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CORODATA  
450 Charcot Ave.  
San Jose, CA 95131

THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION FINDS

THAT:

1. The Department of Financial Protection and Innovation (DFPI) commenced a special remote examination of Redwood Escrow Services Inc. (Redwood Escrow) on May 23, 2023 following an email from Janet S. Carrera (Carrera), Redwood Escrow’s Escrow Manager, Vice President, and 50% owner of Redwood Escrow, that the company’s “bank accounts (trust and general) were hacked,” which resulted in the following findings:

a. On May 18, 2023, Anna Arvetis-Seoane (Seoane), President, Escrow Officer, and 50% owner of Redwood Escrow, received a phone call from an individual who claimed to be an employee of Bank of the West (BW). Seoane was told that BW was performing data migration to their system and told Seoane to log in to the Redwood Escrow online trust bank account. Seoane was instructed to input the security code that appeared on the screen as a second layer of protection and to stay logged in to Redwood Escrow’s online trust bank account. Seoane followed the instructions without verifying the caller’s identity or calling BW to inquire about possible data migration. Within 15 minutes of receiving the phone call, Redwood Escrow’s internet service was disconnected. Shortly after Redwood Escrow’s internet service was restored, it received six wire out confirmations from BW amounting to \$1,941,377.73, none of which were approved by either Seoane or Carrera.

b. The total amount hacked from Redwood Escrow’s trust account was \$1,941,377.73, of which \$80,570.00 was transferred from Redwood Escrow’s general bank account to its trust account, without authorization from either Carrera or Seoane. The list of funds transferred out of the Redwood Escrow trust account is as follows:

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<u>Date of Transfer</u>	<u>Amount</u>	<u>Beneficiary Bank</u>	<u>Beneficiary Party</u>
5/18/2023	\$ 84,350.00	Bank of America	VCA Appcrafters, LLC.
5/18/2023	\$301,238.00	Bank of America	Mattox M, LLC.
5/18/2023	<u>\$318,748.00</u>	Bank of America	JLJ Company, LLC.
Subtotal	\$704,336.00		
5/18/2023	\$350,938.00	Suntrust	CT Developing, LLC.
5/18/2023	\$398,534.34	Suntrust	EE Resource Securer, LLC.
5/18/2023	<u>\$487,569.39</u>	Truist Bank	AH Center Service, LLC.
Subtotal	\$1,237,041.73		
Total	<u>\$1,941,377.73</u>		

c. The fraudulent wire outs, described above, resulted in a trust account shortage. As of July 14, 2023, Redwood Escrow’s trust account shows a shortage of \$679,422.93, in violation of the California Escrow Law (Fin. Code, §§ 17000 et seq.) (Escrow Law), Financial Code section 17414, subdivision (a)(1).

d. Redwood Escrow 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 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.

e. Redwood Escrow 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.

f. 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.

1           2.       On May 22, 2023, the DFPI directed Redwood Escrow, via email addressed  
2 to Seoane, to cure the trust account shortage within 24 hours.

3           3.       On May 24, 2023, the DFPI emailed a demand letter to Redwood Escrow to  
4 open a new trust bank account and to replenish the trust account shortage by May 25. The  
5 bank accounts in which the funds were taken have since been closed and new accounts have  
6 been opened. However, Redwood Escrow indicated that it could not cure the shortage in  
7 the trust account by the May 25th deadline. Thus far, the shortage in the trust account  
8 remains at \$679,422.93.

9           4.       The DFPI has received several complaints against Redwood Escrow following the  
10 hacking incident, one of which involved four escrows, described below, remains unresolved because  
11 Redwood Escrow does not have the funds to issue refunds. The three escrows with balances due  
12 involved three buyers. Redwood Escrow has informed the buyers and their real estate agents about  
13 the hacking incident, the funds shortages in the trust account, and Redwood Escrow’s inability to  
14 provide any refunds until it recovers additional missing funds.

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

17           b.       Escrow no. 28702 – initial deposit \$140,000.00, \$40,000.00 refunded, with a  
18 remaining balance due of \$100,000.00.

19           c.       Escrow no. 28723 – initial deposit \$220,000, \$40,000.00 refunded, with a  
20 remaining balance due of \$180,000.00.

21           Based upon the foregoing, Redwood Escrow Services Inc. is conducting its escrow business  
22 in such an unsafe or injurious manner as to render further operations hazardous to the public or to  
23 customers.

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1           NOW, BASED UPON THE FOREGOING, AND GOOD CAUSE APPEARING  
2 THEREFORE, it is hereby ORDERED, under the provisions of Financial Code section 17415, that  
3 Redwood Escrow Services Inc. and any person having in his or her possession any escrow or trust  
4 funds or general account funds to discontinue immediately the receipt or disbursement of any such  
5 funds, documents or other property in its possession, custody, or control.

6           This order is to remain in full force and effect until further order of the Commissioner.

7           Financial Code section 17415 provides as follows:

8                   (a) If the commissioner, as a result of any examination or from any  
9 report made to him or her, shall find that any person subject to this  
10 division is in an insolvent condition, is conducting escrow business in  
11 such an unsafe or injurious manner as to render further operations  
12 hazardous to the public or to customers, has failed to comply with the  
13 provisions of section 17212.1 or 17414.1, has permitted its tangible net  
14 worth to be lower than the minimum required by law, has failed to  
15 maintain its liquid assets in excess of current liabilities as set forth in  
16 Section 17210, or has failed to comply with the bonding requirements  
17 of Chapter 2 (commencing with Section 17200) of this division, the  
18 commissioner may, by an order addressed to and served by registered  
19 or certified mail or personal service on such person and on any other  
20 person having in his or her possession or control any escrowed funds,  
21 trust funds or other property deposited in escrow with said person,  
22 direct discontinuance of the disbursement of trust funds by the parties  
23 or any of them, the receipt of trust funds, the delivery or recording of  
24 documents received in escrow, or other business operations. No  
25 person having in his or her possession any of these funds or documents  
26 shall be liable for failure to comply with the order unless he or she has  
27 received written notice of the order. Subject to subdivision (b), the  
28 order shall remain in effect until set aside by the commissioner in  
whole or in part, the person is the subject of an order for relief in  
bankruptcy, or pursuant to Chapter 6 (commencing with Section  
17621) of this division the commissioner has assumed possession of  
the escrow agent.

(b) Within 15 days from the date of 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

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of the right to a hearing. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

Dated: September 11, 2023

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation



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