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8  
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:

12 )  
13 ) THE COMMISSIONER OF BUSINESS  
14 ) OVERSIGHT,

15 ) Complainant,

16 ) vs.

17 ) STEPHANIE ANN JORDAN.

18 ) Respondents.  
19 )  
20 )  
21 )

ACCUSATION IN SUPPORT OF ORDER  
BARRING STEPHANIE ANN JORDAN  
FROM ANY POSITION OF EMPLOYMENT,  
MANAGEMENT, AND CONTROL OF ANY  
ESCROW AGENT

22 The Commissioner of Business Oversight (Commissioner) is informed and believes and  
23 based upon such information and belief, alleges and charges as follows:  
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**I.**

**Introduction**

1. Bayside Escrow, Inc. (Bayside) is an escrow agent licensed by the Commissioner pursuant to the Escrow Law (Financial Code section 17000 et seq.) (Escrow Law), with its principal place of business at 14101 Yorba Street, Suite #203, Tustin, California 92780.

2. Stephanie Ann Jordan (Jordan) was at all relevant times, escrow manager, escrow officer, and stockholder at Bayside.

**II.**

**April 2, 2019 Examination**

3. On or about April 2, 2019, the Commissioner commenced a special examination of Bayside. A review of Bayside’s escrow books and records revealed that Jordan made unauthorized disbursement of trust funds in violation of Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, section 1738 and made misrepresentations of materials fact in escrow records in violation of Financial Code section 17414, subdivision (a)(2) as described in more detail below.

**Escrow #22438-SJ**

4. On or about May 1, 2013, the principals to Escrow #22438-SJ entered into an escrow transaction for the purchase of real property. The short sale servicer on the property agreed to approve the seller’s short sale of the property and issued a Short Sale Contingent Approval dated November 12, 2013 (November 2013 Short Sale Approval), whereby the principals agreed that, “You will NOT receive any proceeds at closing...” Furthermore, the principals also agreed in a Short Sale Affidavit contained in the November 2013 Short Sale Approval that, “Neither the Seller(s) or the Buyer(s) will receive any funds or commissions from the sale of the property...”

5. On or about November 25, 2013, a Final Settlement Statement (Hud-1) was generated by Bayside for Escrow #22438-SJ. The Hud-1 disclosed that a disbursement was to be made for first half property taxes in the amount of \$1,805.07. On or about November 26, 2013, Escrow #22438-SJ closed.

1           6.       On or about March 17, 2014, Bayside received a check from the title company in the  
2 amount of \$1,805.07 for Escrow #22438-SJ. The check contained a notation that stated, “22438-  
3 SJ/TAX REFUND 1<sup>ST</sup> ALREADY PAID.” Receipt #2072 was issued for the check and deposited  
4 into Bayside’s trust account.

5           7.       On or about October 25, 2018, Jordan made an unauthorized disbursement of trust  
6 funds from Escrow #22438-SJ by issuing Check #73332 in the amount of \$1,805.07 to an individual  
7 named Richard Ayala (Ayala), who was not a party to the transaction, in violation of Financial Code  
8 section 17414, subdivision (a)(1) and California Code of Regulations, title 10, section 1738, in that  
9 there are no instructions from the principals of Escrow #22438-SJ or the short sale servicer  
10 authorizing the disbursement of \$1,805.07 in trust funds to Ayala.

11           8.       Additionally, Jordan falsified escrow records in Escrow #22438-SJ by generating a  
12 check receipt for Check #73332 reflecting that Ayala was a “Seller” and that the disbursement was  
13 for “Seller Proceeds,” when in fact, Ayala was not a party to Escrow #22438-SJ and the \$1,805.07  
14 was received by Bayside on March 17, 2014 for a tax refund due back to the short sale servicer.  
15 Jordan also falsified an entry in Escrow #22438-SJ’s disbursement worksheet by creating an entry  
16 that showed the October 25, 2018 unauthorized disbursement to Ayala was for “Seller Proceeds”  
17 under the “Type” category. Jordan’s falsification of escrow records in Escrow #22438-SJ is in  
18 violation of Financial Code section 17414, subdivision (a)(2).

