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

12 In the Matter of:

13 THE COMMISSIONER OF BUSINESS
14 OVERSIGHT,

15 Complainant,

16 v.

17 STEPHANIE C. KALULU,

18 Respondent.
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) ORDER BARRING STEPHANIE C. KALULU
) FROM ANY POSITION OF EMPLOYMENT,
) MANAGEMENT OR CONTROL OF ANY
) ESCROW AGENT

21 The Commissioner of Business Oversight (Commissioner) finds that:

22 1. Stephanie C. Kalulu (Kalulu) was, at all relevant times, an escrow officer employed
23 at First Gateway Escrow Co., Inc. (First Gateway Escrow), an escrow agent licensed by the
24 Commissioner pursuant to the Escrow Law (Financial Code section 17000 et seq.).

25 2. On December 16, 2016, the Department of Business Oversight (Department)
26 commenced a regulatory examination of First Gateway Escrow's books and records (2016 regulatory
27 examination). On March 24, 2017, prior to the closing of the 2016 regulatory examination, First
28 Gateway Escrow notified the Department that Kalulu had made unauthorized disbursements, causing

1 a trust fund shortage.

2 3. The Department's examiner returned to First Gateway Escrow to investigate the
3 embezzlement and discovered that Kalulu had made unauthorized disbursements from First Gateway
4 Escrow's trust account to pay herself, her rent, and car payments.

5 4. The unauthorized disbursements, in the amount of \$41,717.24, were made from 2015
6 to 2016, during Kalulu's employment with First Gateway Escrow. Below is a table of the
7 unauthorized disbursements of escrow funds:

8	<u>Escrow #</u>	<u>Amount</u>	<u>Date Check Cleared</u>	<u>Check Issued for</u>
9	80421-SK	\$4,450.00	06/05/2015	Rent Payment
10	80429-SK	\$1,835.87	07/10/2015	Rent Payment
11		\$1,900.00	10/14/2015	Rent Payment
12	80436-SK	\$747.04	08/05/2015	Rent Payment
13	80441-SK	\$200.00	09/30/2015	Kalulu
14	80451-SK	\$3,535.97	12/09/2015	Rent Payment
15	80464-SK	\$1,796.00	11/12/2015	Rent Payment
16		\$2,500.00	11/12/2015	Auto Down Payment
17	80465-SK	\$200.00	12/31/2015	Kalulu
18	80472-SK	\$200.00	12/30/2015	Kalulu
19	80491-SK	\$826.27	07/26/2016	Auto Loan Payment
20	80494-SK	\$1,002.00	03/03/2016	Rent Payment
21	80495-SK	\$1,886.00	02/26/2016	Rent Payment
22	80503-SK	\$4,450.00	04/25/2016	Personal Use
23		\$2,270.59	07/29/2016	Personal Use
24		\$2,000.00	08/22/2016	Personal Use
25		\$1,950.00	09/09/2016	Personal Use
26	80509-SK	\$834.00	05/05/2016	Rent Payment
27	80557-SK	\$200.00	08/11/2016	Kalulu
28	80578-SK	\$6,183.50	11/03/2016	Auto Loan Payment

1	80595-SK	\$200.00	09/30/2016	Kalulu
2	80603-SK	\$1,950.00	10/06/2016	Personal Use
3	80621-SK	\$200.00	11/25/2016	Kalulu
4	80622-SK	\$200.00	11/25/2016	Kalulu
5	80627-SK	\$200.00	11/25/2016	Kalulu

6 5. Kalulu made unauthorized disbursements of trust funds, and made misstatements or
7 omissions of material facts in escrow books, accounts, or files pertaining to escrow affairs, in
8 violation of Financial Code sections 17414, subdivision (a)(1) and 17414, subdivision (a)(2), and
9 California Code of Regulations, title 10, sections 1738 and 1738.2 as follows:

10 (a) Escrow #80421-SK

11 On June 4, 2015, Kalulu issued a check for \$4,450.00 to Broadway Lofts, which was
12 Kalulu's residence at that time. There was no authorization in the escrow file to distribute any funds
13 to Broadway Lofts. Kalulu referenced "Unit #401, May & June + fees." Unit 401 was Kalulu's
14 apartment number. On March 23, 2016, Kalulu issued a check for \$4,450.00 from First Gateway
15 Escrow's trust account for escrow fees to cover the debit balance noted in escrow number 80421.

