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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

OF THE STATE OF CALIFORNIA

In the Matter of: THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION, Complainant, v. MELROSE ESCROW, INC., Respondent.	ESCROW LICENSE NO.: 963-1342 ORDER IMPOSING PENALTIES (Fin. Code, § 17408)

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

I.

Introduction

1. At all relevant times herein, Respondent was an escrow agent licensed by the Commissioner under the California Escrow Law (Fin. Code, § 17000 et seq.) (Escrow Law) and the

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regulations promulgated under title 10 of the California Code of Regulations (Cal. Code Regs., tit. 10, § 1700 et seq.).

2. Respondent's place of business is located at 4095 East La Palma Avenue, Suite M, Anaheim, California 92807.

II.

Factual Background

Failure to Submit Closing Audit Report and Complete the Surrender Process

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

5. On October 7, 2025, Respondent submitted a request to surrender its escrow agent license to the Department of Financial Protection and Innovation (Department).

6. On October 7, 2025, the Department notified Respondent about the surrender process requirements including the reports it had to produce, and the actions it had to take in order for the Commissioner to make a determination whether to accept Respondent's license for surrender. The Department informed Respondent about submitting its closing audit, returning the license and all other indicia of licensure to the Commissioner and properly reconciling its trust accounts or escheating them to the state.

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7. The closing audit report was due on January 20, 2026.

8. Respondent failed to submit its closing audit report, failed to produce the necessary information, and failed to return the license.

9. On November 19, 2025 and January 22, 2026, Respondent was notified that failure to produce the requested report and information would result in revocation of its license and assessment of penalties, pursuant to Financial Code sections 17408, 17602.5, and 17608.

10. Respondent requested an extension on January 29, 2026, to submit the closing audit report and the supporting financials and materials. On January 29, 2026, Commissioner granted Respondent an extension to February 20, 2026, to submit the closing audit report and financials. Respondent failed to meet that extended deadline and has yet to submit the closing audit report and financials.

11. Respondent's surrender request was never accepted by the Commissioner due to its failure to submit the necessary reports and information and failure to take the necessary actions.

Failing to Submit Annual Report, Reconciliation Reports, Financials and Information

12. The Commissioner is authorized to investigate escrow licensees' business and examine the books, accounts, records, and files, and inspect and examine licensees' business, accounts and records at any time without prior notice, pursuant to Financial Code sections 17405 and 17601. The cost of any investigation, inspection, and examination of a licensee under this section shall be paid to the Commissioner as provided in Financial Code section 17405.1.

13. Financial Code section 17406, subdivision (a) requires all licensees under the Escrow Law to file an annual audit report containing audited financial statements (Annual Audit Report) within 105 days after the close of the calendar year or the licensee's fiscal year.

14. Respondent's 2024 Annual Audit Report was due on April 15, 2025. Respondent failed to submit this report.

15. From October 7, 2025 to March 2, 2026, the Department demanded Respondent to produce its 2024 Annual Audit Report, financials, trust reconciliation reports, detailed information about its escrow file locations, and other materials.

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16. Respondent only partially responded and failed to provide the Department with the 2024 Annual Audit report, financials reconciliation reports and information.

17. On November 19, 2025 and January 22, 2026, Respondent was notified that failure to produce the requested information would result in revocation of its license and assessment of penalties, pursuant to Financial Code sections 17408, 17602.5, and 17608.

18. Respondent requested an extension on January 29, 2026, to submit the 2024 Annual Audit Report, reconciliation reports and the supporting financials. On January 29, 2026, Commissioner granted Respondent an extension to February 20, 2026, to submit the requested reports and financials. Respondent failed to meet that extended deadline and has yet to submit the requested reports and financials.

III.

Violations of the Escrow Law

19. The conduct described above constitutes violations of the following provisions of the Escrow Law and its implementing regulations:

(a) Financial Code section 17600, subdivision (b): failing to submit the closing audit report, financials and information and failing to take the necessary actions in connection to the surrender requirements;

(b) Financial Code section 17406, subdivision (a): failing to file its 2024 Annual Audit Report; and

(c) Financial Code sections 17405 and 17601: failing to file necessary reports, financials, trust reconciliation reports, detailed information about its escrow file locations, and other materials.

IV.

Applicable Law

20. Financial Code section 17408 provides, in pertinent part, as follows:

> (b) The commissioner may impose, by order, a penalty on any person who fails, within the time specified in any written demand of the commissioner, (1) to make and file with the commissioner any report

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required by law or requested by the commissioner, or (2) to furnish any material information required by the commissioner to be included in the report. The amount of the penalty may not exceed one hundred dollars ($100) for each day for the first five days the report or information is overdue, and thereafter may not exceed five hundred dollars ($500) for each day the report or information is overdue.
(c) If, after an order has been made under subdivision (b), a request for hearing is filed in writing within 30 days of the date of service of the order by the person to whom the order was directed, a hearing shall be held in accordance with the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the commissioner shall have all the powers granted under that chapter.

(d) If the person fails to file a written request for a hearing within 30 days of the date of service of the order, the order imposing the penalty shall be deemed a final order of the commissioner, and the penalty shall be paid within five business days.

(e) If a hearing is requested, the penalty shall be paid within five business days after the effective date of any decision in the case ordering payment to be made.

V.
Order Imposing Penalties

Based on the above information, the Commissioner finds Respondent failed to timely produce the closing audit report, 2024 Annual Audit report, reconciliation reports, and supporting financials, in violation of Financial Code sections 17405, 17406, 17600 and 17601.

Respondent has failed to comply with the Commissioner's requests for the closing audit and supporting financials and failed to meet the extended deadline of February 20, 2026, for submitting the closing audit report and financials. This failure has resulted in a delay of seventeen (17) days. In addition, Respondent has failed to comply with the Commissioner's requests for the 2024 Annual Audit Report, reconciliation reports, and supporting financials, and likewise failed to meet the extended deadline of February 20, 2026, for submitting these materials, resulting in a 17-day delay.

Pursuant to Financial Code section 17408, Melrose Escrow, Inc. is hereby ordered to pay a penalty of $13,000.00 for the 17-day delay, and $500.00 per day for each day after the date of this order that the required reports and financials remain outstanding. The penalty shall be paid within

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five business days after this order is deemed a final order of the Commissioner, or within five business days after the effective date of any decision in the case ordering payment to be made. This order becomes final unless Respondent requests a hearing in writing within 30 days of service of this order.

This penalty shall be made payable in the form of an Automated Clearing House deposit or cashier's check made payable to the Department of Financial Protection and Innovation. The cashier's check shall be mailed to the attention of "Accounting – Litigation" at Department of Financial Protection and Innovation, 651 Bannon Street, Suite 300, Sacramento, California 95811. Notice of such payment shall be concurrently sent to Affi Eghbaldari via e-mail at Affi.Eghbaldari@dfpi.ca.gov.

DATED: March 9, 2026
Sacramento, California

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

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