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California Corporations Commissioner
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8

9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

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12 In the Matter of the Accusation of THE) File No.: 963-2186
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ACCUSATION
14)
Complainant,)
15)
16 vs.)
17 TRACYOURSALES.NET ESCROW)
INCORPORATED and LINDA J. DANCY,)
18)
Respondent.)
19

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

22 I

23 Respondent Tracyoursales.net Escrow Incorporated ("Trac Escrow") is an escrow agent
24 licensed by the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant
25 to the Escrow Law of the State of California (California Financial Code Section 17000 et seq.). Trac
26 Escrow has its principal place of business located at 2914 Katella Avenue, Suite 102, Orange,
27 California 92665.
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1 Respondent Linda J. Dancy ("L. Dancy") is, and was at all times relevant herein, the
2 president, secretary, treasurer, sole director and shareholder of Trac Escrow.

3 II

4 On or about August 1, 2005, the Commissioner received information that Trac Escrow was
5 not properly balancing files at close of escrow, was operating other businesses out of the escrow
6 premises, and that John Dancy ("J. Dancy"), the husband of L. Dancy, was managing Trac Escrow
7 under the assumed name of Jim Riedmuller. J. Dancy had been convicted of wire fraud on or about
8 April 23, 2003. Pursuant to California Financial Code section 17414.1, J. Dancy is automatically
9 prohibited from serving in any capacity as an officer, director, stockholder, trustee, agent, or
10 employee of an escrow agent, or in any position involving any duties with an escrow agent, in this
11 state. Further, the real estate license of J. Dancy had been revoked by the California Department of
12 Real Estate on or about December 17, 2004.

13 On or about August 5, 2005, the Commissioner commenced a special examination of Trac
14 Escrow ("special examination"). The special examination, as more fully described below, revealed
15 that (i) J. Dancy was managing the operations of Trac Escrow, (ii) Trac Escrow has failed to
16 maintain its books and records as required under the Escrow Law, (iii) escrow files were being
17 closed without sufficient funds, and (iv) an affiliated company was sharing office space with Trac
18 Escrow with no safeguards in place regarding the Trac Escrow trust funds and/or escrow books and
19 records.

20 1. J. Dancy:

21 On or about April 23, 2003, J. Dancy was convicted of wire fraud in a case brought by the
22 United States Attorney General. As a result of that conviction, J. Dancy is automatically prohibited
23 under California Financial Code section 17414.1 from serving in any capacity as an officer, director,
24 stockholder, trustee, agent, or employee of an escrow agent or in any position involving any duties
25 with an escrow agent in California for a period of ten years from the date of the conviction.

26 The escrow agent's license application filed with the Commissioner by Trac Escrow on or
27 about October 15, 2004 pursuant to California Financial Code section 17209, which application
28 resulted in the issuance of the escrow agent's license that is the subject of this action (license number

1 963-2186, hereinafter "application"), stated that L. Dancy was the only officer, director, and/or
2 shareholder of Trac Escrow. L. Dancy signed the application under penalty of perjury.

3 Pursuant to California Financial Code section 17209, an application for an escrow agent's
4 license is required to contain a completed statement of identity and questionnaire ("SIQ") for all
5 stockholders, directors, officers, trustees, managers and other persons participating in the escrow
6 business (other than usual and customary employees who file under Section 17414.1 and 17419)
7 along with their fingerprints. The application did not contain an SIQ or fingerprints for J. Dancy.

8 Pursuant to California Financial Code sections 17414.1 and 17419, a completed statement of
9 identity and employment application ("SIE") along with fingerprints is required to be submitted for
10 all persons seeking employment with an escrow agent or potential escrow agent, except those
11 required to file an SIQ, within ten days of employment. The application did not contain an SIE for J.
12 Dancy.

13 The issuance of the escrow agent's license by the Commissioner to Trac Escrow was based
14 upon all the information submitted with the application.

15 The special examination revealed that J. Dancy, under the assumed name of Jim Riedmuller,
16 was managing the operations of Trac Escrow in violation of California Financial Code section
17 17414.1. Specifically, Department of Motor Vehicle records revealed that Jim Riedmuller, who
18 introduced himself to the examiner upon his arrival as the director of operations for Trac Escrow
19 (although Trac Escrow later tried to retract this statement), was in fact J. Dancy. The
20 Commissioner's examiner further observed that Trac Escrow personnel repeatedly consulted J.
21 Dancy during the course of the examination whenever Trac Escrow's staff was presented with
22 requests for information and documentation by the Commissioner's examiner regarding the special
23 examination. Additionally, escrow files disclosed communications from customers of Trac Escrow
24 to J. Dancy referring to J. Dancy under the assumed name of Jim Riedmuller as vice-president and/or
25 owner of Trac Escrow. Moreover, L. Dancy, when specifically questioned about Jim Riedmuller by
26 the Commissioner's examiner, never disclosed his true identity.

27 Pursuant to California Financial Code sections 17212.1, 17414.1 and 17419, escrow agents
28 are required to amend their application(s) if there is any change in any of the persons required to be

1 identified in the application(s) and/or if new usual and customary employees have been hired. Trac
2 Escrow has not filed any application amendment with the Commissioner regarding J. Dancy.

