

MARY ANN SMITH  
Deputy Commissioner  
DOUGLAS M. GOODING  
Assistant Chief Counsel  
LINDSAY BROOKE HERRICK  
Counsel (State Bar No. 224986)  
DEPARTMENT OF BUSINESS OVERSIGHT  
1515 K Street, Suite 200  
Sacramento, California 95814  
Telephone: (916) 445-3682  
Facsimile: (916) 445-6985

Attorneys for Complainant

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
OF THE STATE OF CALIFORNIA

|                              |   |                               |
|------------------------------|---|-------------------------------|
| In the Matter of:            | ) | Escrow License No. 963-0409   |
|                              | ) |                               |
| THE COMMISSIONER OF BUSINESS | ) |                               |
| OVERSIGHT,                   | ) | ORDER REVOKING ESCROW AGENT'S |
|                              | ) | LICENSE (FIN CODE, § 17608)   |
| Complainant,                 | ) |                               |
| v.                           | ) |                               |
|                              | ) |                               |
| SERVICE ESCROW COMPANY,      | ) |                               |
|                              | ) |                               |
| Respondent.                  | ) |                               |

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

**I.**

**INTRODUCTION**

1. Respondent Service Escrow Company ("Service Escrow") is an escrow agent licensed by the Commissioner on April 4, 1972 pursuant to the Escrow Law (Fin Code, § 17000 et seq.) with a business address of 2537 Honolulu Avenue, Montrose, California and/or 4601 Wilshire Boulevard, Suite 240, Los Angeles, California.

2. By letter dated September 15, 2010, Respondent notified the Commissioner that it was surrendering its escrow agent's license and enclosed its original escrow license for surrender.

3. On October 13, 2010, the Department sent by certified mail, instructions to

1 Respondent regarding the requirements to surrender its escrow agent’s license, including that it  
2 submit a closing audit prepared by a Certified Public Accountant within 105 days from September  
3 15, 2010 which reviews the trust account bank reconciliation and determines that all  
4 disbursements from remaining trust funds have been properly authorized. No closing audit,  
5 however, was ever filed by Respondent in order to effectively surrender the license.

6 4. On September 16, 2010, Respondent’s surety bond expired and no replacement  
7 bond was ever submitted to the Commissioner.

8 5. Pursuant to Financial Code section 17415, the Commissioner therefore issued an  
9 Order to Discontinue Escrow Activities (“Order”) to Respondent on September 16, 2010 ordering  
10 it to immediately discontinue acceptance of any new escrow or joint control business, and of  
11 money, documents or other property in connection therewith. Respondent never challenged the  
12 Order.

13 **II.**

14 **VIOLATIONS OF THE ESCROW LAW AND AUTHORITY TO SANCTION**

15 6. Respondent’s failures to file a closing audit report and maintain surety bond  
16 coverage violate requirements under the Escrow Law. Financial Code section 17600, subdivision  
17 (b), provides in pertinent part:

18 “A licensee that ceases to engage in the business regulated by this division  
19 and desires to no longer be licensed shall notify the commissioner in  
20 writing and, at that time, tender the license and all other indicia of  
21 licensure to the commissioner. Within 105 days of the written notice to  
22 the commissioner, the licensee shall submit to the commissioner at its own  
23 expense, a closing audit report as of the date the license is tendered to the  
24 commissioner for surrender, or for another period as the commissioner  
may specify, to be performed by an independent certified public  
accountant...A license is not surrendered until the commissioner has  
reviewed and accepted the closing audit report, a determination has been  
made by the commissioner that acceptance of the surrender is in the public  
interest, and tender of the license is accepted in writing by the  
commissioner.

25 7. Further, Financial Code section 17202, subdivision (a), provides in  
26 pertinent part:

27 “At the time of filing an application for an escrow agent’s license, the  
28 applicant shall deposit with the commissioner a bond satisfactory to the  
commissioner in the amount of at least...\$25,000. Thereafter, a licensee

shall maintain a bond satisfactory to the commissioner in the amount of: (1) ...\$25,000 if 150 percent of the previous year's average annual trust fund obligations, as calculated under Section 17348, equals...\$250,000 or less; (2) ...\$35,000 if 150 percent of the previous year's average annual trust fund obligations, as calculated under Section 17348, equals at least...\$250,001 but not more than...\$500,000; or (3)...\$50,000 if 150 percent of the previous year's average annual trust fund obligations, as calculated under Section 17348, equals...\$500,001 or more. The bond shall run to the state for the use of the state and for any person who has cause against the obligor of the bond under the provision of this division..."

8. As such, Respondent's violations of Financial Code sections 17600 and 17202 are grounds to revoke its escrow agent's license. Financial Code section 17602.5 provides in pertinent part:

"If any licensed escrow agent fails to make any reports required by law or by the commissioner within ten (10) days from the day designated for the making of the reports, or within any extension of time granted by the commissioner,...such failure shall constitute grounds for the suspension or revocation of the license held by such escrow agent."

9. In addition, Financial Code section 17608 provides in pertinent part:

The commissioner may, after notice and a reasonable opportunity to be heard, suspend or revoke any license if he finds that:

(a) The licensee has failed to maintain in effect a bond required under the provisions of this division.

(b) The licensee has violated any provision of this division or any rule made by the commissioner under and within the authority of this division.

...

10. On February 1, 2016, the Commissioner issued a Notice of Intention to Issue Order Revoking Escrow Agent's License, Accusation Supporting Revocation of License and accompanying documents (collectively, "Accusation") against Service Escrow. On February 8, 2016, the Accusation was served on Respondent via certified mail.

11. Service Escrow did not request a hearing and the time to do so has since expired.

///

///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**III.**

**ORDER REVOKING ESCROW AGENT’S LICENSE**

The Commissioner finds that, by reason of the foregoing, Service Escrow Company has violated Financial Code sections 17600(b) and 17202(a) by failing to submit a closing audit and maintain surety bond coverage. The Commissioner further finds, by reason of the foregoing, that grounds exist to revoke the escrow agent’s license of Service Escrow Company under section 17602.5, and that it is in the best interest of the public to do so.

NOW GOOD CAUSE APPEARING THEREFORE, pursuant to Financial Code section 17608, the escrow agent’s license issued to Service Escrow Company is hereby revoked. This order is effective as of the date hereof.

Dated: April 27, 2016

JAN LYNN OWEN  
Commissioner of Business Oversight

By: \_\_\_\_\_  
Lindsay B. Herrick  
Counsel  
Enforcement Division