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Commissioner
2 MARY ANN SMITH
Deputy Commissioner
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5 Department of Financial Protection and Innovation
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8 Attorneys for Complainant

9
10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
11 OF THE STATE OF CALIFORNIA

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13 In the Matter of:) File No.: 96DBO-80565
)
14 THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,)
15) **ORDER BARRING ALEXANDRA**
Complainant,) **LORRAINE SMITH FROM ANY**
) **POSITION OF EMPLOYMENT,**
16 v.) **MANAGEMENT, OR CONTROL OF ANY**
) **ESCROW AGENT PURSUANT TO**
17 ALEXANDRA LORRAINE SMITH,) **FINANCIAL CODE SECTION 17423**
)
18 Respondent.)
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19)
20)
21)

22 The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

- 23 1. Respondent Alexandra Lorraine Smith (Respondent or Smith), is at all relevant times
24 herein, an escrow officer at Cloud Escrow, Inc. (CEI). Smith was employed by CEI from March 29,
25 2018 through March 15, 2021.
- 26 2. CEI is an escrow agent licensed by the Commissioner pursuant to the Escrow Law of
27 the State of California (Fin. Code section 17000 et seq.) with its principal place of business at 20657
28 Golden Springs Drive, Suite 204A, Diamond Bar, California 91789. Jasmine Lee (Lee) is the

1 president of CEI.

2 3. On April 19, 2021, CEI notified the Commissioner about a possible fraudulent
3 demand letter created by Smith on the City of Los Angeles (City) letterhead, for an invoice that does
4 not exist related to escrow number 021790-AS. Smith purportedly submitted the demand letter to
5 Pacific Coast Title (Pacific Coast), to enable Pacific Coast to release the seller’s proceeds and close
6 escrow.

7 4. On May 3, 2021, the Commissioner through her staff commenced a special
8 examination of CEI in light of the report she received on April 19. The examination covered the
9 period from April 2020 to March 2021. The examiner handling the examination (Examiner)
10 interviewed Lee, reviewed the last 12 months escrow ledgers to determine if there were any
11 suspicious activity handled by Smith. The Examiner also selected four additional files to review in
12 addition to escrow number 021790-AS. The Examiner found a duplicate disbursement, handled by
13 Smith, in escrow number 020844-AS. No other suspicious activity was found on the other files. The
14 activities related to the two files at issue are discussed below.

15 5. Escrow number 021790-AS was opened on January 21, 2021 and closed on March 5,
16 2021. Smith was listed as the escrow officer. During the escrow process, Pacific Coast noted a lien
17 on the property executed by the City as shown on the preliminary title report of the property. There
18 were several emails exchanged between Smith and Pacific Coast during the period of March 3
19 through March 15, 2021, as outlined below, related to the lien on the property and the demand letter
20 from the City.

21 a. March 3, 2021, at 5:05 p.m., Pacific Coast requested Smith provide item number 8 –
22 the demand letter from the City in order to close the escrow. Smith responded that she has requested
23 the demand letter from the City since January but had not heard back.

24 b. March 4, 2021, at 10:48 a.m., Smith emailed Pacific Coast and advised them that the
25 county verbally said the lien was cleared. Smith indicated that the county needed Smith to submit a
26 signed notarized form requesting to release the lien. Smith asked Pacific Coast if they could record
27 the title transfer and withhold some funds from the seller to pay the City demand and recording cost.
28 Pacific Coast agreed to record the title transfer on March 5, 2021, but withheld the seller’s proceeds

1 in the amount of \$200,000.00 until they receive the demand letter from the City.

2 c. March 11, 2021, at 1:54 p.m., an email from Jazelle A. Trinidad (Trinidad) of the
3 City's Financial Services Department, to Smith, stated that the City was in the process of drafting the
4 demand letter for 4337 O'Neill St. (the subject property). However, Trinidad required Smith provide
5 a copy of the grant deed so that they can complete the request.

6 d. March 12, 2021, at 5:10 p.m., Smith sent an email to Pacific Coast. Attached to that
7 email was the City's demand letter in the amount of \$150.00 and invoice number 852742-2. Smith
8 requested that Pacific Coast release the seller's proceeds that Pacific Coast was withholding. The
9 demand letter, dated March 12, 2021 and with the signature of Jeremy Coronel, an accountant at the
10 City's Financial Services Department, was attached to the last page of the email identified as
11 CF03122021_0002.pdf.

