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

11
12 In the Matter of:) ESCROW LICENSE NO.: 96 DBO-36062
)
13 THE COMMISSIONER OF BUSINESS) ORDER SUSPENDING ESCROW AGENT
OVERSIGHT,) LICENSE OF 7 STAR ESCROW, INC.
14)
15 Complainant,) (Financial Code section 17608)
)
16 v.)
)
17 7 STAR ESCROW, INC.,)
)
18 Respondents.)
19)

20
21 Manuel P. Alvarez, the Commissioner of Business Oversight (Commissioner), is
22 informed and believes and based upon such information and belief, alleges and charges as
23 follows:

24 **I.**

25 **Jurisdiction and Venue**

26 1. The Commissioner brings this action for an order to suspend 7 Star Escrow Inc.,
27 pursuant to the provisions of Financial Code section 17608, for its repeated failures to meet the
28 tangible net worth and liquid asset requirement of Financial Code section 17210.

2. The Commissioner is authorized to administer and enforce the provisions of the

1 Escrow Law, Finance Code section 17000 et seq.¹

2 **II.**

3 **Statement of Facts**

4 3. At all relevant times, 7 Star Escrow, Inc. (7 Star Escrow) is an escrow agent
5 licensed by the Commissioner pursuant to the Escrow Law and has its principal place of business
6 located at 927 N. Maclay Avenue, San Fernando, California 91340.

7 4. At all relevant times, Maria Ascencio (Ascencio) is President of 7 Star Escrow. 7
8 Star Escrow's escrow agent's license number is 96 DBO-36062.

9 5. At all relevant times, the Commissioner licenses and regulates the activities of
10 escrow agents.

11 6. Section 17210 requires all escrow agent licensees to maintain a tangible net worth
12 of at least \$50,000 for their main office and at least \$25,000 more for any additional branch
13 office. 7 Star has only a main office and no branch office. Section 17210 also requires all
14 escrow agent licensees to maintain liquid assets of at least \$25,000.

15 7. Section 17406 requires escrow agents to file an annual report with the Department
16 of Business Oversight (DBO) on or before 105th day after the end of the licensee's fiscal year.

17 **A. In 2015, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

18 8. A review of 7 Star Escrow's annual report for the period ending April 30, 2015
19 showed that it had net liquid assets of \$4,335.00 which is a deficiency of \$20,655.00 and gross
20 tangible assets of \$48,827.00, which is a deficiency of \$1,173.00. Therefore, 7 Star Escrow was
21 in violation of Section 17210.

22 9. On August 20, 2015, DBO issued a written demand to 7 Star Escrow notifying it
23 of the net liquid assets and gross tangible assets deficiencies. On September 3, 2015, Ascencio
24 provided DBO with 7 Star Escrow's August 2015 financial statement which still showed a net
25 liquid asset deficiency of \$23,495.46. In addition, Ascension provided DBO with a validated
26 deposit slip for deposit of \$25,000.00 made on September 15, 2015 and a corporate resolution
27 acknowledging the deposit as additional capital contribution. 7 Star Escrow's September 2015
28

¹ All subsequent statutory references are to the Financial Code unless otherwise note.

1 financial statement showed a net loss of \$8,858.04 for the month of September 2015. To cover
2 the cash flow shortage, Ascencio provided a \$7,500.00 promissory note. With the Ascencio
3 loan, 7 Star Escrow was able to meet the liquid assets requirement for September 2015.

4 **B. In 2016, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

5 10. A review of 7 Star Escrow's annual report for the period ending April 30, 2016
6 showed net liquid assets of \$298.00 which is a deficiency of \$24,702.00 and gross tangible assets
7 of \$48,674.00 which is a deficiency of \$1,326.00. Therefore, 7 Star Escrow was in violation of
8 Section 17210.

9 11. On August 29, 2016, DBO issued a demand letter notifying Ascencio to cure the
10 deficiencies noted on the annual report and to correct the financial deficits within 30 days. Not
11 receiving a response to the August 29, 2016 demand letter, DBO sent Ascencio a second demand
12 letter to correct the deficiencies on October 4, 2016. The September 2016 financial statement
13 showed a deficiency in liquid assets of \$18,94800 and deficiency net worth of \$1,685.00.
14 Finally, 7 Star Escrow provided to the DBO, its October 2016 and November 2016 financial
15 statement showing that it had met the financial requirements.

16 **C. In 2017, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

17 12. A review of 7 Star Escrow's annual report for the period ending April 30, 2017
18 showed a liquid asset a negative balance of \$2,545.00 which is deficiency of \$27,545.00 and
19 gross tangible net worth of \$31,222.00 which is a deficiency of \$18,778.00. Therefore, 7 Star
20 Escrow was in violation of Section 17210.

21 13. On February 27, 2018, DBO wrote to 7 Star Escrow demanding proof of
22 correction of the liquid asset and tangible net worth deficiencies noted in the April 30, 2017
23 annual report filing. DBO also requested January and February, 2018 financial statements. On
24 April 14, 2018, Ascencio responded that as of March 31, 2018, 7 Star Escrow was fully
25 complaint with the financial minimum requirements. Ascencio provided the January, February
26 and March 2018 financial statements. A review of the January and February 2018 statements
27 show a liquid asset deficiency of \$14,786.22 for January and a deficiency in February of
28 \$16,903.39. However, Ascencio provided a deposit of \$7,000.00 on March 31, 2018 to bring

1 the liquid asset of 7 Star Escrow to \$25,717.83 which is barely over the minimum.

2 **D. In 2018, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

3 14. A review of 7 Star Escrow's annual report for period ending April 30, 2018
4 showed net liquid assets of \$5,596.00 which is a deficiency of \$19,404.00 and tangible net worth
5 of \$44,919.00, a deficiency of \$5,081.00. Therefore, 7 Star Escrow was in violation of Section
6 17210.

7 15. On September 28, 2018, DBO wrote to 7 Star Escrow demanding Ascencio to
8 cure the minimal financial requirements, to provide proof of correction, and produce the
9 company's August 2018 financial statement. In an email on October 11, 2018, Ascencio
10 produced the August 2018 financial statement which showed compliance with the financial
11 requirements.

12 **III.**

13 **An Order Suspending 7 Star Escrow Is Appropriate Where It Repeatedly Failed to Meet**
14 **the Minimum Financial Requirements.**

15 16. Section 17210 provides in pertinent part, as follows:

16 (a) An escrow agent licensed on or after January 1, 1986, shall maintain at all
17 times a tangible net worth of fifty thousand (\$50,000), including liquid assets of at
18 least twenty-five thousand dollars (\$25,000) in excess of current liabilities.

19 17. Section 17608 provides in pertinent part, as follows:

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

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

24 18. It is clear that at times, over each of the past four years, 7 Star Escrow did not
25 meet the minimum net asset or gross tangible asset requirements or both, and thus violated
26 Section 17210. As the annual filings show for the past four years, 7 Star Escrow would bring
27 itself into compliance with Section 17210 only after DBO demanded compliance. The repeated
28 failure of 7 Star Escrow to meet the minimum financial requirements at all times required in
Section 17210 justifies DBO suspending the 7 Star Escrow's escrow agent's license.

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IV.

Order

NOW GOOD CASUE APPEARING, pursuant to Section 17608, the escrow agent’s license of 7 Star Escrow, Inc. be suspended for a period of 10 consecutive business days. This order is effective as of the date hereof.

Dated: November 15, 2019
San Francisco, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division