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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
 OF THE STATE OF CALIFORNIA

In the Matter of:	)	FILE NO.: 963-5088
	)	
	)	
THE COMMISSIONER OF FINANCIAL	)	
PROTECTION AND INNOVATION,	)	
	)	<b>ACCUSATION TO REVOKE ESCROW</b>
	)	<b>AGENT LICENSE PURSUANT TO</b>
Complainant,	)	<b>FINANCIAL CODE SECTION 17608</b>
	)	
v.	)	
	)	
REDWOOD ESCROW SERVICES INC.,	)	
	)	
	)	
Respondent.	)	
	)	
	)	

Clothilde V. Hewlett, Commissioner of the Department of Financial Protection and Innovation, brings this action in the public interest and alleges and charges as follows:

**I.**

**Introduction**

1. The Commissioner of Financial Protection and Innovation (Commissioner) as head of

1 the Department of Financial Protection and Innovation (Department) brings this action pursuant to  
2 Financial Code section 17608.

3 2. The Commissioner is authorized to administer and enforce the provisions of the  
4 California Escrow Law (Escrow Law) (Fin. Code § 17000 et seq.).<sup>1</sup>

5 3. The Commissioner seeks to revoke the escrow agent license issued to Redwood  
6 Escrow Services, Inc. (Redwood Escrow or Respondent) based upon its violations of the Escrow  
7 Law, including failure to cure the trust account shortage, failure to meet the liquidity and net worth  
8 requirements, and failure to maintain its books and records, as set forth more fully below.

## 9 II.

### 10 FACTUAL BACKGROUND

11 4. Redwood Escrow is an escrow agent licensed by the Commissioner under the Escrow  
12 Law. Respondent received its escrow agent license from the Commissioner on October 22, 2008.

13 5. Anna Arvetis-Seoane (Seoane) is the President, Escrow Officer, and 50% owner of  
14 Redwood Escrow.

15 6. Janet S. Carrera (Carrera) is Redwood Escrow's Escrow Manager, Vice President,  
16 and 50% owner of Redwood Escrow.

17 7. On May 23, 2023, the Department of Financial Protection and Innovation (DFPI)  
18 commenced a special remote examination of Redwood Escrow following an email from Carrera that  
19 the company's "bank accounts (trust and general) were hacked," which resulted in the following  
20 findings:

21 a. On May 18, 2023, Seoane received a phone call from an individual who  
22 claimed to be an employee of Bank of the West (BW). Seoane was told that BW was  
23 performing data migration to their system and told Seoane to log in to the Redwood Escrow  
24 online trust bank account. Seoane was instructed to input the security code that appeared on  
25 the screen as a second layer of protection and to stay logged in to Redwood Escrow's online  
26 trust bank account. Seoane followed the instructions without verifying the caller's identity or  
27 calling BW to inquire about possible data migration. Within 15 minutes of receiving the

28 <sup>1</sup> All further statutory references are to the Financial Code, unless otherwise indicated.

1 phone call, Redwood Escrow's internet service was disconnected. Shortly after Redwood  
2 Escrow's internet service was restored, it received six wire out confirmations from BW  
3 amounting to \$1,941,377.73, none of which were approved by either Seoane or Carrera.

4 b. The total amount hacked from Redwood Escrow's trust account was \$1,941,377.73,  
5 of which \$80,570.00 was transferred from Redwood Escrow's general bank account to its trust  
6 account, without authorization from either Carrera or Seoane. Redwood Escrow recovered  
7 \$1,184,604.80 of the fraudulently wired out funds.

8 8. The Commissioner received several complaints against Redwood Escrow following  
9 the hacking incident, one of which involved four escrows as described below. Redwood Escrow did  
10 not have the funds to issue refunds. The three escrows with balances due involved three buyers.  
11 Redwood Escrow had informed the buyers and their real estate agents about the hacking incident, the  
12 funds shortages in the trust account, and Redwood Escrow's inability to provide any refunds until it  
13 recovers additional missing funds.

