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11
12 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
13 OF THE STATE OF CALIFORNIA

14 In the Matter of:) FILE NO.: 963-1847
15)
16)
17 THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,)
18) **ORDER TO DISCONTINUE ESCROW**
19 Complainant,) **ACTIVITIES PURSUANT TO FINANCIAL**
20 v.) **CODE SECTION 17415**
21 ESCROW NETWORK GROUP, INC.,)
22)
23 Respondent.)
24)

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26 TO: ESCROW NETWORK, INC.
27 22342 Avenida Empresa, Suite 155
28 Rancho Santa Margarita, California 92688

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THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION FINDS

THAT:

1. Escrow Network Group, Inc. (ENG) is licensed as an escrow agent under the California Escrow Law (Escrow Law) (Fin. Code, § 17000 et seq.), with license number 9631847.
2. ENG has four offices that comprise of one main and three branch locations:
 - a. 22342 Avenida Empresa, Suite 155, Rancho Santa Margarita, California 92688 (Main Office)
 - b. 160 N. Riverview Drive, Suite 325, Anaheim, California 92808 (Branch Office)
 - c. 7676 Hazard Center Drive, Suite 150, San Diego, California 92108 (Branch Office)
 - d. 28475 Old Town Front Street, Suite L, Temecula, California 92590 (Branch Office)
3. On January 25, 2024, ENG opened Escrow number 001862-LH. Shortly after escrow was opened, the seller informed ENG that an unrecorded loan would need to be paid out of the escrow’s proceeds to a private beneficiary lender (Lender).
4. On January 30, 2024, the seller emailed ENG asking it to contact the Lender for questions related to the escrow.
5. On February 1, 2024, ENG sent an email to the actual Lender requesting a completed Demand for Payoff. ENG followed up on its email on February 7, 2024.
6. On February 8, 2024, ENG received an email from an individual impersonating the Lender (Imposter) with a payoff document attached. The email address used by the Imposter was slightly different from the email address of the actual lender (Spoofed Email). The attached payoff document provided a breakdown of balance due: \$774,180.00 for loan #1 and \$156,824.00 for loan #2, totaling \$931,004.00. Wire instructions were also included in the payoff document attached to the Spoofed Email.
7. On February 8, 2024, ENG forwarded the Spoofed Email and attachment from the Imposter to the title company which responded that it “would not accept this demand as is” and advised that no loans were listed on the subject property. In response, ENG followed up with the seller and advised that the title company would only payoff items that were recorded against the property but that the private loan could be paid off as an accommodation at the close of escrow.

1 8. From February 12 through February 20, 2024, ENG received multiple emails from
2 the Imposter asking about status of the closing of escrow. On February 20, 2024, ENG received an
3 “updated payoff amount” from the Imposter of \$933,357.00. ENG also exchanged emails with the
4 actual Lender on February 20, 2024, who confirmed the same payoff amount of \$933,357.00.

5 9. On February 22, 2024, ENG wired \$933,357.00 to the Imposter’s account at Grand
6 Bank, NA. ENG failed to call and verify the amount and bank account details with the seller or the
7 actual Lender before initiating the wire transfer in violation of ENG’s own policies and procedures.

8 10. On February 26, 2024, ENG discovered that the Lender had not received the wired
9 funds. That same day, ENG reported the incident to its bank, City National Bank, the FBI, and the
10 local police. ENG also filed a claim on its cyber insurance policy.

11 11. On February 28, 2024, ENG filed a claim on its crime insurance policy and errors and
12 omissions policy.

13 12. On March 1, 2024, ENG reported to the California Department of Financial
14 Protection and Innovation (DFPI) that a wire fraud incident occurred at the Temecula branch office
15 and ENG made a \$933,357.00 wire transfer to the Imposter’s bank account resulting in a trust
16 shortage.

17 13. On March 6, 2024, the DFPI served a written demand via email to ENG to correct the
18 trust shortage of \$933,357.00 and provide proof of correction by March 7, 2024.

19 14. On March 7, 2024, the DFPI received an email from ENG’s counsel, stating that “due
20 to the amount of the loss, it will not be easy to replenish the funds and will require more planning.”

21 15. To date, there is a total trust shortage of \$933,357.00 which has not been corrected by
22 ENG, despite DFPI’s demand to replenish the funds.

23 16. Based on the foregoing, the Commissioner finds that ENG has:

- 24 a. failed to immediately report a trust shortage of \$933,357.00 to the DFPI in violation
25 of Financial Code section 17414(c);
- 26 b. made a disbursement from the trust account without proper authorization in violation
27 of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
28 section 1738;

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- c. failed to maintain a proper audit trail and adequate controls and safeguards for funds disbursed by wire transfer in violation of California Code of Regulations, title 10, section 1738(b)(4);
- d. failed to follow written escrow instructions of the principals to the escrow transaction in violation of California Code of Regulations, title 10, section 1738.2;
- e. caused a shortage in the trust account of at least \$933.357 in violation of California Code of Regulations, title 10, section 1738.1.

17. The Commissioner also finds that ENG is conducting escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers.

18. Financial Code section 17415 provides as follows:

(a) If the commissioner, as a result of any examination or from any report made to the commissioner, shall find that any person subject to this division is in an insolvent condition, is conducting or has conducted escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers, is failing or has failed to comply with the provisions of Section 17212.1 or 17414.1, is permitting or has permitted its tangible net worth to be lower than the minimum required by law, is failing or has failed to maintain its liquid assets in excess of current liabilities as set forth in Section 17210, or is failing or has failed to comply with the bonding requirements of Chapter 2 (commencing with Section 17200) of this division, the commissioner may, by an order addressed to and served by registered or certified mail or by personal service on such person and on any other person having in their possession or control any escrowed funds, trust funds, or other property deposited in escrow with said person, direct discontinuance of the disbursement of trust funds by the parties or any of them, the receipt of trust funds, the delivery or recording of documents received in escrow, or other business operations. No person having in their possession any of these funds or documents shall be liable for failure to comply with the order unless they received written notice of the order. Subject to subdivision (b), the 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

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

NOW, THEREFORE, BASED UPON THE FOREGOING, AND GOOD CAUSE APPEARING, it is hereby ORDERED, under the provisions of Financial Code section 17415, that Escrow Network Group, Inc. immediately discontinue acceptance of any new escrow or joint control business, and of money, documents or other property in connection therewith.

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

Dated: September 12, 2024

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division