19       **Escrow #22542-SJ**

20           9.       On or about June 25, 2013, the principals to Escrow #22542-SJ entered into an  
21 escrow transaction for the purchase of real property. The short sale servicer on the property agreed to  
22 approve the seller’s short sale of the property and issued a Short Sale Approval dated October 4,  
23 2013 (October 2013 Short Sale Approval). The October 2013 Short Sale Approval provides that,  
24 “Any changes in the terms and conditions contained in the Short Sale Notice, if applicable, or the  
25 sale contract between you and the buyer must be approved by the servicer in writing.” Additionally,  
26 the October 2013 Short Sale Approval contained a condition that required that, “A Hud-1 Settlement  
27 Statement, which will be signed by you and the buyer at closing, must be provided to the servicer no  
28 later than one business day before the closing date of 11/18/2013.”

1           10.     On or about November 18, 2013, Bayside received an email from the short sale  
2 servicer approving the Final Settlement Statement (Hud-1), provided to the short sale servicer  
3 pursuant to the short sale approval. The Hud-1 disclosed that a disbursement was to be made for first  
4 half property taxes in the amount of \$3,068.64. On or about November 18, 2013, Escrow #22542-SJ  
5 closed.

6           11.     On or about March 18, 2014, Bayside's trust account received a wire transfer from  
7 the title company in the amount of \$3,068.64 for Escrow #22542-SJ, representing a refund of the  
8 first half property taxes disbursed by Bayside pursuant to the November 18, 2013 Hud-1.

9           12.     On or about June 27, 2018, Jordan made an unauthorized disbursement of trust funds  
10 from Escrow #22542-SJ by issuing Check #71462 in the amount of \$3,068.64 to Ayala, who was not  
11 a party to the transaction, in violation of Financial Code section 17414, subdivision (a)(1) and  
12 California Code of Regulations, title 10, section 1738, in that there are no instructions from the  
13 principals of Escrow #22542-SJ or the short sale servicer authorizing the disbursement of \$3,068.64  
14 in trust funds to Ayala.

15           13.     Additionally, Jordan falsified escrow records in Escrow #22542-SJ by generating a  
16 check receipt for Check #71462 reflecting that the \$3,068.64 paid to Ayala were for "Seller  
17 Proceeds," when in fact, Ayala was not a party to Escrow #22542-SJ and the \$3,068.64 was received  
18 by Bayside on March 18, 2014 for a tax refund due back to the short sale servicer. Jordan also  
19 falsified an entry in Escrow #22542-SJ's disbursement worksheet by creating an entry that showed  
20 the June 27, 2018 unauthorized disbursement to Ayala was for "Seller Proceeds" under the "Type"  
21 category. Jordan's falsification of escrow records in Escrow #22542-SJ is in violation of Financial  
22 Code section 17414, subdivision (a)(2).

23 **Escrow #23875-SJ**

24           14.     On or about August 11, 2015, the principals to Escrow #23875-SJ entered into an  
25 escrow transaction for the purchase of real property. The short sale servicer on the property agreed  
26 to approve the seller's short sale of the property and issued a Short Sale Approval dated November  
27 12, 2015 (November 2015 Short Sale Approval). The November 2015 Short Sale Approval provides  
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1 that “Any change to the terms and representations contained in the Request or the attached sales  
2 contract between you and the buyer prior to closing must be approved by the Servicer in writing.”

3 15. On or about December 16, 2015, a Final Settlement Statement (Hud-1) was generated  
4 by Bayside. The Hud-1 disclosed that a disbursement was to be made for first half property taxes in  
5 the amount of \$3,594.33. On or about December 16, 2015, Escrow #23875-SJ closed.

6 16. On or about January 15, 2016, Bayside’s trust account received a wire transfer in the  
7 amount of \$3,594.33 for Escrow #23875-SJ. The wire confirmation contained a notation, “... TAX  
8 REFUND DUE TO 1<sup>ST</sup> HALF TAXES BEING PREVIOUS PAID...”

