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6 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of the Accusation of THE) File No.: 963-2160
COMMISSIONER OF BUSINESS)
12 OVERSIGHT,) ACCUSATION
13)
Complainant,)
14)
vs.)
15)
16 ALL COMMUNITIES ESCROW SERVICES,)
INC.,)
17)
Respondent.)
18)
19)

20 The Complainant is informed and believes, and based upon such information and belief,
21 alleges and charges Respondent as follows:

22 I

23 Respondent All Communities Escrow Services, Inc. (“ACES”) is an escrow agent licensed
24 by the Commissioner of Business Oversight ("Commissioner" or "Complainant") pursuant to the
25 Escrow Law of the State of California (California Financial Code Section 17000 et seq.). ACES has
26 its principal place of business located at 5207 Rosemead Boulevard, Suite 105, Pico Rivera,
27 California 90660.
28

1 LeFrancis Arnold (“L. Arnold”) was at all times relevant herein the president and sole
2 shareholder of ACES. L. Arnold passed away in September 2013.

3 II

4 On or about May 5, 2012, the Commissioner, by and through staff, commenced a regulatory
5 examination of the books and records of ACES. The regulatory examination revealed that ACES
6 was making unauthorized disbursements of trust funds to Real Estate Risk Management (“RERM”),
7 a company providing group legal service plans, in escrows wherein the buyers and/or sellers used
8 Excellence of Lynwood, Inc. (“Excellence”), a real estate company affiliated with ACES, in
9 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
10 sections 1738 and 1738.2. The regulatory examination also revealed that ACES was making
11 unauthorized disbursements of trust funds to Excellence. The disbursements to RERM also violated
12 Financial Code section 17420 in that Excellence referred the escrow transactions to ACES and
13 Excellence benefits financially from the escrow parties purchase of RERM group legal plans through
14 ACES.

15 The unauthorized disbursements and other violations noted during the regulatory
16 examination are described as follows:

17 3. Escrow Number 11-2459 – Closed 7-29-11:

18 (a) On or about August 1, 2011, ACES made three unauthorized disbursements of trust
19 funds to RERM in the respective amounts of \$299.00, \$198.00 and \$299.00 via trust check numbers
20 8538, 8540 and 8543 in violation of Financial Code section 17414(a)(1) and California Code of
21 Regulations, title 10, sections 1738 and 1738.2. There was no provision whatsoever in the escrow
22 instructions authorizing these disbursements to RERM.

23 (b) On or about July 29, 2011, ACES prepared a final closing statement that only
24 disclosed one disbursement of \$299.00 to RERM in violation of Financial Code sections 17404 and
25 17414(a)(2) and California Code of Regulations, title 10, section 1741.3.

26 (c) On or about February 29, 2012, ACES cancelled outstanding trust check numbers
27 8538 and 8543 issued on August 1, 2011 to RERM described in paragraph (a) above and that same
28 day disbursed the \$497.00 to Excellence via trust check numbers 8887 and 8888 in violation of

1 Financial Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and
2 1738.2.

3 1. Escrow Number 09-2333 – Closed 12-02-09:

4 (a) On or about December 4, 2009, ACES made an unauthorized disbursement of trust
5 funds to RERM in the amount of \$398.00 via trust check number 7833 in violation of Financial
6 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.
7 On or about December 8, 2009, ACES cancelled outstanding trust check number 7833 issued on
8 December 4, 2009 to RERM and re-disbursed the funds to RERM via trust check numbers 7856 and
9 7857 in the respective amounts of \$99.00 and \$299.00. There was a provision in the initial escrow
10 instructions authorizing these disbursements to RERM, however, for the provision to be effective,
11 California Code of Regulations, title 10, section 1738.5(3) required the provision to be on the first
12 page of the initial instructions or in a separate escrow instruction.

13 (b) On or about December 4, 2009, ACES made an unauthorized disbursement to itself
14 by over disbursing escrow fees by \$100.00 in violation of Financial Code section 17414(a)(1) and
15 California Code of Regulations, title 10, sections 1738 and 1738.2. The final closing statements
16 provided for total escrow fees in the amount of \$2,585.00, but ACES disbursed the amount of
17 \$2,685.00 to itself for escrow fees.

18 (c) On or about December 8, 2009, ACES cancelled outstanding trust check number
19 7857 issued on December 8, 2009 to RERM in the amount of \$299.00 described in paragraph (a)
20 above and that same day disbursed the \$299.00 to Excellence via trust check number 7863 in
21 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
22 sections 1738 and 1738.2.

