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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.: 963-0748
12)
13 THE COMMISSIONER OF BUSINESS)
OVERSIGHT,) ORDER TO DISCONTINUE ESCROW
14) ACTIVITIES PURSUANT TO FINANCIAL
Complainant,) CODE SECTION 17415
15)
16 v.)
17 SC ESCROW SERVICES, INC.,)
18 Respondent.)

19
20 TO: SC ESCROW SERVICES, INC.
1901 Pacific Coast Highway
21 Hermosa Beach, California 90254

22 THE COMMISSIONER OF BUSINESS OVERSIGHT (COMMISSIONER) FINDS THAT:

- 23 1. SC Escrow Services, Inc. (SC Escrow) has failed to maintain, at all times, liquid assets in the
24 amount of at least \$25,000.00 and a tangible net worth of at least \$50,000.00, as required by
25 Financial Code section 17210 under the California Escrow Law (Fin. Code, § 17000 et seq.) (Escrow
26 Law).
- 27 2. The Commissioner’s review of the annual report of SC Escrow containing audited financial
28 statements for the period ended September 30, 2012 disclosed a liquid asset deficiency in the amount

1 of \$85,736.00, in violation of Financial section 17210.¹

2 3. On or about May 1, 2013, the Commissioner sent a regulatory examination letter to SC
3 Escrow citing, among other violations, the liquid asset deficiency noted during the regular
4 examination that had commenced on March 6, 2012. The regulatory examination letter advised:

5 You are hereby directed to discontinue the practices outlined in this letter. You are required
6 to submit a report to this Department within (30) days from the date of this letter that
7 describes in detail the corrective actions being taken by your company to avoid recurrence of
these practices

8 4. On or about July 15, 2013, after not receiving a report of corrective actions from SC Escrow,
9 the Commissioner sent by certified mail a 15-day demand letter warning SC Escrow that penalties
10 would accrue pursuant to section 17408 for each day the licensee failed to provide a written response
11 to the May 1, 2013 regulatory examination letter.

12 5. On or about October 21, 2013, the Commissioner sent by certified mail a written demand to
13 SC Escrow to provide within 30 days proof of correction of the liquid asset deficiency that was
14 disclosed in the annual report containing audited financial statements for the year ended September
15 30, 2012, which deficiency was also previously cited in the Commissioner's regulatory examination
16 letter dated May 1, 2013.

17 6. Subsequently, SC Escrow failed to file its annual report containing audited financial
18 statements for the year ended September 30, 2013, which was due on January 15, 2014.

19 7. On or about March 24, 2014, the Commissioner sent by certified mail to SC Escrow a 10-day
20 demand letter in connection with the non-filing of the annual report containing audited financial
21 statements for the year ended September 30, 2013.

22 8. Most recently, SC Escrow failed to file its annual report containing audited financial
23 statements for the year ended September 30, 2014, which was due on January 15, 2015.

24 9. On or about January 21, 2015, the Commissioner sent by certified mail to SC Escrow a 10-
25 day demand letter in connection with the non-filing of the annual report containing audited financial
26 statements for the year ended September 30, 2014.

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28 ¹ All further statutory references are to the Financial Code unless otherwise indicated.

1 10. On March 23, 2015, the Commissioner’s examiner appeared at the main office of SC Escrow
2 to commence a special examination to determine if the licensee’s books and records were in
3 compliance with California Code of Regulations, title 10, section 1732, and whether the licensee met
4 the minimum financial requirements of Financial Code section 17210.

5 11. As a result of the March 2015 special examination, the Commissioner has determined that SC
6 Escrow has committed the following violations:

7 a. Failing to maintain books, records, and accounts in accordance with generally
8 accepted accounting principles and good business practices, in violation of California Code of
9 Regulations, title 10, section 1732;

10 b. Failing to prepare trust account reconciliation on a monthly basis and currently
11 maintain reports for the trust account, in violation of California Code of Regulations, title 10, section
12 1732.2;

13 c. Failing to prepare general account reconciliation on a monthly basis, in violation of
14 California Code of Regulations, title 10, section 1732.3; and,

15 d. Failing to keep and use in its business, books, accounts, and records which will
16 properly enable the Commissioner to determine whether the escrow functions performed by the
17 licensee comply with the provisions of the Escrow Law, in violation of Financial Code section 17404.

18 12. To date, SC Escrow has failed to file the audited annual report for the years ended September
19 30, 2013 and September 30, 2014, in violation of section 17406.

20 13. Further, SC Escrow has yet to provide a written response to the Commissioner’s May 1, 2013
21 regulatory examination letter and multiple letters demanding proof of compliance with the minimum
22 liquid asset and tangible net worth requirements of section 17210.

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14. Section 17415 provides:

(a) If the commissioner, as a result of any examination or from any report made to him or her, shall find that any person subject to this division is in an insolvent condition, is conducting escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers, has failed to comply with the provisions of section 17212.1 or 17414.1, has permitted its tangible net worth to be lower than the minimum required by law, has failed to maintain its liquid assets in excess of current liabilities as set forth in Section 17210, or has failed to comply with the bonding requirements of Chapter 2 (commencing with Section 17200) of this division, the commissioner may, by an order addressed to and served by registered or certified mail or personal service on such person and on any other person having in his or her possession or control any escrowed funds, trust funds or other property deposited in escrow with said person, direct discontinuance of the disbursement of trust funds by the parties or any of them, the receipt of trust funds, the delivery or recording of documents received in escrow, or other business operations. No person having in his or her possession any of these funds or documents shall be liable for failure to comply with the order unless he or she has received written notice of the order. Subject to subdivision (b), the order shall remain in effect until set aside by the commissioner in whole or in part, the person is the subject of an order for relief in bankruptcy, or pursuant to Chapter 6 (commencing with Section 17621) of this division the commissioner has 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 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. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

15. Based upon the foregoing, the Commissioner finds that SC Escrow Services, Inc. is conducting its escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers.

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1 NOW, GOOD CAUSE APPEARING THEREFORE, it is hereby ORDERED, pursuant to
2 Financial Code section 17415, that SC Escrow Services, Inc. immediately discontinue acceptance of
3 any new escrow or joint control business, and of money, documents or other property in connection
4 therewith.

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

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7 DATED: May 11, 2015
8 Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

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10 By _____
11 MARY ANN SMITH
12 Deputy Commissioner
13 Enforcement Division
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