

1 PRESTON DuFAUCHARD  
California Corporations Commissioner  
2 ALAN S. WEINGER  
Deputy Commissioner  
3 JUDY L. HARTLEY (CA BAR NO. 110628)  
Senior Corporations Counsel  
4 Department of Corporations  
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8 BEFORE THE DEPARTMENT OF CORPORATIONS  
9 OF THE STATE OF CALIFORNIA

10  
11 In the Matter of the Accusation THE ) File No.: 963-2064  
CALIFORNIA CORPORATIONS )  
12 COMMISSIONER, ) ACCUSATION  
13 )  
Complainant, )  
14 )  
15 vs. )  
16 CALIFORNIA CLASSIC ESCROW, INC., )  
LAINIE A. MENDOZA, and KATHERINE F. )  
17 PEREZ, )  
18 )  
Respondents. )

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20 The Complainant is informed and believes, and based upon such information and belief,  
21 alleges and charges Respondents as follows:

22 I

23 Respondent California Classic Escrow, Inc. ("Classic Escrow") is an escrow agent licensed  
24 by the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the  
25 Escrow Law of the State of California (California Financial Code Section 17000 et seq.). Classic  
26 Escrow had its principal place of business at 13710 Whittier Boulevard, Suite 205, Whittier,  
27 California 90605.  
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1 Respondent Lainie A. Mendoza ("Mendoza") was at all times relevant herein the president,  
2 manager and co-owner of Classic Escrow.

3 Respondent Katherine F. Perez ("Perez") was at all times relevant herein an escrow officer  
4 and also the vice-president and co-owner of Classic Escrow.

5 II

6 On or about December 2, 2009, the Commissioner, by and through his staff, commenced a  
7 regulatory examination of the books and records of Classic Escrow. The regulatory examination  
8 revealed among other violations, that Classic Escrow had a trust account shortage of at least  
9 \$21,730.55 in violation of California Code of Regulations, title 10, section 1738.1. The regulatory  
10 examination further revealed that the shortage was the result of at least eight (8) unauthorized  
11 disbursements made by Classic Escrow, by and through Mendoza and/or Perez. These  
12 disbursements, which commenced in or about April 2007 and continued through at least August 31,  
13 2009, were in violation of Financial Code section 17414 and California Code of Regulations, title  
14 10, sections 1738 and 1738.2. The Commissioner made demand on Classic Escrow to cure the trust  
15 account shortage described herein, and Classic Escrow did cure the trust account shortage on or  
16 about January 20, 2010.

17 The unauthorized disbursements are described as follows:

18 1. On or about April 3, 2007, Mendoza made an unauthorized disbursement of trust  
19 funds via wire in the amount of \$2,500.00 to Raquel Ponce in violation of Financial Code sections  
20 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The  
21 unauthorized disbursement was to pay back funds Mendoza personally owed to Ponce. The  
22 unauthorized disbursement described herein caused a shortage to exist in the trust account in the  
23 amount of \$2,500.00 until on or about January 4, 2010 when Mendoza replaced such trust funds  
24 after demand was made by the Commissioner.

25 2. On or about April 30, 2008, in escrow number 2291, Mendoza made an unauthorized  
26 disbursement of trust funds via wire in the amount of \$12,110.55 to MRC, for the benefit of Javier  
27 Ponce in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title  
28 10, sections 1738 and 1738.2. The unauthorized disbursement described herein caused a debit

1 balance to exist in this escrow in the amount of \$12,110.55 in violation of California Code of  
2 Regulations, title 10, section 1738.1 in that there were no funds on deposit in Escrow 2291 to cover  
3 the disbursement. The disbursement also caused a trust account shortage in the same amount until  
4 on or about May 14, 2008, March 12, 2008 and January 12, 2010 when Mendoza replaced such trust  
5 funds in the respective amounts of \$5,000.00, \$7,000.00 and \$110.55.

6         3.         On or about September 18, 2008, in escrow number 2246, Mendoza and Perez made  
7 an unauthorized disbursement of trust funds via trust check number 12075 to Mendoza in the amount  
8 of \$2,550.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations,  
9 title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein caused a debit  
10 balance to exist in this escrow in the amount of \$2,550.00 in violation of California Code of  
11 Regulations, title 10, section 1738.1 in that there were no funds on deposit in escrow number 2246 to  
12 cover the disbursement. The disbursement also caused a trust account shortage in the same amount  
13 until on or about January 6, 2010 when Mendoza replaced such trust funds after demand was made  
14 by the Commissioner.

15         4.         On or about September 19, 2008, in escrow number 2328, Mendoza and Perez made  
16 an unauthorized disbursement of trust funds via trust check number 12076 to Perez, who was the  
17 alleged buyer in this escrow, in the amount of \$3,500.00 in violation of Financial Code section  
18 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The  
19 unauthorized disbursement described herein caused a debit balance to exist in this escrow in the  
20 amount of \$3,500.00 in violation of California Code of Regulations, title 10, section 1738.1 (and  
21 also a trust account shortage in the same amount) in that there were no funds on deposit in Escrow  
22 2328 to cover the disbursement as the personal check given by Perez as a deposit for the escrow was  
23 not deposited until on or about September 25, 2008 and was then returned by the bank as non-  
24 sufficient funds on or about October 2, 2008. Neither Perez nor Mendoza replaced those trust funds  
25 to the trust account until on or about January 6, 2010 after demand was made by the Commissioner.

