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8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:) ESCROW LICENSE NO. 963-2059
12)
13 THE COMMISSIONER OF BUSINESS) ACCUSATION
OVERSIGHT,)
14)
Complainant,)
15)
16 v.)
17 PETER HOM,)
18)
Respondent.)
19)
20)

21 The Commissioner of Business Oversight (“Commissioner” or “Complainant”) is informed
22 and believes, and based upon such information and belief, alleges and charges Respondent Peter
23 Hom (“Hom”) as follows:

24 **I**

25 **Introduction**

26 1. Citadel Escrow Inc ("Citadel Escrow") is a California corporation and an escrow
27 agent licensed by the Commissioner under the Escrow Law of the State of California (Fin. Code, §
28 17000 et seq.) ("Escrow Law"). Citadel Escrow (formerly known as First Request Escrow, Inc.)

1 received its escrow agent’s license on March 9, 2004.

2 2. Citadel Escrow’s principal place of business is 2910 E. Inland Empire Boulevard,
3 Suite 110, Ontario, California 91764. Citadel has two approved branch offices located at: (a) 17100
4 Pioneer Blvd., Suite 312, Artesia, California 90701; and (b) 7910 Girard Ave., #8, La Jolla,
5 California 92037.

6 3. Peter Hom (“Hom”) purchased First Request Escrow in 2012, and began operating
7 Citadel Escrow. Hom has been Citadel Escrow’s sole owner, sole director, and president since 2012.

8 4. The Commissioner now seeks to bar Hom from any position of employment,
9 management, or control of any escrow agent for violating provisions of the Escrow Law, as set forth
10 more fully below.

11 **II**

12 **Factual Background**

13 a. Citadel Escrow Paid Unlawful Referral Fees to Real Estate Agents,
14 Manipulated the General Ledger to Record These Payments As Employee
15 Commissions, and Made Willful, Material Misrepresentations to the
Commissioner About These Payments

16 5. On or around August 12, 2015, the Commissioner commenced a special examination
17 of Citadel Escrow’s books and records. The examination revealed that Hom signed checks from
18 Citadel Escrow’s general account, paying non-employee real estate agents, brokers, and their wives
19 \$220,036.77, in exchange for client referrals in violation of Financial Code section 17420.

20 6. For example, from at least May 8, 2014 to June 5, 2015, Citadel Escrow paid referral
21 fees in the amount of: \$28,071.60 to real estate agent Timothy Hardin and broker Real Champions,
22 Inc.,¹ \$38,000.00 to Timothy Hardin’s wife, Meredith Hardin; and \$39,000.00 to Brian Bean’s wife,
23 Alisa Bean. These payments, aggregating \$105,071.60, were made in exchange for client referrals
24 and solicitations in violation of Financial Code section 17420.

25 _____
26 ¹ Timothy Hardin and Brian Bean were the owners of Dream Big, Inc. d/b/a Dream Big Real Estate,
27 which eventually merged with and became Real Champions, Inc. d/b/a Realty ONE Group
28 Champions.

1 7. During this time, Citadel Escrow also provided flyers to real estate agents and brokers
2 and financially sponsored seminars in exchange for referral business in violation of Financial Code
3 section 17420.

4 8. Citadel Escrow manipulated its 2014 and 2015 general ledgers to conceal these
5 unlawful referral fees and payments by recording them as “contract labor,” “commission only
6 employees,” and “temporary help” in violation of Financial Code section 17702.

7 9. In response to the Commissioner’s special examination, on October 19, 2015, Hom
8 and Citadel Escrow misrepresented to the Commissioner that the 2014 and 2015 “contract labor” and
9 “commission” expenses were payments made to “employees,” and that Citadel Escrow was “remiss”
10 in reporting these “employees” to the Commissioner. Among the persons listed as “employees” were
11 Timothy Hardin and Alissa Bean.

12 10. On March 15, 2016, Hom, on behalf of Citadel Escrow, admitted that nine (9) persons
13 previously reported to the Department as “employees” were not, and had never been employees,
14 including Timothy Hardin and Alisa Bean. Hom and Citadel Escrow willfully made untrue
15 statements of a material fact regarding the employment status of at least nine (9) persons and
16 payments made to such persons in reports filed with the Commissioner in violation of Financial
17 Code section 17702.

18 11. On March 17, 2016, Hom admitted to the Commissioner’s examiner that he
19 knowingly paid referral fees and provided real estate agents and brokers marketing support in
20 violation of Financial Code section 17420.

21 b. Citadel Escrow Failed to Disclose Peter Hom’s Affiliation to the Buyer in
22 Escrow Instructions

23 12. Citadel Escrow acted as the escrow agent in the July 2014 sale of Hom’s property in
24 Oak Park, California. The escrow instructions failed to disclose Hom’s affiliation as Citadel
25 Escrow’s sole shareholder, sole director, and president in violation of Title 10, California Code of
26 Regulations, section 1740.1.

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III
Law

13. Financial Code section 17423 provides in pertinent part:

(a) The commissioner may, after appropriate notice and opportunity for hearing, by order, censure or suspend for a period not exceeding 12 months, or 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 censure, suspension, or 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.

...

(b) Within 15 days from the date of a notice of intention to issue an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Division 3 of Title 2 of the Government Code). Upon receipt of a request, the matter shall be set for hearing to commence within 30 days after such receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing or service of such notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right to a hearing.

(c) Upon receipt of a notice of intention to issue an order pursuant to this section, the person who is the subject of the proposed order is immediately prohibited from engaging in any escrow processing activities, including disbursing any trust funds in the escrow agent's possession, custody or control, and the financial institution holding trust funds shall be so notified by service of the notice, accusation and other administrative pleadings. The prohibition against disbursement of trust funds may be set aside, in whole or in part, by the commissioner for good cause.

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IV

Conclusion

The Commissioner finds that, by reason of the foregoing, Respondent Hom has knowingly violated the provisions of the Escrow law, or has caused material damage to the escrow agent, and it is in the best interest of the public to bar Hom from any position of employment, management or control of any escrow agent under Financial Code section 17423.

WHEREFORE, IT IS PRAYED that Respondent Peter Hom be barred from any position of employment, management or control of any escrow agent.

Dated: August 5, 2016
Los Angeles, CA

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
Danielle Stoumbos
Senior Counsel, Enforcement Division