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11 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
12 OF THE STATE OF CALIFORNIA
13

14 In the Matter of:

15 THE COMMISSIONER OF FINANCIAL
16 PROTECTION AND INNOVATION,

17
18 Complainant,

19 v.

20 CAPITAL ESCROW, INC.,
21

22 Respondent.
23

) ESCROW LICENSE NO.: 963-2541

) ACCUSATION TO REVOKE ESCROW
AGENT’S LICENSE

) (Fin. Code §§ 17608 and 17602.5)
24

25 The Complainant, California Commissioner of Financial Protection and Innovation
(Commissioner) is informed and believes, and based upon such information and belief, alleges and
26 charges Respondent Capital Escrow, Inc. (Respondent) as follows:
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I.

Introduction

1. The Commissioner seeks to revoke the escrow agent’s license issued to Respondent based upon its violations of the California Escrow Law (Fin. Code, §§ 17000 et seq.) (Escrow Law), as set forth below.

2. At all relevant times herein, Respondent was an escrow agent licensed by the Commissioner under the Escrow Law, with its place of business located at 16250 Ventura Blvd., Suite 115A, Encino, California 91436.

II.

Escrow Law Violations

3. Pursuant to Financial Code section 17600, subdivision (a), an escrow agent’s license remains in effect until surrendered, revoked, or suspended.

4. Pursuant to Financial Code section 17202, subdivision (a) all licensees shall maintain a bond satisfactory to the Commissioner in the amount of: (1) \$25,000 if 150% of the previous year's average annual trust fund obligations, as calculated under Section 17348, equals \$250,000 or less; (2) \$35,000 if 150% of the previous year's average annual trust fund obligations, as calculated under Section 17348, equals at least \$250,001 but not more than \$500,000; or (3) \$50,000 if 150% of the previous year's average annual trust fund obligations, as calculated under Section 17348, equals \$500,001 or more.

5. Pursuant to Financial Code section 17600, subdivision (b), a licensee that wishes to surrender its license must notify the Commissioner in writing and, at that time, tender the license and all other indicia of licensure to the Commissioner. Within 105 days of the written notice to the Commissioner, the licensee shall submit to the Commissioner, at its own expense, a closing audit report as of the date the license is tendered to the Commissioner for surrender, to be performed by an independent certified public accountant (CPA). The closing audit shall include, but not be limited to, information required by the Commissioner, a bank reconciliation of the trust account, and a verified statement from a CPA confirming lawful disbursement of funds. A license is not surrendered until the Commissioner has reviewed and accepted the closing audit report, a determination has been made by

1 the Commissioner that acceptance of the surrender is in the public interest, and tender of the license
2 is accepted in writing by the Commissioner.

3 6. On or about April 23, 2019, Respondent submitted a request to surrender its escrow
4 agent’s license to the Department of Financial Protection and Innovation (Department).

5 7. In May and June of 2019, the Department notified Respondent about the surrender
6 process requirements including the reports it had to produce, and the actions it had to take in order for
7 the Commissioner to make a determination whether to accept Respondent’s license for surrender. The
8 Department informed Respondent about submitting its closing audit, returning the license and all
9 other indicia of licensure to the Commissioner and properly reconciling its trust accounts or
10 escheating them to the state.

11 8. Respondent failed to submit its closing audit report and failed to produce all the
12 necessary information as required by Financial Code section 17600.

13 9. On October 21, 2019, the Department sent a letter notifying Respondent that its
14 closing audit report, and other reports and information required pursuant to Financial Code section
15 17600 were past due.

16 10. The Commissioner never accepted Respondent’s surrender request due to its failure to
17 submit the necessary reports and information and its failure to take the necessary actions.

18 11. On or about December 29, 2020, the Department was notified that Respondent’s
19 surety bond would be cancelled effective February 1, 2021. Respondent failed to renew its surety
20 bond, in violation of Financial Code section 17202.

21 **III.**

22 **Applicable Law**

23 12. Financial Code section 17202 provides, in pertinent part, as follows:

- 24 (a) At the time of filing an application for an escrow agent’s license,
25 the applicant shall deposit with the commissioner a bond
26 satisfactory to the commissioner in the amount of at least twenty-
27 five thousand dollars (\$25,000). Thereafter, a licensee shall
28 maintain a bond satisfactory to the commissioner in the amount of:
(1) twenty-five thousand dollars (\$25,000) if 150 percent of the
previous year’s average annual trust fund obligations, as calculated

1 under Section 17348, equals two hundred fifty thousand dollars
 2 (\$250,000) or less; (2) thirty-five thousand dollars (\$35,000) if 150
 3 percent of the previous year’s average annual trust fund obligations,
 4 as calculated under Section 17348, equals at least two hundred fifty
 5 thousand one dollars (\$250,001) but not more than five hundred
 6 thousand dollars (\$500,000); or (3) fifty thousand dollars (\$50,000)
 7 if 150 percent of the previous year’s average annual trust fund
 8 obligations, as calculated under Section 17348, equals five hundred
 9 thousand one dollars (\$500,001) or more. The bond shall run to the
 10 state for the use of the state and for any person who has cause
 11 against the obligor of the bond under the provision of this division.
 12 A deposit given instead of the bond required by this section shall
 13 not be deemed an asset of the applicant or licensee for the purpose
 14 of complying with Section 17210. An applicant or licensee may
 15 obtain an irrevocable letter of credit approved by the commissioner
 16 in lieu of the bond.

11 13. Financial Code section 17600 provides as follows:

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

14 (b) A licensee that ceases to engage in the business regulated by
 15 this division and desires to no longer be licensed shall notify the
 16 commissioner in writing and, at that time, tender the license and all
 17 other indicia of licensure to the commissioner. Within 105 days of the
 18 written notice to the commissioner, the licensee shall submit to the
 19 commissioner, at its own expense, a closing audit report as of the date
 20 the license is tendered to the commissioner for surrender, or for another
 21 period as the commissioner may specify, to be performed by an
 22 independent certified public accountant. The closing audit shall
 23 include, but not be limited to, information required by the
 24 commissioner, a bank reconciliation of the trust account, and a verified
 25 statement from a certified public accountant confirming lawful
 26 disbursement of funds. A license is not surrendered until the
 27 commissioner has reviewed and accepted the closing audit report, a
 28 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.

14 14. Financial Code section 17602.5 provides as follows:

If any licensed escrow agent fails to make any reports required by law
 or by the commissioner within ten (10) days from the day designated
 for the making of the reports, or within any extension of time granted

1 by the commissioner or fails to include therein any matter required by
2 law or by the commissioner, such failure shall constitute grounds for
3 the suspension or revocation of the license held by such escrow agent.

4 15. Financial Code section 17608 provides, in pertinent part, as follows:

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

7 ...

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

11 **IV.**

12 **Prayer for Order Revoking Escrow Agent’s License**

13 The Commissioner finds, by reason of the foregoing, that Respondent is in violation of
14 Financial Code sections 17600 and 17202, which constitutes grounds for the revocation of its escrow
15 agent’s license under sections 17602.5 and 17608 of the Escrow Law.

16 WHEREFORE, IT IS PRAYED under sections 17602.5 and 17608 of the Escrow Law, that
17 the escrow agent’s license of Capital Escrow, Inc. be revoked.

18 DATED: November 22, 2024
19 San Diego, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

20 By: _____
21 AFSANEH EGHBALDARI
22 Senior Counsel
23 Enforcement Division
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