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California Corporations Commissioner
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7 Attorneys for the Complainant
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9
10 BEFORE THE DEPARTMENT OF CORPORATIONS
11 OF THE STATE OF CALIFORNIA

12
13 In the Matter of the)
THE CALIFORNIA CORPORATIONS)
14 COMMISSIONER,)

15 Complainant,)
16)
17)

17 v.)
18)

19 NLCS ESCROW SERVICES, INC.,)
20)
21)

20 Respondents.)
21)
22)
23)

Case No.: 963-1832

ORDER TO DISCONTINUE ESCROW
ACTIVITIES PURSUANT TO CALIFORNIA
FINANCIAL CODE SECTION 17415

24
25 TO: NLCS ESCROW SERVICES, INC.
26 C/o Kerry Granzella, President
27 28202 Cabot Road, Suite 255
28 Laguna Niguel, CA 92677

1 CITY NATIONAL BANK
2 5601 East Slauson Avenue
3 City of Commerce CA 90040

4 US BANK
5 9042 Garfield Avenue
6 Huntington Beach, CA 92646

7 AMERICAN TITLE
8 1111 East Katella Avenue, #235
9 Orange, CA 92867

10 TRANSCONTINENTAL TITLE
11 2605 Enterprise East, #300
12 Clearwater, FL 33759

13 THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

14 1. Commencing in or about October 2002, and continuing through at least February
15 2003, NLCS made disbursements totaling at least \$94,574.75 from its escrow accounts in the form of
16 unauthorized fees or other unauthorized disbursements in violation of California Financial Code §
17 17414(a)(1)(2) and (b) and California Code of Regulations, Title 10, §§ 1738 and 1738.2.

18 2. In or about October 2002, NLCS overdraw its fee account with unposted trust checks
19 issued out of sequence deposited into its general account: 1) trust check 46539 for \$15,000; and 2)
20 trust check 46553 for \$10,000, for a total of \$25,000. There were no escrow instructions or court
21 orders authorizing such a disbursement to NLCS from this escrow trust account or any other escrow
22 at NLCS. This disbursement was in violation of California Financial Code § 17414(a)(1)(2) and (b)
23 and California Code of Regulations, Title 10, §§ 1738 and 1738.2.

24 3. In addition, in or about November 2002, NLCS had a shortage in Escrow 15438
25 totaling \$17,077.49. NLCS was required and failed to replace the \$17,077.49, when the check issued
26 from its general account, check number 3633 dated November 27, 2002, bounced for non-sufficient
27 funds. This disbursement was in violation of California Financial Code § 17414(a)(1)(2) and (b) and
28 California Code of Regulations, Title 10, §§ 1738 and 1738.2.

4. Furthermore, the escrow account had a shortage totaling \$10,000, which was caused
by trust check 47600, dated November 25, 2002, which was not posted to the escrow fee account.

1 This check cleared on November 25, 2002, and was deposited into the general account on the same
2 date. This disbursement was in violation of California Financial Code § 17414(a)(1)(2) and (b) and
3 California Code of Regulations, Title 10, §§ 1738 and 1738.2.

4 5. On or about February 24, 2003, NLCS's daily Exception Report for its prior day's
5 business, February 21, 2003, disclosed a shortage of \$42,497.26 in NLCS's trust account, which was
6 deposited into its general account. This disbursement was in violation of California Financial Code §
7 17414(a)(1)(2) and (b) and California Code of Regulations, Title 10, §§ 1738 and 1738.2.

8 6. The unauthorized disbursements described in paragraphs 2 through 6 above have
9 caused a shortage of at least \$94,574.75 to exist in the trust accounts of NLCS in violation of
10 California Code of Regulations, Title 10, § 1738.1.

11 7. The California Corporations Commissioner has determined that the following trust
12 funds have been disbursed in violation of California Financial Code § 17414(a)(1)(2) and (b) and
13 California Code of Regulations, Title 10, §§ 1738, 1738.1 and 1738.2: 1) \$25,000, shortage in the
14 trust account (which NLCS had previously replaced with a check that was returned for non-sufficient
15 funds); 2) \$17,077.49, for a shortage in the trust account (which had been previously replaced with a
16 check from NLCS that was returned for non-sufficient funds); 3) \$10,000, for a trust check that was
17 cashed but never posted to the trust account, which created an additional shortage in the trust account;
18 and 4) \$42,497.26, for a shortage in the trust account that was deposited in NLCS's general account.

19 Based upon the foregoing, NLCS is conducting escrow business in such an unsafe and
20 injurious manner as to render further operations hazardous to the public or to customers.

21 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING THEREFORE,
22 it is hereby ORDERED, under the provisions of Section 17415 of the California Financial Code, that
23 NLCS and any person having in his or her possession any escrow funds or trust funds discontinue
24 immediately the receipt or disbursement of any escrow or joint control money, documents or other
25 property in its possession, custody or control.

26 This order is to remain in full force and effect until further order of the Commissioner.

27 Section 17415 of the California Financial Code provides as follows:

28 (a) If the commissioner, as a result of any examination or from any report made

1 to him or her, shall find that any person subject to this division is in an insolvent
2 condition, is conducting escrow business in such an unsafe or injurious manner as to
3 render further operations hazardous to the public or to customers, has failed to comply
4 with the provisions of Section 17212.1 or 17414.1, has permitted its tangible net worth
5 to be lower than the minimum required by law, has failed to maintain its liquid assets
6 in excess of current liabilities as set forth in Section 17210, or has failed to comply
7 with the bonding requirements of Chapter 2 (commencing with Section 17200) of this
8 division, the commissioner may, by an order addressed to and served by registered or
9 certified mail or personal service on such person and on any other person having in his
10 or her possession or control any escrowed funds, trust funds or other property
11 deposited in escrow with said person, direct discontinuance of the disbursement of
12 trust funds by the parties or any of them, the receipt of trust funds, the delivery or
13 recording of documents received in escrow, or other business operations. No person
14 having in his or her possession any of these funds or documents shall be liable for
15 failure to comply with the order unless he or she has received written notice of the
16 order. Subject to subdivision (b), the order shall remain in effect until set aside by the
17 commissioner in whole or in part, the person has been adjudged bankrupt, or pursuant
18 to Chapter 6 (commencing with Section 17621) of this division the commissioner has
19 assumed possession of the escrow agent.

(b) Within 15 days from the date of 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 of service of such
notice and none is ordered by the commissioner, the failure to request a hearing shall
constitute a waiver of the right for a hearing. Neither the request for a hearing nor the
hearing itself shall stay the order issued by the commissioner under subdivision (a).

19 Dated: February 27, 2003
20 Los Angeles, California

21 DEMETRIOS A. BOUTRIS
22 California Corporations Commissioner

23 By _____
24 Steven C. Thompson
25 Special Administrator, Escrow Law
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