3 Respondents Trac Escrow and L. Dancy, by allowing J. Dancy to hold a position with Trac
4 Escrow and by further failing to inform the Commissioner of this information, violated California
5 Financial Code sections 17209, 17212.1, 17414.1 and/or 17419. There can be no question that such
6 violations were knowing on the part of Respondents.

7 2. Books and Records:

8 The trust account reconciliations provided by Trac Escrow through June 2005 were incorrect
9 and contained numerous adjustments with no explanations in violation of California Financial Code
10 Section 17404 and California Code of Regulations, title 10, section 1732.2. For instance, one June
11 30, 2005 reconciliation provided by Trac Escrow contained an adjusting item of \$39,247.00 added to
12 the beginning balance with an explanation that the exact source of this amount is undeterminable.
13 Demand was made upon Trac Escrow to provide proper trust account reconciliations by August 10,
14 2005, but Trac Escrow failed to comply with this demand until on or about October 19, 2005.

15 3. Close Shorts:

16 a. Escrow number 05-01-115: On or about June 30, 2005, Trac Escrow violated
17 California Code of Regulations, title 10, section 1738.2 by closing escrow without having received
18 all the funds required by the escrow instructions. These actions on the part of Trac Escrow caused
19 disbursements from escrow to be delayed until on or about August 10, 2005 when the remaining
20 \$8,000.00 was received into escrow.

21 b. Escrow number 05-01-117: On or about July 14, 2005, Trac Escrow violated
22 California Code of Regulations, title 10, section 1738.2 by closing escrow without having received
23 all the funds required by the escrow instructions. These actions on the part of Trac Escrow caused
24 all disbursements from escrow to be delayed, except seller proceeds, until Trac Escrow covered the
25 \$1,503.97 shortage pursuant to the demand of the Commissioner.

26 4. Affiliates:

27 The special examination further disclosed that Tracyoursales.net (“Tracyoursales”), an
28 affiliate of Trac Escrow, was located on the same premises as Trac Escrow with Tracyoursales

1 personnel having easy access to the books and records of Trac Escrow, including escrow funds.
2 California Financial Code section 17414.1 and California Code of Regulations, title 10, section 1726
3 require escrow agents to notify the Commissioner in writing through specified forms of any person
4 having access to escrow funds. According to the website of Trac Escrow/Tracyoursales, as of
5 November 29, 2005, Tracyoursales had at least sixteen employees of which only three had ever been
6 reported to the Commissioner by Trac Escrow.

7 Further, Tracyoursales, according to the Trac Escrow/Tracyoursales website, operates as an
8 escrow coordination service. This escrow coordination service, with respect to all escrows handled
9 by Trac Escrow, will “acquire all disclosures, verify all signatures by all parties, order all reports,
10 schedule all inspections, and make sure that all affiliates (?) are on Trac” and allow the escrow
11 parties and real estate agents to “see the progress on our website from beginning to end, this includes
12 viewing all documentation . . .” The costs of these escrow coordination services provided to the
13 escrow customers of Trac Escrow are included in the escrow fee charged by Trac Escrow.

14 By virtue of providing these escrow coordination services, not only are the employees of
15 Tracyoursales participating in the business of Trac Escrow, but also with respect to certain of the
16 services (ordering title, etc.) are actually engaged in escrow processing. California Financial Code
17 sections 17209(g) and 17414.1(c)&(d) require an escrow agent to notify the Commissioner in
18 writing of any person participating in the escrow agent’s business and to authorize the Commissioner
19 access to that person(s)’ criminal history. As stated above, the website of Trac
20 Escrow/Tracyoursales, as of November 29, 2005, represented that Tracyoursales had at least sixteen
21 employees of which only three have ever been reported to the Commissioner.

22 III

23 Subsequent to the special examination, the Commissioner has learned that Trac Escrow,
24 since at least April 2006, has not had a person stationed at its licensed location that meets the
25 experience requirements of Financial Code section 17200.8.

26 Further, the website of Trac Escrow/Tracyoursales, as of August 3, 2006, lists four escrow
27 officers, none of which have been reported to the Commissioner as required by California Financial
28 Code sections 17414.1 and 17419 and California Code of Regulations, title 10, section 1726.

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IV

California Financial Code section 17608 provides in pertinent part:

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

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

California Financial Code section 17423 provides in pertinent part:

(a) The commissioner may, after appropriate notice and opportunity for hearing, by order, . . . bar from any position of employment, management, or control any escrow agent, or any other person, if the commissioner finds either of the following:

(1) That the . . . bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the escrow agent or to the public.

V

Complainant finds that, by reason of the foregoing, Respondents have violated California Financial Code sections 17200.8, 17209, 17404, 17414.1, and 17419 and California Code of Regulations, title 10, sections 1726, 1732.2, and 1738.2 and it is in the best interests of the public to revoke the escrow agent’s license of Respondent Trac Escrow, and to bar Respondent L. Dancy from any position of employment, management or control of any escrow agent.

WHEREFORE, IT IS PRAYED that the escrow agent’s license of Respondent Trac Escrow be revoked, and that Respondent L. Dancy be barred from any position of employment, management or control of any escrow agent.

Dated: August 14, 2006
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel