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10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
11 OF THE STATE OF CALIFORNIA

12 In the Matter of:) File No.: 963-0618
13)
14 THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,)
15) AMENDED ACCUSATION TO BAR LAURIE
16 Complainant,) BUCHANAN FROM ANY POSITION OF
17 v.) EMPLOYMENT, MANAGEMENT OR
18 LAURIE BUCHANAN,) CONTROL OF ANY ESCROW AGENT
19 Respondents.) FINANCIAL CODE SECTION 17423
20)
21)

22 Complainant, the Commissioner of Financial Protection and Innovation (Complainant or
23 Commissioner), is informed and believes, and based upon such information and belief, alleges and
24 charges Respondent as follows:

25 **I.**

26 **Introduction**

27 1. Respondent Laurie Buchanan (Buchanan), is at all relevant times herein, an escrow
28 officer at Menifee Valley Escrow, Inc. (MVE), a 50% shareholder of MVE, and a signatory on

1 MVE’s trust account.

2 2. MVE is an escrow agent licensed by the Commissioner pursuant to the Escrow Law
3 of the State of California (Fin. Code section 17000 et seq.) MVE’s principal place of business is
4 located at 28005 Bradley Road, Suite B, Sun City, California 92586.

5 3. The Commissioner brings this action to bar Buchanan pursuant to Financial Code
6 section 17423 because Buchanan has violated Financial Code section 17414, subdivision (a)(1) by
7 disbursing escrow funds without proper authorization; California Code of Regulations Section 1738
8 for disbursing trust funds without instructions; and California Code of Regulations Section 1741.3
9 for failure to properly prepare a statement of account.

10 **II.**

11 **Factual Background**

12 4. On January 9, 2020, MVE reported to the Commissioner that it had recently
13 discovered several escrows processed by Buchanan that had irregular disbursements totaling
14 \$21,034.00. MVE provided a spreadsheet that listed five categories with a detailed breakdown of the
15 amount and escrow files affected. The five categories are:

16 a. Mobilehome Dealer Transaction (fees taken by Buchanan from mobile home
17 escrows without authorization in the files). Buchanan claims that she has emails from the
18 mobile home dealers that are not included in the escrow files but which give her
19 authorization to collect these fees. To date, Buchanan has not provided those emails to the
20 Commissioner.

21 b. Taken from Fee Account (fees taken by Buchanan from the company’s
22 general account without appropriate documentation to support the payments).

23 c. Unauthorized – Other (fees taken by Buchanan from the company’s trust
24 account for various unexplained fees without supporting authorizations and explanations for
25 the fees).

26 d. Unauthorized Notary (fees taken by Buchanan from the company’s trust
27 account for notary fees without authorizations in the files).

28 e. Authorized Notary (fees taken by Buchanan from the company’s trust account

1 with only signed estimated closing statements in the files but without additional
2 authorizations).

3 5. The spreadsheet provided by MVE showed that out of the \$21,034.00 disbursements
4 to Buchanan, only \$6,085.00 were authorized under the Authorized Notary category and the balance
5 of \$14,949.00 were unauthorized disbursements. Buchanan claimed that all of the fees she took were
6 authorized, but out of an abundance of caution, she replaced the \$21,034.00 on January 9, 2020.
7 Buchanan issued a personal check and deposited it to MVE's general account and thereafter, the
8 funds were transferred to MVE's trust account. The chart below illustrates the five categories with
9 the breakdown amounts based on MVE's report to the Commissioner.

Amount	Category
\$ 6,760.00	Mobile home Dealer Transaction
\$ 2,890.00	Taken from Fee Account
\$ 3,769.00	Unauthorized-Other
\$ 1,530.00	Unauthorized Notary
\$ 6,085.00	Authorized Notary
\$ 21,034.00	Total amount reported to the Commissioner

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19 6. On January 9, 2020, the Commissioner through her staff commenced a special
20 examination to review the disbursements, to validate the facts reported by MVE, and to identify any
21 pattern of unauthorized fees. The examiner handling the special examination (Examiner) reviewed
22 escrow files, ledgers, statements, and MVE's check activity reports.

23 7. As part of the special examination, the Examiner requested MVE to self-audit the
24 files it reported to the Commissioner and to disburse the funds to the appropriate parties. The
25 Examiner also requested that MVE provide the check numbers issued to Buchanan. MVE conducted
26 the self-audit and provided an updated spreadsheet with the requested check numbers. The Examiner
27 selected and reviewed six files from the spreadsheet to verify the facts MVE reported to the
28 Commissioner: two escrow files under the authorized notary category were reviewed and confirmed

1 that the checks issued to Buchanan were in fact authorized, and the other four files under the rest of
2 the four categories listed on the spreadsheet were unauthorized (see below, paragraph 8).