16 (b) Escrow #80429-SK

17 On July 1, 2015, Kalulu issued a check for \$1,639.00 to Broadway Lofts. On July 8, 2015,
18 Kalulu then voided the issued check. Also, on July 8, 2015, Kalulu issued another check for
19 \$1,835.87 to Aimco-Broadway Lofts. Further, on October 7, 2015, Kalulu issued another check for
20 \$1,900.00 to Aimco. The disbursements were unauthorized, as Broadway Lofts, Aimco, or Aimco-
21 Broadway Lofts were all associated with Kalulu's residence at that time. There was no authorization
22 in the escrow file to distribute any funds to Broadway Lofts, Aimco, or Aimco-Broadway Lofts. On
23 April 27, 2016, Kalulu issued a receipt in the amount of \$3,735.87 stating that the funds were from a
24 seller. No funds were received from the seller.

25 (c) Escrow #80436-SK

26 On August 3, 2015, Kalulu issued a check for \$747.04 to Aimco. The disbursement was
27 unauthorized as Aimco was associated with Kalulu's residence at that time. There was no
28 authorization in the escrow file to disburse any funds to Aimco. But, the final closing statement

1 showed a disbursement to Farmers Insurance for a homeowner's insurance policy.

2 (d) Escrow #80441-SK

3 On September 29, 2015, Kalulu issued a check for \$200.00 to herself. There was no
4 authorization in the escrow file to disburse any funds to Kalulu.

5 (e) Escrow #80451-SK

6 On December 7, 2015, Kalulu issued a check for \$3,535.97 to Aimco. The disbursement was
7 unauthorized, as Aimco was associated with Kalulu's residence at the time. There was no
8 authorization in the escrow file to disburse any funds to Aimco. Kalulu issued a receipt noting State
9 Farm as the depositor, however, no funds were received from State Farm.

10 (f) Escrow #80464-SK

11 On November 5, 2015, Kalulu issued a check for \$1,796.00 to Aimco. Also, on November 6,
12 2015, Kalulu issued a check for \$2,500.00 to Concept Motors. The disbursements were
13 unauthorized, as Aimco and Concept Motors were associated with Kalulu's residence and
14 automobile at that time. There was no authorization in the escrow file to disburse any funds to
15 Aimco or Concept Motors. On June 9, 2016, Kalulu issued receipts for both transactions, but no
16 funds were deposited.

17 (g) Escrow #80465-SK

18 On December 29, 2015, Kalulu issued a check for \$200.00 to herself. There was no
19 authorization in the escrow file to disburse any funds to Kalulu.

20 (h) Escrow #80472-SK

21 On December 30, 2015, Kalulu issued a check for \$200.00 to herself. There was no
22 authorization in the escrow file to disburse any funds to Kalulu.

23 (i) Escrow #80491-SK

24 On July 22, 2016, Kalulu issued a check for \$826.27 to Lobel Financial. The disbursement
25 was unauthorized, as Lobel Financial was associated with Kalulu's auto loan payment at the time.
26 There was no authorization in the escrow file to disburse any funds to Lobel Financial. Kalulu used
27 the property tax refund due to the borrower, that was received from First American Title Company,
28 to pay for her auto loan installment.

1 (j) Escrow #80494-SK

2 On February 24, 2016, Kalulu issued a check for \$1,002.00 to Aimco. There was no
3 authorization in the escrow file to disburse any funds to Aimco. On April 21, 2016, that same check
4 was voided by Kalulu after it had already been cleared. Then, on January 16, 2017, Kalulu adjusted
5 the check again in order to hide the unauthorized disbursement to Aimco.

6 (k) Escrow #80495-SK

7 On February 23, 2016, Kalulu issued a check for \$1,886.00 to Aimco. There was no
8 authorization in the escrow file to disburse any funds to Aimco. The notation on the receipt stated,
9 “to be determined.” No funds were deposited for this receipt.

