

1 PRESTON DuFAUCHARD  
California Corporations Commissioner  
2 WAYNE STRUMPFER (CA BAR NO. 160080)  
Deputy Commissioner  
3 ALAN S. WEINGER (CA BAR NO. 86717)  
Supervising Counsel  
4 JUDY L. HARTLEY (CA BAR NO. 110628)  
Senior Corporations Counsel  
5 Department of Corporations  
320 West 4<sup>th</sup> Street, Ste. 750  
6 Los Angeles, California 90013-2344  
Telephone: (213) 576-7604 Fax: (213) 576-7181

7 Attorneys for Complainant  
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9 BEFORE THE DEPARTMENT OF CORPORATIONS  
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE ) Case No.: 963-0873  
CALIFORNIA CORPORATIONS )  
12 COMMISSIONER, ) ORDER BARRING LINDA J. CHAVEZ  
13 ) FROM ANY POSITION OF EMPLOYMENT,  
Complainant, ) MANAGEMENT OR CONTROL OF ANY  
14 ) ESCROW AGENT  
15 vs. )  
16 LINDA J. CHAVEZ, )  
17 Respondent. )  
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19 The California Corporations Commissioner finds:

20 A. Respondent Linda J. Chavez ("Chavez") was at all times relevant herein, the manager  
21 and an escrow officer at Dependable Escrow Co. ("Dependable"), an escrow agent licensed by the  
22 California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow  
23 Law of the State of California (California Financial Code Section 17000 et seq.). Dependable has its  
24 principal place of business located at 2001 W. Beverly Boulevard, Montebello, California 90604.

25 B. On April 19, 2005, Dependable, through its certified public accountant, filed its  
26 audited financials for the year ending December 31, 2004 with the Commissioner as required by  
27 California Financial Code section 17200. The 2004 audited financials for Dependable stated on  
28 page 14 "[i]t was noted in reviewing various files that certain disbursements were made from the

1 trust account that appear to be personal in nature. . . .” The 2004 audited financials also contained a  
2 trial balance for the period ended December 31, 2004, which disclosed a possible trust account  
3 shortage of \$261,497.45.

4 C. On April 22, 2005, the Commissioner commenced a special examination of the books  
5 and records of Dependable based upon the information contained in the 2004 audited financials. The  
6 special examination revealed, among other things, that Chavez had made unauthorized  
7 disbursements in at least nine escrows totaling \$481,018.84 between May 2004 and January 2005  
8 (“unauthorized disbursements”) in violation of Financial Code section 17414(a)(1) and California  
9 Code of Regulations, title 10, sections 1738 and 1738.2. The special examination further revealed  
10 that Chavez made numerous posting adjustments to escrow ledgers to attempt to cover up the  
11 unauthorized disbursements in violation of Financial Code section 17414(a)(1). The unauthorized  
12 disbursements of trust funds also caused a shortage to exist in the trust account in the amount of at  
13 least \$481,018.84 in violation of California Code of Regulations, title 10, section 1738.1. Except as  
14 otherwise described below, Dependable cured the trust account shortage created by the unauthorized  
15 disbursements.

16 The unauthorized disbursements are described as follows:

17 1. Dependable escrow number 0412083

18 (a) On or about May 27, 2004, Chavez made an unauthorized disbursement of  
19 trust funds to herself in the amount of \$410,000 in violation of Financial Code section 17414(a)(1)  
20 and California Code of Regulations, title 10, sections 1738 and 1738.2 when she caused the sum of  
21 \$410,000.00 to be wired out of Dependable escrow no. 0412083 to Magna escrow no. 0410183, an  
22 escrow Chavez had opened at Magna Escrow, Inc. to purchase a residence located at 25141 Calle  
23 Casalero, Laguna Niguel, California.

24 (b) The unauthorized disbursement described in paragraph (a) above caused a  
25 debit balance (shortage) to exist in violation of California Code of Regulations, title 10, section  
26 1738.1. The \$410,000.00 shortage remained until April 4, 2005 when the sum of \$190,750.06 was  
27 transferred to the Dependable trust account from Hallmark Escrow Co., Inc. from an escrow  
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1 involving friends of Chavez. The remaining shortage of \$219,249.94 was cured by Dependable on  
2 or about May 4, 2005.

3 2. Dependable escrow number 0412504

4 (a) On or about August 31, 2004, Chavez made an unauthorized disbursement of  
5 trust funds to Washington Mutual Bank (“WAMU”) in the amount of \$1,500.00 in violation of  
6 Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and  
7 1738.2.

8 (b) On or about September 3, 2004, Chavez made an unauthorized disbursement  
9 of trust funds to WAMU in the amount of \$1,500.00 in violation of Financial Code section  
10 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

11 (c) On or about November 24, 2004, Chavez made an unauthorized disbursement  
12 of trust funds to WAMU in the amount of \$1,900.00 in violation of Financial Code section  
13 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

14 (d) On or about December 3, 2004, Chavez made an unauthorized disbursement  
15 of trust funds to Wells Fargo Home Mortgage in the amount of \$13,045.00 in violation of Financial  
16 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

17 (e) On or about December 10, 2004, Chavez made an unauthorized disbursement  
18 of trust funds to WAMU in the amount of \$1,650.00 in violation of Financial Code section  
19 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

20 (f) The unauthorized disbursements described in paragraphs (a) - (e) above  
21 caused a shortage of \$19,595.00 to exist in violation of California Code of Regulations, title 10,  
22 section 1738.1. The shortage remained until it was cured by Dependable on or about May 4, 2005.