3 8. The following is a summary of the Examiner’s findings of the four files obtained
4 from the spreadsheet provided by MVE that contained unauthorized disbursement:

5 a. Escrow number 17535. This file was selected from the spreadsheet under the
6 “Mobilehome Dealer Transaction” category. Check number 93519 in the amount of \$250.00 was
7 issued to Buchanan on March 9, 2019 of which \$100.00 was categorized under the Mobilehome
8 Dealer Transaction category and \$150.00 under the “Unauthorized – Other” category. The final
9 closing statement showed, under the Additional Disbursements, that \$250.00 was charged to the
10 seller as a disbursement to Buchanan.

11 MVE’s ledger showed that on January 9, 2020, receipt number 30249 was issued for \$250.00
12 from MVE’s general account as a replacement of the funds issued to Buchanan. After MVE’s self-
13 review of the file and discussion with the Examiner, MVE decided to issue a refund to the seller for
14 \$150.00 and \$100.00 to MVE’s general account for processing mobilehome documents. According
15 to MVE’s fee schedule, MVE charged mobilehome document fee for \$100.00 from each party. On
16 April 8, 2020, check number 100138 was issued to the seller and check number 100137 was issued
17 to the MVE general account.

18 b. Escrow number 20878. This file was selected because of check number 91785 in the
19 amount of \$225.00. Said check was issued on November 14, 2018 and was listed under the “Taken
20 from Fee Account” category. In addition to the \$225.00 check, two additional checks were issued to
21 Buchanan – check number 91783 for \$653.00, also issued on November 14, 2018, and check number
22 93279 for \$125.00, issued on March 8, 2019. These three checks amounted to \$1,003.00. The only
23 amount that appeared to be authorized, as supported by a receipt, was a payment to the Department
24 of Motor Vehicle (DMV) for \$453.00 that Buchanan paid as an upfront fee, but the amount of \$550
25 disbursed to Buchanan appears unauthorized.

26 On January 9, 2020, receipt number 30314 in the amount of \$550 was issued from MVE’s
27 general account as a replacement of the funds. MVE disbursed the funds to the appropriate parties on
28 April 18, 2020 – check number 100279 to MVE’s general account for \$250.00, check number

1 100280 for \$150.00 to the seller, and check number 100281 for \$150.00 to the buyer.

2 c. Escrow number 20802. This was selected from the spreadsheet under the
3 “Unauthorized – Other” category. Check number 92067 in the amount of \$354.00 was issued to
4 Buchanan on December 4, 2018. This file is a mobile home escrow file according to the
5 supplemental sale escrow instructions. The final closing statements showed that \$354.00 was
6 charged to the buyer under Expenses for Outside Services for Mobile Home Transfer Costs & Fees.
7 However, MVE already charged \$100.00 each to the buyer and seller for “Mobile Home Document”
8 fees. It appears that the “Mobile Home Transfer Costs & Fees” for \$354.00 were additional charges
9 by Buchanan that she disbursed to herself. These fees were not authorized and not approved by the
10 buyer on the estimated closing statements. There was no invoice or supporting documents found in
11 the file.

12 On January 9, 2020, receipt number 30298 in the amount of \$354.00 was issued from MVE’s
13 general account as a replacement of the funds. Check number 100256 in the amount of \$354.00 was
14 issued to the buyer as a refund on April 18, 2020.

15 d. Escrow number 20232. This file was selected because of check number 91664 in the
16 amount of \$225.00, issued to Buchanan on November 8, 2018, and listed as “Unauthorized Notary”
17 for \$200.00 and “Authorized Notary” for \$25.00 on the spreadsheet. This file is a mobile home
18 escrow file according to the manufactured home escrow instructions. Under the final closing
19 statements, there was \$200.00 charged to the seller and \$25.00 charged to the buyer for Notary fees
20 by Buchanan. The \$200.00 charged to the seller as notary fee was not authorized by the seller
21 because there was no supporting document nor estimated closing statements signed by the seller in
22 the file. The \$25.00 notary fee charged to the buyer was authorized to Buchanan by the buyer
23 according to the signed estimated closing statements. The unauthorized amount in this file was
24 \$200.00.

25 On January 9, 2020, receipt number 30268 in the amount of \$225.00 was issued to this
26 escrow file from MVE’s general account as a replacement of the funds. After MVE self-audited the
27 file, on April 18, 2020, check number 100189 was issued for \$150.00 to the seller, check number
28 100190 was issued for \$50.00 to MVE’s general account for mobile home document fee, and check

1 number 100191 was issued for \$25.00 to the buyer. However, check number 100191 for \$25.00 was
2 issued to the buyer in error. It was supposed to be issued to Buchanan for a notary fee. On June 25,
3 2020, receipt number 31258 was issued for \$25.00 from MVE's general account and issued check
4 number 101177 for \$25.00 to Buchanan to correct the issue.