9 17. On or about May 22, 2018, Jordan made an unauthorized disbursement of trust funds  
10 from Escrow #23875-SJ by issuing Check #70819 in the amount of \$3,594.33 to Ayala, who was not  
11 a party to the transaction, in violation of Financial Code section 17414, subdivision (a)(1) and  
12 California Code of Regulations, title 10, section 1738, in that there are no instructions from the  
13 principals of Escrow #23875-SJ or short sale servicer authorizing the disbursement of \$3,594.33 in  
14 trust funds to Ayala.

15 18. Additionally, Jordan falsified escrow records in Escrow #23875-SJ by generating a  
16 false amended escrow instruction dated May 15, 2018 allegedly signed by the seller which instructs  
17 that, “Escrow Holder is hereby authorized to disburse tax refund in the amount of 3,594.33 to  
18 Richard Ayala for foreclosure postponement and processing fees that were forfeited at closing to  
19 meet the lenders net proceeds”, despite the fact that the seller never authorized or signed any  
20 amended escrow instructions disbursing \$3,594.33 of trust funds to Ayala. Jordan also falsified  
21 escrow records by generating a check receipt for Check #70819 reflecting that the \$3,594.33 in trust  
22 funds were for “Seller Proceeds,” when in fact Ayala was not a party to Escrow #23875-SJ and the  
23 \$3,594.33 was received by Bayside on January 15, 2016 for a tax refund due back to the short sale  
24 servicer. Jordan’s falsification of escrow records in Escrow #23875-SJ is in violation of Financial  
25 Code section 17414, subdivision (a)(2).

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III.

Applicable Laws

- 19. Financial Code section 17414 provides in pertinent part:
  - (a) It is a violation for any person subject to this division or any director, stockholder, trustee, officer, agent, or employee of any such person to do any of the following:
    - (1) Knowingly or recklessly disburse or cause the disbursement of escrow funds otherwise than in accordance with escrow instructions, or knowingly or recklessly to direct, participate in, or aid or abet in a material way, any activity which constitutes theft or fraud in connection with any escrow transaction.
    - (2) Knowingly or recklessly make or cause to be made any misstatement or omission to state a material fact, orally or in writing, in escrow books, accounts, files, reports, exhibits, statements, or any other document pertaining to an escrow or escrow affairs.
    - ....
  
- 20. Financial Code section 17423 provides in pertinent part:
  - (a) The commissioner may, after appropriate notice and opportunity for hearing, by order, . . . bar from any position of employment, management, or control any escrow agent, or any other person, if the commissioner finds either of the following:
    - (1) That the . . . bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the escrow agent or to the public.
    - ....
    - (b) Within 15 days from the date of a notice of intention to issue 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.
    - (c) Upon receipt of a notice of intention to issue an order pursuant to this section, the person who is the subject of the proposed order is immediately prohibited from engaging in any escrow processing activities, including disbursing any trust funds in the escrow agent's possession, custody or control, and the financial institution holding trust funds shall be so notified by service of the notice, accusation and other administrative pleadings. The prohibition against disbursement

of trust funds may be set aside, in whole or in part, by the commissioner for good cause.

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21. California Code of Regulations, title 10, section 1738 provides in pertinent part:

(a) All money deposited in such "trust" or "escrow" account shall be withdrawn, paid out, or transferred to other accounts only in accordance with the written escrow instructions of the principals to the escrow transaction or the escrow instructions transmitted electronically over the Internet executed by the principals to the escrow transaction or pursuant to order of a court of competent jurisdiction.

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**IV.**

**Conclusion**

By virtue of the foregoing, the Commissioner finds that:

(1) Stephanie Jordan violated Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, section 1738 by making unauthorized disbursements of trust funds to Richard Ayala;

(2) Stephanie Jordan violated Financial Code section 17414, subdivision (a)(2) by falsifying escrow documents and escrow records. It is in the best interest of the public to bar Respondent Stephanie Jordan from any position of employment, management or control of any escrow agent.

WHEREFORE, IT IS PRAYED that Respondent Stephanie Jordan be barred from any position of employment, management or control of any escrow agent.

Dated: May 7, 2019  
Los Angeles, California

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
Johnny Vuong  
Senior Counsel  
Enforcement Division