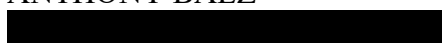


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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
OF THE STATE OF CALIFORNIA

In the Matter of: ) ESCROW LICENSE NO.: 963-2006  
)  
)  
16 THE COMMISSIONER OF FINANCIAL )  
17 PROTECTION AND INNOVATION, )  
) **NOTICE AND SUMMARY OF FINDINGS**  
) **PURSUANT TO FINANCIAL CODE**  
18 ) **SECTION 17621**  
19 Complainant, )  
)  
20 v. )  
)  
21 DRIVEN ESCROW SERVICES, INC., )  
)  
)  
23 Respondent. )  
)  
)

TO: DRIVEN ESCROW SERVICES, INC.  
ANTHONY BAEZ  
  
Yorba Linda, California 92887

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DRIVEN ESCROW SERVICES, INC.  
1940 W. Orangewood Ave., Suite 110-3  
Orange, California 92868

PAMELA LALIA FALCON  
[REDACTED]  
Corona, California 92881

COMMERCEWEST BANK  
2445 McCabe Way, Suite 300  
Irvine, California 92614

RBJ, Inc.  
130 E Huntington Drive  
Monrovia, California 91016

PLEASE TAKE NOTICE that the Commissioner of Financial Protection and Innovation (Commissioner) finds that:

1. Driven Escrow Services, Inc. (Driven Escrow) is licensed as an escrow agent under the California Escrow Law (Escrow Law) (Fin. Code, § 17000 et seq.), with license number 963-2006.
2. Driven Escrow’s principal place of business was located at 1940 W. Orangewood Ave., Suite 110-3, Orange, California 92868.
3. Anthony Baez (Baez) is the president, co-owner, and control person of Driven Escrow. Pamela Lalia Falcon is the 50% owner of Driven Escrow.
4. The California Department of Financial Protection and Innovation (DFPI) commenced a special examination of Driven Escrow’s books and records in 2023, after it received information about unusual transfers of trust funds from Driven Escrow’s trust account to its general account and a trust shortage.
5. As detailed below, the special examination revealed that Driven Escrow has:
  - (a) knowingly or recklessly made unauthorized transfers and disbursements of trust funds, causing a total trust shortage of \$536,700.02, in violation of Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2;
  - (b) knowingly or recklessly engaged in activity that constitutes theft or fraud in

- 1 escrow transactions, in violation of Financial Code section 17414,  
2 subdivision (a)(1);
- 3 (c) issued checks drawn on the trust account without sufficient credit balance to pay  
4 the sellers' proceeds, in violation of California Code of Regulations, title 10,  
5 section 1741.2;
- 6 (d) conducted escrow business in such an unsafe or injurious manner as to render  
7 further operations hazardous to the public or to customers, in violation of  
8 Financial Code section 17415;
- 9 (e) failed to provide the Commissioner with complete books and records, and  
10 escrow files necessary to complete the special and regulatory examinations, in  
11 violation of Financial Code section 17405, subdivision (b);
- 12 (f) failed to file its 2022 annual audit report, in violation of Financial Code section  
13 17406, subdivision (a);
- 14 (g) failed to file its 2022 annual escrow liability report, in violation of Financial  
15 Code section 17348;
- 16 (h) failed to maintain general ledgers and to reconcile general bank account with  
17 general bank account statement at least once a month, in violation of California  
18 Code of Regulations, title 10, section 1732.2;
- 19 (i) failed to meet liquid asset and tangible net worth requirements, in violation of  
20 Financial Code section 17210, subdivision (a);
- 21 (j) failed to pay its 2022-2023 special assessment in the amount of \$1,000.00, in  
22 violation of Financial Code section 17207, subdivision (h)(2); and
- 23 (k) closed its business and failed to submit a closing audit report performed by an  
24 independent certified public accountant, in violation of Financial Code  
25 section 17600.

### 26 **Unauthorized Fund Transfers and Trust Account Shortages**

27 6. Third-party trust account reconcilers are required to report trust shortages and  
28 unreconcilable trust account debit balances to the DFPI, pursuant to Financial Code section 17406,

1 subdivision (l).

2 7. Pursuant to Financial Code section 17601, if the Commissioner has reason to believe  
3 that any escrow agent is violating the provisions of the Escrow Law, the Commissioner may  
4 investigate the escrow agent's business and examine the books and records of the escrow agent, and  
5 of every person who acts or claims to act as a principal or agent of the escrow agent.