23 3. Dependable escrow number 0411949

24 (a) On or about May 18, 2004, Chavez made an unauthorized disbursement of  
25 trust funds to East West Bank in the amount of \$9,113.96 in violation of Financial Code section  
26 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

27 (b) On or about May 28, 2004, Chavez made an unauthorized disbursement of  
28 trust funds to East West Bank in the amount of \$2,564.20 in violation of Financial Code section

1 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

2 (c) On or about May 28, 2004, Chavez made an unauthorized disbursement of  
3 trust funds to Wells Fargo Bank in the amount of \$2,905.00 in violation of Financial Code section  
4 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

5 (d) On or about June 24, 2004, Chavez made an unauthorized disbursement of  
6 trust funds to WAMU in the amount of \$700.00 in violation of Financial Code section 17414(a)(1)  
7 and California Code of Regulations, title 10, sections 1738 and 1738.2.

8 (e) On or about October 15, 2004, Chavez made an unauthorized disbursement of  
9 trust funds to WAMU in the amount of \$4,000.00 in violation of Financial Code section 17414(a)(1)  
10 and California Code of Regulations, title 10, sections 1738 and 1738.2.

11 (f) The unauthorized disbursements described in paragraphs (a) - (e) above  
12 caused a shortage of \$19,283.16 to exist in violation of California Code of Regulations, title 10,  
13 section 1738.1. The shortage remained until it was cured by Dependable on or about August 23,  
14 2005.

15 4. Dependable escrow number 0412275

16 (a) On or about January 14, 2005, Chavez made an unauthorized disbursement of  
17 trust funds to WAMU in the amount of \$1,735.00 in violation of Financial Code section 17414(a)(1)  
18 and California Code of Regulations, title 10, sections 1738 and 1738.2.

19 (b) On or about January 21, 2005, Chavez made an unauthorized disbursement of  
20 trust funds to Dependable escrow number 0412841 in the amount of \$12,000.00 in violation of  
21 Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and  
22 1738.2.

23 (c) The unauthorized disbursements described in paragraphs (a) and (b) above  
24 caused a further shortage in the trust account of \$13,735.00 in violation of California Code of  
25 Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or  
26 about May 4, 2005.

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1           5.       Dependable escrow number 0412167

2                   (a)       On or about November 16, 2004, Chavez made an unauthorized disbursement  
3 of trust funds to WAMU in the amount of \$2,200.00 in violation of Financial Code section  
4 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

5                   (b)       On or about December 16, 2004, Chavez made two unauthorized  
6 disbursements of trust funds to WAMU in the amount of \$3,300.00 and \$1,995.00, respectively, in  
7 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,  
8 sections 1738 and 1738.2.

9                   (c)       The unauthorized disbursements described in paragraphs (a) and (b) above  
10 caused a shortage in the trust account of \$7,495.00 in violation of California Code of Regulations,  
11 title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about August  
12 23, 2005.

13           6.       Dependable escrow number 0411974

14                   (a)       On or about August 13, 2004, Chavez made an unauthorized disbursement of  
15 trust funds to Wells Fargo Bank in the amount of \$2,700.00 in violation of Financial Code section  
16 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

17                   (b)       On or about August 13, 2004, Chavez made two unauthorized disbursements  
18 of trust funds to WAMU in the amount of \$1,400.00 and \$1,305.00, respectively, in violation of  
19 Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and  
20 1738.2.

21                   (c)       On or about November 11, 2004, Chavez made a further unauthorized  
22 disbursement of trust funds to WAMU in the amount of \$2,071.00 in violation of Financial Code  
23 section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

24                   (d)       The unauthorized disbursements described in paragraphs (a) - (c) above  
25 caused a further shortage in the trust account of \$7,476.00 in violation of California Code of  
26 Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or  
27 about May 4, 2005.

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7. Dependable escrow number 0412964

(a) On or about January 13, 2005, Chavez closed escrow with insufficient funds thereby causing a shortage of \$2,416.68 to exist in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about August 25, 2005.

8. Dependable escrow number 0412376

(a) On or about October 13, 2004, Chavez made an unauthorized disbursement of trust funds to WAMU in the amount of \$518.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(b) The unauthorized disbursements described in paragraph (a) above caused a shortage of \$518.00 to exist in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about August 25, 2005.

9. Dependable escrow number 0311796

(a) On or about January 5, 2005, Chavez over disbursed trust funds by \$500.00 in replacing a prior check issued to the Franchise Tax Board thereby causing a further shortage in the trust account of \$500.00 in violation of California Code of Regulations, title 10, section 1738.1. The shortage remained until it was cured by Dependable on or about April 26, 2005.

D. Making unauthorized disbursements of trust funds, causing trust account shortages, and falsifying escrow records constitute grounds under California Financial Code section 17423 to bar a person from any position of employment, management or control of any escrow agent.

E. On May 15, 2006, the Commissioner issued a Notice of Intention to Issue Order Pursuant to California Financial Code Section 17423 (Bar From Employment, Management or Control), Accusation and accompanying documents against Chavez based upon the above, and Chavez was personally served with those documents on May 21, 2006. The Department has received no request for a hearing from Chavez and the time to request a hearing expired on June 5, 2006.

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NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Respondent Linda J. Chavez is barred from any position of employment, management or control of any escrow agent.

Dated: June 16, 2006  
Los Angeles, California

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
Kathleen Partin  
Special Administrator, Escrow Law