5 9. The Examiner also reviewed MVE's check activity reports from October 1, 2018
6 through September 30, 2019. During this period, the total amount of checks issued to Buchanan was
7 \$48,932.26 compared to the \$21,034.00 reported by MVE in its initial report to the Commissioner, a
8 difference of \$27,898.26. MVE explained that \$25,457.00 was repaid to Buchanan for upfront fees
9 in which she used her personal credit card. MVE did not find irregularities with those payments. As
10 to the remaining amount of \$2,441.00, MVE found two escrow files with unauthorized
11 disbursements totaling \$130.00. Therefore, the total unauthorized disbursement to Buchanan, from
12 October 1, 2018 through September 30, 2019, was \$15,079.00. The unauthorized amount of \$130.00
13 was replaced on August 19, 2020.

14 10. After examining the check activity reports noted above, the Examiner selected three
15 additional files with checks issued to Buchanan that were not initially reported to the Commissioner
16 to determine whether those disbursements were authorized. The Examiner found an unauthorized
17 disbursement in the amount of \$300.00 issued to Dana Buchanan (Respondent's daughter in-law) in
18 escrow file number 20808. The escrow fees were already charged in this file, including the mobile
19 home documents fee. However, an additional \$300.00 for mobile home documents fee was charged
20 to the buyer and was reflected on the final closing statement. There was no written instruction found
21 in the file. On August 19, 2020, receipt number 31540 was posted in the amount of \$300.00 to the
22 trust account from MVE's general account as a replacement of the funds. Thereafter, check number
23 101863 in the amount of \$300.00 was issued to the buyer.

24 11. The Examiner requested MVE self-audit additional files that had checks issued to
25 Buchanan after September 1, 2019. On June 22, 2020 MVE reported that it had found four files with
26 unauthorized disbursements to Buchanan from October 1, 2019 through January 31, 2020 totaling
27 \$505.00, and on September 25, 2020, MVE reported an additional file with unauthorized
28 disbursement for \$100.00. MVE provided the escrow ledgers, final closing statements, receipts and

1 re-issued checks to the appropriate party after MVE made the corrections. The chart below shows
 2 the summary of the escrow files reported with the unauthorized amount taken by Buchanan from
 3 October 1, 2019 through January 31, 2020 and the dates the funds were replaced.

Escrow No.	Amount	Date Replaced
20546	\$225.00	8/19/2020
21661	\$100.00	8/19/2020
21752	\$30.00	8/19/2020
20744	\$150.00	8/19/2020
20838	\$100.00	9/25/2020

\$605.00

14 12. Accordingly, from October 1, 2018 through January 31, 2020, the total amount
 15 disbursed to Buchanan, without proper authorization, amounted to a total of \$15,684.00. As
 16 discussed above, MVE replaced the funds on January 9, 2020, August 19, 2020, and September 25,
 17 2020.

III.

Applicable Law

20 13. Financial Code section 17414 provides in pertinent part:

21 (a) It is a violation for any person subject to this division or any
 22 director, stockholder, trustee, officer, agent, or employee of any such
 person to do any of the following:

23 (1) Knowingly or recklessly disburse or cause the disbursement of escrow
 24 funds otherwise than in accordance with escrow instructions, or
 25 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.

26 (2) Knowingly or recklessly make or cause to be made any
 27 misstatement or omission to state a material fact, orally or in writing,
 28 in escrow books, accounts, files, reports, exhibits, statements, or any
 other document pertaining to an escrow or escrow affairs.

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14. Financial Code section 17423 provides in pertinent part:

(a) The commissioner may, after appropriate notice and opportunity for hearing, by order, censure or suspend for a period not exceeding 12 months, or 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 censure, suspension, or 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.

. . .

(e) Persons suspended or barred under this section are prohibited from participating in any business activity of a licensed escrow agent and from engaging in any business activity on the premises where a licensed escrow agent is conducting escrow business. This subdivision shall not be construed to prohibit suspended or barred persons from having their personal escrow transactions processed by a licensed escrow agent.

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15. 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.

16. California Code of Regulations, title 10, section 1741.3, provides in pertinent part:

Upon completion of an escrow transaction an escrow agent shall render to each principal to the escrow transaction a statement of his account in writing. Such statement shall specify all receipts and disbursements of escrow funds for his account. Charges made by the escrow agent for his services, and all disbursements by the escrow agent to a broker or salesman in connection with an escrow transaction shall be clearly designated as such and shall be shown separately from disbursements of the escrow agent. Payments outside of escrow, if shown in the statement, shall be set forth separately from payments by or to the escrow agent....

IV.

Conclusion

16. The Commissioner finds that, by reason of the foregoing, (i) Respondent Laurie Buchanan has violated Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, section 1738; and (ii) California Code of Regulations Section 1741.3, and based thereon, it is in the best interest of the public to bar Respondent Laurie Buchanan from any position of employment, management, or control of any escrow agent.

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V.

Prayer

WHEREFORE, IT IS PRAYED that pursuant to Financial Code section 17423, subdivision (a)(1), Respondent Laurie Buchanan be barred from any position of employment, management or control of any escrow agent.

Dated: March 23, 2023
Los Angeles, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

By _____
Marlou de Luna
Senior Counsel
Enforcement Division