14 a. Escrow no. 28701 – initial deposit of \$135,000.00, \$40,000.00 refunded,  
15 with a remaining balance due of \$95,000.00.

16 b. Escrow no. 28702 – initial deposit \$140,000.00, \$40,000.00 refunded, with a  
17 remaining balance due of \$100,000.00.

18 c. Escrow no. 28723 – initial deposit \$220,000, \$40,000.00 refunded, with a  
19 remaining balance due of \$180,000.00.

### 20 III.

#### 21 VIOLATIONS OF THE ESCROW LAW

##### 22 A. Failure to Cure the Trust Account Shortage

23 9. The hacking incident described above led to a shortage in the trust account. Redwood  
24 Escrow's trust account was short by \$1,860,807.73 from May 18, 2023, to June 6, 2023,  
25 \$1,532,073.03 from June 7, 2023, to June 19, 2023, and \$1,166,928.22 from June 20, 2023, to June  
26 29, 2023, and \$679,422.93 from June 30, 2023, to July 14, 2023.

27 10. On May 22, 2023, the DFPI instructed Redwood Escrow, via email, to cure  
28 the trust account shortage within 24 hours.

1           11.     On May 24, 2023, the DFPI emailed a demand letter to Redwood Escrow to  
2 open a new trust bank account and to replenish the trust account shortage by May 25. The  
3 bank accounts in which the funds were taken have since been closed and new accounts have  
4 been opened. However, Redwood Escrow indicated that it could not cure the shortage in  
5 the trust account by the May 25th deadline.

6           12.     An email dated June 28, 2023, from Carrera stated that Redwood Escrow  
7 would “not going to be able to recover” from the hacking incident and “will need to close  
8 down” its office “within the next month or two.” Redwood Escrow has closed its business  
9 location at 19131 Redwood Road, Suite E&F, Castrol Valley, California 94546, and its  
10 escrow agent license is in inactive status.

11           13.     Redwood Escrow’s inability to cure the shortage in the trust account caused  
12 the Commissioner to issue a Demand For and Order Taking Possession of the Business and  
13 Property of Redwood Escrow pursuant to Section 17621 and an Order Appointing Christy  
14 Kouch as Conservator pursuant to section 17630. The orders were necessary in order to  
15 offer any possible protection to the escrow customers of Redwood Escrow.

16 **B.     Failure to Meet the Liquidity and Net Worth Requirements**

17           14.     Financial Code section 17210 requires all licensees to maintain, at all times,  
18 liquid assets in the amount of at least \$25,000.00 and a tangible net worth of at least  
19 \$50,000.00.

20           15.     Redwood Escrow failed to meet the liquidity and tangible net worth  
21 requirements mandated by section 17210. The special examination found that following the  
22 hacking incident, the bank balance of Redwood Escrow’s trust and general accounts were  
23 approximately \$79.00 and \$0.36, respectively. As of July 31, 2023, Redwood Escrow had a  
24 liquid asset deficiency of \$33,464.36 and a tangible net worth deficiency of \$26,295.68.

25 **C.     Failure to Maintain Its Books and Records**

26           16.     Redwood Escrow failed to maintain its books and records in a manner that  
27 allows the Commissioner to determine compliance with the Escrow Law in violation of  
28

1 section 17404 and California Code of Regulations, title 10<sup>2</sup>, section 1732.3.

2 17. On May 23, 2023, and June 8, 2023, as part of the special examination, the  
3 DFPI's examiner requested the financial statements as of April 30, 2023, and May 31, 2023,  
4 from Carrera. The documents provided were incomplete. Based on the information reviewed  
5 by the examiner, it appears that Redwood Escrow did not prepare or maintain a general  
6 ledger and financial statements for the company's general account on a monthly basis.  
7 These documents should have been prepared and maintained up to May 31, 2023.

#### 8 IV.

#### 9 LAW

10 18. Section 17210 provides in pertinent part:

11 (a) An escrow agent licensed on or after January 1, 1986, shall  
12 maintain at all times a tangible net worth of fifty thousand dollars  
13 (\$50,000), including liquid assets of at least twenty-five thousand  
dollars (\$25,000) in excess of current liabilities.