6 8. The DFPI commenced a special examination of Driven Escrow on January 24, 2023,  
7 after Driven Escrow's trust reconciler notified the DFPI of unusual transfers of trust funds from  
8 Driven Escrow's trust account to its general account and a trust shortage of over \$200,000.00.

9 9. The DFPI requested Driven Escrow to provide its books and records, including, but  
10 not limited to, general account and trust account statements, trust reconciliation and daily reports  
11 from July of 2022 to February of 2023. Driven Escrow provided incomplete information.

12 10. Initially, it was revealed that Driven Escrow had a total trust shortage of \$266,500.00,  
13 which included unauthorized internal fund transfers totaling \$237,500.00 from Driven Escrow's trust  
14 account to its general account occurring between October 3, 2022 and February 1, 2023 as well as  
15 two trust account reconciling items that caused debit balances totaling \$29,000.00.

16 11. Trust account reconciliations and bank statements show that Baez ordered dozens of  
17 Direct Debit Authorization (DDA) Debit Memos to transfer funds, as well as other fund transfers  
18 from Driven Escrow's trust account to its general account totaling \$237,500.00.

19 12. On February 6, 2023, the DFPI demanded that Driven Escrow correct the trust  
20 shortage of \$266,500.00 and provide proof of correction by February 7, 2023.

21 13. On February 7, 2023, the DFPI received an email from Baez with a copy of a check  
22 issued by The Breakfast Club, LLC (Breakfast Club) in the amount of \$266,500.00. A bank  
23 transaction report shows \$266,500.00 was deposited from Breakfast Club's bank account to Driven  
24 Escrow's trust account on February 7, 2023. Baez is the managing member of the Breakfast Club.

25 14. However, the next day, the \$266,500.00 deposit was returned to the Breakfast Club,  
26 as evidenced by Driven Escrow's trust account bank statement covering the period from February 1  
27 to February 10, 2023. Therefore, Driven Escrow failed to replace trust funds and correct the  
28 \$266,500.00 trust shortage, which remains outstanding.

1           15.     On September 7, 2023, the DFPI commenced a regulatory examination of Driven  
2 Escrow, and demanded a list of items for the examination, including, but not limited to, Driven  
3 Escrow’s trust account and general account statements, trust account reconciliation reports, and  
4 escrow files from 2022 to 2023.

5           16.     Driven Escrow attempted to surrender its license and provided incomplete  
6 information.

7           17.     Due to Driven Escrow’s failure to provide all the requested records, the DFPI  
8 obtained trust account reconciliation reports and bank statements from Driven Escrow’s trust  
9 reconciler and bank.

10          18.     Driven Escrow’s trust reconciliations and bank statements reveal that there were  
11 additional trust shortages in the total amount of \$270,200.02 from February 9, 2023 to  
12 August 25, 2023, which included unauthorized internal fund transfers totaling \$226,478.00 from  
13 Driven Escrow’s trust account to its general account and three trust account reconciling items that  
14 caused debit balances totaling \$43,722.02.

15          19.     In addition, between Jan 31, 2023, and August 2, 2023, there were check  
16 disbursements and outgoing wire transfers to Baez totaling \$120,209.97; an additional \$63,550.00  
17 was paid out to Baez’s father, Mark Baez, between April 27, 2023, and August 29, 2023.

18          20.     Based on the foregoing, there is a total trust shortage of \$536,700.02 (\$266,500.00 +  
19 \$270,200.02). Driven Escrow has failed to correct the trust shortage, despite DFPI’s multiple  
20 demands to replenish the funds.

21          21.     The trust account reconciliation reports and bank statements from October 2022 to  
22 August 25, 2023 reveal that Driven Escrow made unauthorized fund transfers and fund  
23 disbursements, engaged in activity that constitutes theft or fraud in escrow transactions, failed to  
24 correct the trust shortage, and conducted escrow business in an unsafe or injurious manner, in  
25 violation of Financial Code sections 17414, subdivision (a)(1), and 17415, and California Code of  
26 Regulations, title 10, sections 1738 and 1738.2.

27           **Escrow Number 001862-LH**

28          22.     In 2023, the DFPI received complaints regarding Escrow number 001862-LH.

1           23.     The final closing statement for Escrow number 001862-LH shows the sellers were  
2 owed proceeds in the total amount of \$645,685.05.

3           24.     On September 1, 2023, Driven Escrow issued a check in the amount of \$645,685.05  
4 (check number 6108) to the sellers. The seller tried to cash the check on September 5, 2023. Check  
5 number 6108 was returned due to insufficient funds in Driven Escrow’s trust account.