23 2. Escrow Number 10-2431 – Closed 1-06-12:

24 (a) On or about January 6, 2012, ACES made an unauthorized disbursement of trust
25 funds to RERM in the amount of \$598.00 via trust check number 8827 in violation of Financial
26 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.
27 There was a provision in the initial escrow instructions authorizing this disbursement to RERM,
28 however, for the provision to be effective, California Code of Regulations, title 10, section 1738.5(3)

1 required the provision to be on the first page of the initial instructions or in a separate escrow
2 instruction.

3 (b) On or about January 6, 2012, ACES made a further unauthorized disbursement of
4 trust funds to RERM in the amount of \$198.00 via trust check number 8831 in violation of Financial
5 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.
6 There was no escrow instruction authorizing this disbursement to RERM.

7 4. Escrow Number 11-2467 – Closed 11-15-11:

8 (a) On or about November 16, 2011, ACES made two unauthorized disbursements of
9 trust funds to RERM in the respective amounts of \$299.00 and \$198.00 via trust check numbers
10 8730 and 8731 in violation of Financial Code section 17414(a)(1) and California Code of
11 Regulations, title 10, sections 1738 and 1738.2. There was a provision in the initial escrow
12 instructions authorizing the \$299.00 disbursement to RERM, however, for the provision to be
13 effective, California Code of Regulations, title 10, section 1738.5(3) required the provision to be on
14 the first page of the initial instructions or in a separate escrow instruction. There was also an escrow
15 amendment authorizing ACES to pay the \$299.00 to RERM, but the signed instruction authorizing
16 the disbursement was forged, and ACES knew, or should have known, the escrow amendment
17 authorizing the disbursement was forged. There was no provision whatsoever in the escrow
18 instructions authorizing the \$198.00 disbursement to RERM.

19 (b) On or about November 16, 2011, ACES made an unauthorized disbursement to itself
20 by over disbursing escrow fees by \$152.00 in violation of Financial Code section 17414(a)(1) and
21 California Code of Regulations, title 10, sections 1738 and 1738.2. The final closing statements
22 provided for total escrow fees in the amount of \$3,925.00, but ACES disbursed the amount of
23 \$4,077.00 to itself for escrow fees.

24 (c) On or about November 17, 2011, ACES made a further unauthorized disbursement of
25 trust funds to RERM in the amount of \$299.00 via trust check number 8736 in violation of Financial
26 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.
27 There was a provision in the initial escrow instructions authorizing the \$299.00 disbursement to
28 RERM, however, for the provision to be effective, California Code of Regulations, title 10, section

1 1738.5(3) required the provision to be on the first page of the initial instructions or in a separate
2 escrow instruction. There was also an escrow amendment authorizing ACES to pay the \$299.00 to
3 RERM, but the signed instruction authorizing the disbursement was forged, and ACES knew, or
4 should have known, the escrow amendment authorizing the disbursement was forged.

5 (d) On or about November 15, 2011, ACES prepared a final closing statement that
6 described the overpaid escrow fees and the unauthorized disbursement of \$198.00 to RERM as
7 courier fees in violation of Financial Code sections 17404 and 17414(a)(2) and California Code of
8 Regulations, title 10, section 1741.3.

9 5. Escrow Number 11-2491 – Closed 2-17-12:

10 (a) On or about February 17, 2012, ACES made two unauthorized disbursements of trust
11 funds to RERM in the respective amounts of \$299.00 and \$198.00 via trust check numbers 8870 and
12 8881 in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
13 sections 1738 and 1738.2. There was no provision whatsoever in the escrow instructions authorizing
14 these disbursements to RERM.

15 (b) On or about February 17, 2012, ACES prepared a final closing statement that failed to
16 disclose the \$299.00 and \$198.00 disbursements to RERM in violation of Financial Code sections
17 17404 and 17414(a)(2) and California Code of Regulations, title 10, section 1741.3.

18 III

19 California Financial Code section 17608 provides in pertinent part:

20 The commissioner may, after notice and a reasonable opportunity to
21 be heard, suspend or revoke any license if he finds that:

22 (b) The licensee has violated any provision of this division or any
23 rule made by the commissioner under and within the authority of this
24 division.

25 IV

26 Complainant finds that, by reason of the foregoing, Respondent All Communities Escrow
27 Services, Inc. has violated Financial Code sections 17404, 17414(a)(1), 17414(a)(2) and 17420 and
28 California Code of Regulations, title 10, sections 1738, 1738.1, 1738.2 and 1741.3 and it is in the

1 best interests of the public to revoke the escrow agent’s license of Respondent All Communities
2 Escrow Services, Inc.

3 WHEREFORE, IT IS PRAYED that the escrow agent’s license of Respondent All
4 Communities Escrow Services, Inc. be revoked.

5 Dated: January 28, 2014
6 Los Angeles, CA

JAN LYNN OWEN
Commissioner of Business Oversight

7 By _____
8 Judy L. Hartley
9 Senior Corporations Counsel
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