12 e. March 15, 2021, at 8:57 a.m., a Pacific Coast assistant forwarded Smith's email, with
13 the demand letter, to Ryan Vuong (Vuong), a title officer at Pacific Coast, indicating that the
14 demand in item number 8 has been received so that the holding fund can be released. The demand
15 letter was attached on the last page of the email with the same pdf name "CCF03122021_0002.pdf"
16 that Smith sent on March 12 at 5:10 p.m.

17 6. On March 16, 2021, one day after Smith left CEI, Trinidad sent Smith the demand
18 letter for outstanding fees in the amount of \$660.00 with invoice number 810267-4. The demand
19 letter was dated March 11, 2021 and signed by Grace Pangilinan, an accountant from the City's
20 Financial Services. The demand letter, in the amount of \$660.00 with invoice number 810267-4, was
21 attached to the last page of Trinidad's email with the pdf name "4337 O'Neill St.pdf". The letter
22 stated the City would no longer pursue the lien as the result of the change in ownership. The City
23 prepared a release for the lien and would file the release with the County Registrar Records Office.

24 7. In or around March 16, 2021, Lee also found an unsigned version of the City demand
25 letter dated, March 12, 2021, on City letterhead, on the desktop computer used by Smith at CEI.

26 8. On March 23, 2021, Lee received a phone call from Vuong who informed Lee that
27 the City advised him they did not have invoice number 852742-2 on file and that the demand letter
28 was fraudulent.

1 9. CEI’s information technology (IT) administrator confirmed that CEI’s IT personnel
2 were responsible for setting up computer access for CEI employees, including Smith. Each
3 employee at CEI obtains their own secure username and password to log on to their computer and
4 email. The employees do not share computers, email addresses, or workstations. Moreover, the
5 employees do not share their username and password. Only the IT administrator can reset the
6 username and password when there are issues. If the computer is idle for five minutes, the screen is
7 automatically logged out.

8 10. Escrow number 020844-AS was found to have a duplicate disbursement of
9 \$21,112.77. Escrow instructions dated August 13, 2020 authorized CEI to disburse \$21,087.02 from
10 the seller’s proceeds to the seller’s lender NR, or the Navy Federal Credit Union. The seller also
11 agreed to pay off fees owed in addition to the \$21,087.02. The purpose of this instruction is for
12 escrow to pay off the seller’s loan from the sale proceeds. According to the Navy Federal Credit
13 Union wire instruction, the final payoff loan demand was \$21,112.77.

14 a. On August 21, 2020, Smith issued an outgoing wire from Nano bank trust account to
15 NR for \$21,112.77. Smith issued this outgoing wire at the bank without recording the disbursement
16 in the escrow ledger.

17 b. On August 21, 2020, Smith also issued check number 16345 from the escrow trust
18 account to the Navy Federal Credit Union in the amount of \$21,112.77. The check was paid by Nano
19 Bank on August 31, 2020.

20 c. The escrow ledger only showed one payment, but Nano Bank was debited twice on
21 August 21, 2020, and August 31, 2020, causing a trust account shortage in the amount of \$21,112.77
22 from August 31, 2020 to September 25, 2020.

23 d. On September 25, 2020, upon CEI’s discovery of the shortage in the trust fund, CEI
24 transferred \$21,112.77 from its general account. Receipt number 2308 was issued to credit the
25 escrow ledger.

26 e. On November 2, 2020, CEI recovered \$21,112.77 from the Navy Federal Credit
27 Union. Receipt number 2314 was issued to credit the escrow ledger. Thereafter, CEI reimbursed the
28 fund from the trust account to the general account on November 16, 2020.

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11. Complainant finds that, by reason of the foregoing, Respondent Alexandra Lorraine Smith has violated section 17414, subdivision (a)(1) of the Financial Code and section and California Code of Regulations, title 10, sections 1738 and 1741.3 and it is in the best interest of the public to bar Respondent Alexandra Lorraine Smith from any position of employment, management or control of any escrow agent pursuant to section 17423, subdivision (a)(1) of the Financial Code.

12. On March 15, 2023, the Commissioner issued a notion of intention to issued order barring Respondent Alexandra Lorraine Smith from any position of employment, management, or control of any escrow agent, accusation, and accompanying documents based upon the above, and Smith was served by certified return receipt mail with those on March 17, 2023. The Department of Financial Protection and Innovation has received no request for a hearing from Smith and the time to request a hearing has expired.

NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Alexandra Lorraine Smith be barred from any position of employment, management, or control of any escrow agent pursuant to Financial Code section 17423, subdivision (a)(1).

Dated: July 10, 2023
Los Angeles, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division