6           25.     Driven Escrow’s trust account had a negative balance as of September 5, 2023.

7           26.     Check number 6108 was cancelled, and Driven Escrow issued check number 6124 in  
8 the amount of \$645,715.05 (\$645,685.05 + \$30 cancelled check fee) to the sellers. The sellers tried  
9 to cash check number 6124 in the amount of \$645,715.05 on September 11, 2023. Check number  
10 6124 also was not processed due to insufficient funds in Driven Escrow’s trust account.

11          27.     Driven Escrow had a negative balance of \$135,760.56 in its trust account as of  
12 September 11, 2023.

13          28.     On September 13, 2023, the sellers received a wire transfer for \$450,000.00.

14          29.     Driven Escrow still owes the remaining proceeds of \$195,715.05 to the sellers.

15          30.     The sellers made several demands to Driven Escrow to pay the remaining proceeds.  
16 Driven Escrow failed to pay the outstanding proceeds.

17          31.     On or about February 22, 2024, the sellers filed a civil complaint against Driven  
18 Escrow in the Superior Court of California, County of Los Angeles (Case No.: 24NWCV00558).  
19 The matter is still pending.

20          32.     Driven Escrow made unauthorized fund transfers and fund disbursements, engaged in  
21 activity that constitutes theft or fraud in escrow transactions, issued checks drawn on the trust  
22 account without sufficient credit balance to pay the sellers’ proceeds, and conducted escrow business  
23 in an unsafe or injurious manner, in violation of Financial Code sections 17414, subdivision (a)(1),  
24 and 17415, and of California Code of Regulations, title 10, sections 1738, 1738.2 and 1741.2.

25 **Failure to Provide Complete Books and Records and Files**

26          33.     Pursuant to Financial Code section 17405, subdivision (b), all escrow licensees shall  
27 provide the Commissioner with their books and records upon request.

28          34.     From January 24, 2023 to March of 2024, the DFPI requested Driven Escrow to

1 provide a list of items needed to conduct the special and regulatory examinations, including, but not  
2 limited to, its financials, trust account and general account statements, escrow files, a closing audit  
3 report, and a report showing proof that it had corrected the trust shortage and paid the sellers'  
4 remaining proceeds.

5 35. Driven Escrow provided incomplete information and failed to produce all the  
6 requested information. The regulatory examination is still outstanding.

7 36. On January 12, 2024, the DFPI met with Baez and Driven Escrow's counsel and  
8 discussed the status of Driven Escrow's business, the outstanding books and records requests, the  
9 trust account shortage, outstanding proceeds due to sellers (Escrow number 001862-LH), the  
10 outstanding closing audit report, and other outstanding issues.

11 37. On January 16, 2024 and March 28, 2024, the DFPI sent follow-up letters to Driven  
12 Escrow's counsel and Baez requesting Driven Escrow to produce all the outstanding financials,  
13 reports, and documents, and also demanded that Driven Escrow replenish the trust shortage in the  
14 amount of \$536,700.02.

15 38. As of the date of this notice, Driven Escrow has failed to produce all the requested  
16 information, in violation of Financial Code section 17405, subdivision (b).

17 **Failure to Maintain at All Times the Required Liquid Assets and Tangible Net Worth**

18 39. Pursuant to Financial Code section 17210, subdivision (a), all licensees under the  
19 Escrow Law are required to maintain at all times a tangible net worth of \$50,000.00, including liquid  
20 assets of at least \$25,000.00 in excess of current liabilities.

21 40. Driven Escrow's general account has had a cash balance of less than \$25,000 since  
22 September of 2022, in violation of Financial Code section 17210, subdivision (a).

23 **Failure to Maintain Books with Reference to Escrow Accounts**

24 41. Driven Escrow failed to maintain general ledgers and reconcile these with general  
25 bank account statements at least once a month as required by California Code of Regulations, title  
26 10, section 1732.2.

27 **Failure to File 2022 Annual Audit Report**

28 42. Financial Code section 17406, subdivision (a) requires all licensees under the Escrow

1 Law to file an annual audit report containing audited financial statements within 105 days after the  
2 close of the calendar or the licensee’s fiscal year, as applicable. Failure to file the annual audit report  
3 by the deadline subjects licensees to penalties pursuant to Financial Code section 17408.

4 43. Driven Escrow’s annual audit report for its fiscal year ended May 31, 2022, was due  
5 on October 13, 2022.