26         5.         On or about April 8, 2009, Mendoza made an unauthorized disbursement of trust  
27 funds via wire in the amount of \$1,000.00 to Steve Dumlao in violation of Financial Code sections  
28 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The

1 unauthorized disbursement was to pay back funds Mendoza personally owed to Dumlao. The  
2 unauthorized disbursement described herein caused a shortage to exist in the trust account in the  
3 amount of \$1,000.00 until on or about January 4, 2010 when Mendoza replaced such trust funds  
4 after demand was made by the Commissioner.

5 6. On or about July 30, 2009, Mendoza made an unauthorized disbursement of trust  
6 funds via wire in the amount of \$1,020.00 to Paula Morris in violation of Financial Code sections  
7 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The  
8 unauthorized disbursement was to pay for bookkeeping services Morris had provided to Classic  
9 Escrow. The unauthorized disbursement described herein caused a shortage to exist in the trust  
10 account in the amount of \$1,020.00 until on or about December 17, 2009 when Mendoza replaced  
11 such trust funds after demand was made by the Commissioner.

12 7. On or about August 21, 2009, in escrow number 2319, Mendoza and Perez disbursed  
13 trust funds in the amount of \$400.00 via trust check number 12465 to Perez, which disbursement  
14 represented payment of earned escrow fees. On or about August 31, 2009, trust check number  
15 12465 to Perez was posted as “voided” on the escrow ledger. Thereafter, on or about September 1,  
16 2009, Mendoza and Perez disbursed trust funds in the amount of \$400.00 via trust check number  
17 12489 to Mendoza from escrow number 2319, which disbursement represented the earned escrow  
18 fees previously being paid to Perez, but were now being paid to Mendoza. However, “voided” trust  
19 check number 12465 was later deposited by Perez and paid by the bank on or about December 8,  
20 2009 causing a debit balance of \$400.00 to exist in escrow number 2319 in violation of California  
21 Code of Regulations, title 10, section 1738.1 and a trust account shortage to exist in the same amount  
22 until on or about January 20, 2010 when Mendoza replaced such trust funds after demand was made  
23 by the Commissioner.

24 8. On or about August 31, 2009, Mendoza made an unauthorized disbursement of trust  
25 funds via wire in the amount of \$2,650.00 to EMC Mortgage/Loss Mitigation for the benefit of  
26 Armando Mendoza, Mendoza’s uncle, in violation of Financial Code sections 17409 and  
27 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The  
28 unauthorized disbursement described herein caused a shortage to exist in the trust account in the

1 amount of \$2,650.00 until on or about December 17, 2009 when Mendoza replaced such trust funds  
2 after demand was made by the Commissioner.

3 9. On or about August 25, 2008, Mendoza issued trust receipt number 1777 in escrow  
4 number 2314 for monies received from the buyer in the amount of \$3,000.00, but deposited the trust  
5 monies into the operating account in violation of Financial Code sections 17409 and 17414.1 and  
6 California Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized deposit of  
7 trust funds into the general account also caused a trust account shortage to exist in the same amount  
8 until on or about January 6, 2010 when Mendoza replaced such trust funds after demand was made  
9 by the Commissioner.

10 10. On or about August 25, 2008, Mendoza issued trust receipt number 1778 in escrow  
11 number 2318 for monies received from the buyer in the amount of \$2,000.00, but deposited the trust  
12 monies into the operating account in violation of Financial Code sections 17409 and 17414.1 and  
13 California Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized deposit of  
14 trust funds into the general account also caused a trust account shortage to exist in the same amount  
15 until on or about January 6, 2010 when Mendoza replaced such trust funds after demand was made  
16 by the Commissioner.

17 11. On or about January 23, 2009, Mendoza issued trust receipt number 1820 in escrow  
18 number 2341 for monies received from the buyer in the amount of \$5,000.00, but deposited the trust  
19 monies into the operating account in violation of Financial Code sections 17409 and 17414.1 and  
20 California Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized deposit of  
21 trust funds into the general account also caused a trust account shortage to exist in the same amount  
22 until on or about January 4, 2010 when Mendoza replaced such trust funds after demand was made  
23 by the Commissioner.

24 III

25 California Financial Code section 17608 provides in pertinent part:

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

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

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division.

(c) Any fact or condition now exists which, if it had existed at the time of the original application for such license, reasonably would have warranted the commissioner in refusing originally to issue such license.

California Financial Code section 17423 provides in pertinent part:

(a) The commissioner may, after appropriate notice and opportunity for hearing, by order, . . . bar from any position of employment, management, or control any escrow agent, or any other person, if the commissioner finds either of the following:

(1) That the . . . bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the escrow agent or to the public.

IV

Complainant finds that, by reason of the foregoing, Respondents California Classic Escrow, Inc., Lainie A. Mendoza, and Katherine F. Perez have violated Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738, 1738.1, and 1738.2 and it is in the best interests of the public to revoke the escrow agent’s license of Respondent California Classic Escrow, Inc. and to bar Respondents Lainie A. Mendoza and Katherine F. Perez from any position of employment, management or control of any escrow agent.

WHEREFORE, IT IS PRAYED that Respondents Lainie A. Mendoza and Katherine F. Perez be barred from any position of employment, management or control of any escrow agent and the escrow agent’s license of Respondent California Classic Escrow, Inc. be revoked.

Dated: July 8, 2010  
Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
Judy L. Hartley  
Senior Corporations Counsel