

1 CLOTHILDE V. HEWLETT  
Commissioner  
2 MARY ANN SMITH  
Deputy Commissioner  
3 SEAN M. ROONEY  
Assistant Chief Counsel  
4 MARLOU de LUNA (State Bar No. 162259)  
Senior Counsel  
5 Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
6 Los Angeles, California 90013  
Telephone: (213) 503-3360  
7 Facsimile: (213) 576-7181

8 Attorneys for Complainant

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

12 In the Matter of:

) FILE NO.: 963-5088  
)  
)  
)

14 THE COMMISSIONER OF FINANCIAL  
15 PROTECTION AND INNOVATION,

17 Complainant,

18 v.

19 REDWOOD ESCROW SERVICES INC.,

21 Respondent.  
22  
23

) **DEMAND FOR AND ORDER TAKING**  
) **POSSESSION OF THE TRUST FUNDS**  
) **AND ESCROW RECORDS OF REDWOOD**  
) **ESCROW SERVICES INC. PURSUANT TO**  
) **FINANCIAL CODE SECTION 17621**

24 TO: REDWOOD ESCROW SERVICES INC.  
25 19131 Redwood Road, Suite E & F  
26 Castro Valley, CA 94546

27 BANK OF THE WEST  
3396 Castro Valley Blvd.  
28 Castro Valley, CA 94546

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

CORODATA  
450 Charcot Ave.  
San Jose, CA 95131

WHEREAS, Clothilde V. Hewlett, the Commissioner of Financial Protection and Innovation (Commissioner), has found that Redwood Escrow Services Inc. (Respondent or, alternatively, Redwood Escrow), an escrow agent subject to the California Escrow Law (Fin. Code, §§ 17000 et seq.) (Escrow Law), is unable to remedy certain financial conditions set forth in the Notice and Summary of Findings Pursuant to section 17621 of the Financial Code issued by the Commissioner on September 12, 2023; and

WHEREAS, Respondent is conducting its escrow business in an unsafe, injurious, and unauthorized manner, so as to render further operations hazardous to the public or to customers in that Respondent has:

(a) a trust fund shortage amounting to \$679,422.93 that it cannot cure because it does not have the funds to cover the shortage, in violation of Financial Code section 17414, subdivision (a)(1).

(b) failed to reimburse at least three escrows, described below, because it does not have the funds to issue refunds, in violation of Financial Code section 17414, subdivision (a)(1).

Redwood Escrow has informed the buyers and their real estate agents about the hacking incident, the funds shortages in the trust account, and Redwood Escrow’s inability to provide any refunds until it recovers additional missing funds.

(i). Escrow no. 28701 – initial deposit of \$135,000.00, \$40,000.00 refunded, with a remaining balance due of \$95,000.00.

(ii). Escrow no. 28702 – initial deposit \$140,000.00, \$40,000.00 refunded, with a remaining balance due of \$100,000.00.

(iii). Escrow no. 28723 – initial deposit \$220,000, \$40,000.00 refunded, with a remaining balance due of \$180,000.00.

(c) failed to meet the liquidity and tangible net worth requirements mandated by section 17210 of the Financial Code wherein all licensees are required to maintain, at all

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

times liquid assets in the amount of at least \$25,000.00 and a tangible net worth of at least \$50,000.00. The special examination found that following the fraudulent wire outs, the bank balance of Redwood Escrow’s trust and general accounts were approximately \$79.00 and \$0.36, respectively. As of July 31, 2023, Redwood Escrow had a liquid asset deficiency of \$33,464.36 and a tangible net worth deficiency of \$26,295.68.

(d) failed to maintain its books and records in accordance with the Escrow Law in that it failed to maintain the financial statements and general ledgers for the general bank account current, in violation of California Code of Regulations, title 10, section 1732.3. The general ledger and financial statements should have been posted and prepared up to May 31, 2023.

(e) Redwood Escrow has closed its business location at 19131 Redwood Road, Suite E&F, Castrol Valley, California 94546, but its escrow agent license remains active.

NOW, GOOD CAUSE APPEARING, pursuant to Financial Code section 17621, the Commissioner, effective this date, hereby demands and takes possession of the trust accounts of Redwood Escrow Services Inc. and all bank and escrow records pertinent thereto and will retain possession thereof until the Commissioner appoints a conservator, or until its affairs are finally liquidated as provided for in Division 6, Chapter 6 of the Financial Code, or it resumes business with the consent and upon such conditions as the Commissioner may prescribe.

Dated: September 11, 2023

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation



By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division