6 44. As of the date of this notice, Driven Escrow has failed to file its 2022 annual audit  
7 report, in violation of Financial Code section 17406, subdivision (a).

8 45. The Department has assessed over \$97,000.00 in penalties for this violation, pursuant  
9 to Financial Code section 17408.

#### 10 **Failure to File 2022 Annual Escrow Liability Report**

11 46. Pursuant to Financial Code section 17348, each escrow licensee is required to furnish  
12 to the DFPI on or before February 15 of each year, an annual escrow liability report, comprising a  
13 schedule of the company’s escrow liability for the prior 12-month period ended December 31, along  
14 with a list of the company’s officers, stockholders, managers, and employees as of that date.

15 47. As of the date of this notice, Driven Escrow has not filed its annual escrow liability  
16 report for the 12-month period ended December 31, 2022, which was due February 15, 2023, in  
17 violation of Financial Code section 17348.

#### 18 **Failure to Pay Special Assessment**

19 48. Driven Escrow was required, by March 21, 2023, to pay a 2022-2023 special  
20 assessment levied against them pursuant to Financial Code section 17207, subdivision (h)(1), in the  
21 amount of \$1,000.00 for estimated expenses associated with the costs of performing the special  
22 examination.

23 49. The DFPI did not receive the payment from Driven Escrow on the due date, in  
24 violation of Financial Code section 17207, subdivision (h)(2).

#### 25 **Failure to Submit Closing Audit Report**

26 50. On September 19, 2023, nine months after the DFPI began its special examination  
27 and discovered the trust shortage and the violations, and a week after it began the regulatory  
28 examination, Driven Escrow submitted a request to surrender its license and provided an incomplete



1 surrender package.

2 51. Baez informed the DFPI that he had closed down the business and the accounts.

3 52. Driven Escrow notified the DFPI that its closed escrow files and financial records  
4 would be stored at [REDACTED] Yorba Linda, California 92887 for five years;  
5 that John Balisy & Company would be the licensed certified public accountant that would perform  
6 the closing audit on its trust account; and that Driven Escrow would no longer accept or open any  
7 more files.

8 53. On October 13, 2023, the DFPI requested Driven Escrow to comply with Financial  
9 Code section 17600, subdivision (b), including, but not limited to, submitting its closing audit report.

10 54. Driven Escrow failed to submit the required closing audit and comply with Financial  
11 Code section 17600, subdivision (b). As such, the surrender request remains incomplete.

12 55. Based upon the foregoing, Driven Escrow is conducting escrow business in such an  
13 unsafe or injurious manner as to render further operations hazardous to the public or to customers.  
14 Driven Escrow is also insolvent and has permitted its tangible net worth to fall below the minimum  
15 required by the law.

16 56. Financial Code section 17621 provides in pertinent part:

17 Whenever it appears to the Commissioner that any escrow agent subject to  
18 this division:

- 19 (a) Is in an insolvent condition;
- 20 (b) Is conducting escrow business in an unsafe and unauthorized manner;
- 21 (c) Has violated its charter or any law of the State of California . . .
- 22 (h) Has permitted its tangible net worth to be lower than the minimum  
23 required by law;

24 . . .

25 the commissioner shall dispatch a written notice and summary of findings, as  
26 referred to in Section 17415, to the principal officer of the escrow agent  
27 involved or to its manager of record; and such escrow agent shall be afforded  
28 a reasonable opportunity to comply or otherwise effect such remedies as the  
commissioner may deem acceptable. However, should the escrow agent so  
notified fail to comply within five days of receipt of the notice, or as soon as it  
appears to the commissioner that no compliance is possible, or in the event  
prompt delivery of the prescribed written notice is impossible, the

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commissioner may forthwith take possession of the property and business of such escrow agent and retain possession until such escrow agent resumes business or its affairs be finally liquidated as provided in this chapter. The escrow agent, with the consent of the commissioner, may resume business upon such conditions as the commissioner may prescribe.

49. The Commissioner finds that Driven Escrow Services, Inc. has violated the following sections of the Financial Code: 17414, subdivision (a)(1); 17405, subdivision (b); 17406, subdivision (a); 17348; 17207; 17600 and 17210, subdivision (a), as well as California Code of Regulations, title 10, sections 1738, 1732.2, 1738.2 and 1741.2.

50. Pursuant to Financial Code sections 17621 and 17630, it is also necessary that a conservator be appointed as specified in the accompanying Order Appointing Myritz Maghirang as Conservator Pursuant to Financial Code Section 17630.

Dated: May 24, 2024



CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

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