14 19. Section 17404 provides:

15 Every person subject to this division shall keep and use in its business,  
16 books, accounts, and records which will properly enable the  
17 commissioner to determine whether the escrow functions performed  
by such person comply with the provisions of this division and with all  
rules made by the commissioner under this division.

18 20. Section 17414, subdivision (a)(1) provides:

19 (a) It is a violation for any person subject to this division or any  
20 director, stockholder, trustee, officer, agent, or employee of any such  
21 person to do any of the following:

22 (1) Knowingly or recklessly disburse or cause the disbursement of escrow  
23 funds otherwise than in accordance with escrow instructions, or  
24 knowingly or recklessly to direct, participate in, or aid or abet in a  
material way, any activity which constitutes theft or fraud in  
connection with any escrow transaction.

25 21. Section 17621 provides in pertinent part:

26 Whenever it appears to the Commissioner that any escrow agent subject to  
27 this division:

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28 <sup>2</sup> Hereinafter "CCR."

- (a) Is in an insolvent condition;
- (b) Is conducting escrow business in an unsafe and unauthorized manner;
- (c) Has violated its charter or any law of the State of California . . .

...  
 (h) Has permitted its tangible net worth to be lower than the minimum required by law;  
 ...

the commissioner shall dispatch a written notice and summary of findings, as referred to in Section 17415, to the principal officer of the escrow agent involved or to its manager of record; and such escrow agent shall be afforded a reasonable opportunity to comply or otherwise effect such remedies as the commissioner may deem acceptable. However, should the escrow agent so

notified fail to comply within five days of receipt of the notice, or as soon as it appears to the commissioner that no compliance is possible, or in the event prompt delivery of the prescribed written notice is impossible, the commissioner may forthwith take possession of the property and business of such escrow agent and retain possession until such escrow agent resumes business or its affairs be finally liquidated as provided in this chapter. The escrow agent, with the consent of the commissioner, may resume business upon such conditions as the commissioner may prescribe.

22. Section 17630 provides:

If any facts occur which would entitle the commissioner under Section 17621 to take possession of the property, business and assets of a licensee the commissioner may appoint a conservator of a licensee and require of him such bond as the commissioner deems proper. The commissioner may also, upon the request of the board of directors of a licensee, appoint a conservator of such licensee and require of him such bond as the commissioner deems proper. The conservator, under the direction of the commissioner, shall take possession of the property, business and assets of the licensee and take such action as he may deem necessary to conserve the assets of such licensee pending further disposition of its business. The conservator shall retain such possession until the property, business and assets of the licensee are returned to the licensee or until further order of the commissioner.

23. CCR section 1732.3 provides in pertinent part:

An escrow agent shall establish and maintain currently the following books with reference to its general accounts:

- (a) General ledger reflecting the assets, liabilities, capital, income and expense of the business, in accordance with generally accepted accounting principles;

(b) Cash receipt and disbursement journal.  
The bank accounts contained in the general ledger shall be reconciled at least once each month with the bank statements of the general accounts.

**V.**

**PRAYER FOR ORDER REVOKING REDWOOD ESCROW, INC.'S  
ESCROW AGENT'S LICENSE**

24. The Commissioner finds that, by reason of the foregoing, Redwood Escrow, Inc. has violated Financial Code sections 17210, 17414 subdivision (a)(1), 17404, and California Code of Regulations, title 10, section 1732.3, which constitute grounds for the revocation of its escrow agent's license under section 17608.

25. WHEREFORE, IT IS PRAYED under the authority of Financial Code section 17608, that Respondent Redwood Escrow Services Inc.'s escrow agent license be revoked for its violations of the California Escrow Law and the rules promulgated thereunder.

Dated: December 6, 2024  
Los Angeles, California

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

By \_\_\_\_\_  
MARLOU de LUNA  
Senior Counsel  
Enforcement Division