Financial Code Section 17000 et seq.). Dependable has its
24 principal place of business located at 2001 W. Beverly Boulevard, Montebello, California 90604.

25 B. On April 19, 2005, Dependable, through its certified public accountant, filed its
26 audited financials for the year ending December 31, 2004 with the Commissioner as required by
27 California Financial Code section 17200. The 2004 audited financials for Dependable stated on
28 page 14 "[i]t was noted in reviewing various files that certain disbursements were made from the

1 trust account that appear to be personal in nature. . . .” The 2004 audited financials also contained a
2 trial balance for the period ended December 31, 2004, which disclosed a possible trust account
3 shortage of \$261,497.45.

4 C. On April 22, 2005, the Commissioner commenced a special examination of the books
5 and records of Dependable based upon the information contained in the 2004 audited financials. The
6 special examination revealed, among other things, that Chavez had made unauthorized
7 disbursements in at least nine escrows totaling \$481,018.84 between May 2004 and January 2005
8 (“unauthorized disbursements”) in violation of Financial Code section 17414(a)(1) and California
9 Code of Regulations, title 10, sections 1738 and 1738.2. The special examination further revealed
10 that Chavez made numerous posting adjustments to escrow ledgers to attempt to cover up the
11 unauthorized disbursements in violation of Financial Code section 17414(a)(1). The unauthorized
12 disbursements of trust funds also caused a shortage to exist in the trust account in the amount of at
13 least \$481,018.84 in violation of California Code of Regulations, title 10, section 1738.1. Except as
14 otherwise described below, Dependable cured the trust account shortage created by the unauthorized
15 disbursements.

16 The unauthorized disbursements are described as follows:

17 1. Dependable escrow number 0412083

18 (a) On or about May 27, 2004, Chavez made an unauthorized disbursement of
19 trust funds to herself in the amount of \$410,000 in violation of Financial Code section 17414(a)(1)
20 and California Code of Regulations, title 10, sections 1738 and 1738.2 when she caused the sum of
21 \$410,000.00 to be wired out of Dependable escrow no. 0412083 to Magna escrow no. 0410183, an
22 escrow Chavez had opened at Magna Escrow, Inc. to purchase a residence located at 25141 Calle
23 Casalero, Laguna Niguel, California.

24 (b) The unauthorized disbursement described in paragraph (a) above caused a
25 debit balance (shortage) to exist in violation of California Code of Regulations, title 10, section
26 1738.1. The \$410,000.00 shortage remained until April 4, 2005 when the sum of \$190,750.06 was
27 transferred to the Dependable trust account from Hallmark Escrow Co., Inc. from an escrow
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1 involving friends of Chavez. The remaining shortage of \$219,249.94 was cured by Dependable on
2 or about May 4, 2005.

3 2. Dependable escrow number 0412504

4 (a) On or about August 31, 2004, Chavez made an unauthorized disbursement of
5 trust funds to Washington Mutual Bank (“WAMU”) in the amount of \$1,500.00 in violation of
6 Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and
7 1738.2.

8 (b) On or about September 3, 2004, Chavez made an unauthorized disbursement
9 of trust funds to WAMU in the amount of \$1,500.00 in violation of Financial Code section
10 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

11 (c) On or about November 24, 2004, Chavez made an unauthorized disbursement
12 of trust funds to WAMU in the amount of \$1,900.00 in violation of Financial Code section
13 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

14 (d) On or about December 3, 2004, Chavez made an unauthorized disbursement
15 of trust funds to Wells Fargo Home Mortgage in the amount of \$13,045.00 in violation of Financial
16 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

17 (e) On or about December 10, 2004, Chavez made an unauthorized disbursement
18 of trust funds to WAMU in the amount of \$1,650.00 in violation of Financial Code section
19 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

20 (f) The unauthorized disbursements described in paragraphs (a) - (e) above
21 caused a shortage of \$19,595.00 to exist in violation of California Code of Regulations, title 10,
22 section 1738.1. The shortage remained until it was cured by Dependable on or about May 4, 2005.