10 (l) Escrow #80503-SK

11 From April 22, 2016 until September 2, 2016, Kalulu issued 4 checks in the amounts of
12 \$4,450.00, \$2,270.59, \$2,000.00, and \$1,950.00 to various individuals. The unauthorized
13 disbursements were related to Kalulu’s personal use. There was no authorization in the escrow file to
14 disburse any funds to those individuals.

15 (m) Escrow #80509-SK

16 On April 22, 2016, Kalulu issued a check for \$834.00 to Aimco. The disbursement was
17 unauthorized, as Aimco was associated with Kalulu’s residence at the time. There was no
18 authorization in the escrow file to disburse any funds to Aimco.

19 (n) Escrow #80557-SK

20 On August 10, 2016, Kalulu issued a check for \$200.00 to herself. There was no
21 authorization in the escrow file to disburse any funds to Kalulu.

22 (o) Escrow #80578-SK

23 On November 2, 2016, Kalulu issued a check for \$6,183.50 to Lobel Financial. The
24 unauthorized disbursement was for Kalulu’s auto loan payment. There was no authorization in the
25 escrow file to disburse any funds to Lobel Financial. It appears that Kalulu used the funds that were
26 withheld for the purpose of paying taxes to the California Franchise Tax Board.

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1 (p) Escrow #80595-SK

2 On September 29, 2016, Kalulu issued a check for \$200.00 to herself. There was no
3 authorization in the escrow file to disburse any funds to Kalulu.

4 (q) Escrow #80603-SK

5 On October 4, 2016, Kalulu issued a check for \$1,950.00 to a person unauthorized by First
6 Gateway Escrow to receive funds. There was no authorization in the escrow file to disburse any
7 funds to this person. Also, on October 4, 2016, Kalulu issued 3 checks in the amounts of \$7,917.84,
8 \$6,768.68, and \$2,687.92 to Chase Credit Cards from First Gateway Escrow's trust account. On
9 October 24, 2016, the checks issued by Kalulu were voided by First Gateway Escrow. On January
10 16, 2017, Kalulu adjusted the checks to be valid, resulting in First Gateway Escrow's trust account
11 being short \$17,374.44. On February 2, 2017, Chase Credit Cards refunded the licensee \$17,374.44.

12 (r) Escrow #80621-SK

13 On November 22, 2016, Kalulu issued a check for \$200.00 to herself. There was no
14 authorization in the escrow file to disburse any funds to Kalulu.

15 (s) Escrow #80622-SK

16 On November 22, 2016, Kalulu issued a check for \$200.00 to herself. There was no
17 authorization in the escrow file to disburse any funds to Kalulu.

18 (t) Escrow #80627-SK

19 On November 23, 2016, Kalulu issued a check for \$200.00 to herself. There was no
20 authorization in the escrow file to disburse any funds to Kalulu.

21 6. In addition, First Gateway Escrow's trust account was short by another \$17,404.66
22 due to Kalulu's mistakes.

23 7. The total trust shortage of escrow funds as a result of Kalulu's actions is \$59,121.90.

24 8. On July 10, 2018, the Commissioner issued a Notice of Intention to Bar from Any
25 Position of Employment, Management, or Control of Any Escrow Agent, Accusation and
26 accompanying documents (collectively Accusation) against Kalulu, and the Commissioner served
27 Kalulu on July 17 and July 24, 2018.

28 9. The Commissioner has not received a request for hearing from Kalulu in connection

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with the Accusation, and the statutory time period to request a hearing has expired.

10. The violations set forth above constitute grounds under Financial Code section 17423 to bar Kalulu from any position of employment, management, and control of any escrow agent.

THEREFORE, IT IS HEREBY ORDERED Stephanie C. Kalulu is barred from any position of employment, management or control of any escrow agent. This Order is effective as of the date hereof.

Dated: August 22, 2018
Sacramento, CA

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
Mary Ann Smith
Deputy Commissioner
Enforcement Division