23 3. Dependable escrow number 0411949

24 (a) On or about May 18, 2004, Chavez made an unauthorized disbursement of
25 trust funds to East West Bank in the amount of \$9,113.96 in violation of Financial Code section
26 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

27 (b) On or about May 28, 2004, Chavez made an unauthorized disbursement of
28 trust funds to East West Bank in the amount of \$2,564.20 in violation of Financial Code section

1 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

2 (c) On or about May 28, 2004, Chavez made an unauthorized disbursement of
3 trust funds to Wells Fargo Bank in the amount of \$2,905.00 in violation of Financial Code section
4 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

5 (d) On or about June 24, 2004, Chavez made an unauthorized disbursement of
6 trust funds to WAMU in the amount of \$700.00 in violation of Financial Code section 17414(a)(1)
7 and California Code of Regulations, title 10, sections 1738 and 1738.2.

8 (e) On or about October 15, 2004, Chavez made an unauthorized disbursement of
9 trust funds to WAMU in the amount of \$4,000.00 in violation of Financial Code section 17414(a)(1)
10 and California Code of Regulations, title 10, sections 1738 and 1738.2.

11 (f) The unauthorized disbursements described in paragraphs (a) - (e) above
12 caused a shortage of \$19,283.16 to exist in violation of California Code of Regulations, title 10,
13 section 1738.1. The shortage remained until it was cured by Dependable on or about August 23,
14 2005.

15 4. Dependable escrow number 0412275

16 (a) On or about January 14, 2005, Chavez made an unauthorized disbursement of
17 trust funds to WAMU in the amount of \$1,735.00 in violation of Financial Code section 17414(a)(1)
18 and California Code of Regulations, title 10, sections 1738 and 1738.2.

19 (b) On or about January 21, 2005, Chavez made an unauthorized disbursement of
20 trust funds to Dependable escrow number 0412841 in the amount of \$12,000.00 in violation of
21 Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and
22 1738.2.

23 (c) The unauthorized disbursements described in paragraphs (a) and (b) above
24 caused a further shortage in the trust account of \$13,735.00 in violation of California Code of
25 Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or
26 about May 4, 2005.

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5. Dependable escrow number 0412167

(a) On or about November 16, 2004, Chavez made an unauthorized disbursement of trust funds to WAMU in the amount of \$2,200.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(b) On or about December 16, 2004, Chavez made two unauthorized disbursements of trust funds to WAMU in the amount of \$3,300.00 and \$1,995.00, respectively, in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(c) The unauthorized disbursements described in paragraphs (a) and (b) above caused a shortage in the trust account of \$7,495.00 in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about August 23, 2005.

6. Dependable escrow number 0411974

(a) On or about August 13, 2004, Chavez made an unauthorized disbursement of trust funds to Wells Fargo Bank in the amount of \$2,700.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(b) On or about August 13, 2004, Chavez made two unauthorized disbursements of trust funds to WAMU in the amount of \$1,400.00 and \$1,305.00, respectively, in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(c) On or about November 11, 2004, Chavez made a further unauthorized disbursement of trust funds to WAMU in the amount of \$2,071.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(d) The unauthorized disbursements described in paragraphs (a) - (c) above caused a further shortage in the trust account of \$7,476.00 in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about May 4, 2005.

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7. Dependable escrow number 0412964

(a) On or about January 13, 2005, Chavez closed escrow with insufficient funds thereby causing a shortage of \$2,416.68 to exist in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about August 25, 2005.

8. Dependable escrow number 0412376

(a) On or about October 13, 2004, Chavez made an unauthorized disbursement of trust funds to WAMU in the amount of \$518.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(b) The unauthorized disbursements described in paragraph (a) above caused a shortage of \$518.00 to exist in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about August 25, 2005.

9. Dependable escrow number 0311796

(a) On or about January 5, 2005, Chavez over disbursed trust funds by \$500.00 in replacing a prior check issued to the Franchise Tax Board thereby causing a further shortage in the trust account of \$500.00 in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about April 26, 2005.

D. Making unauthorized disbursements of trust funds, causing trust account shortages, and falsifying escrow records constitute grounds under California Financial Code section 17423 to bar a person from any position of employment, management or control of any escrow agent.

E. On May 15, 2006, the Commissioner issued a Notice of Intention to Issue Order Pursuant to California Financial Code Section 17423 (Bar From Employment, Management or Control), Accusation and accompanying documents against Chavez based upon the above, and Chavez was personally served with those documents on May 21, 2006. The Department has received no request for a hearing from Chavez and the time to request a hearing expired on June 5, 2006.

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NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Respondent Linda J. Chavez is barred from any position of employment, management or control of any escrow agent.

Dated: June 16, 2006
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Kathleen Partin
Special Administrator, Escrow Law