

1 MARY ANN SMITH
Deputy Commissioner
2 DANIEL P. O'DONNELL
Assistant Chief Counsel
3 PAUL YEE (State Bar No. 142381)
Senior Counsel
4 Department of Business Oversight
One Sansome Street, Suite 600
5 San Francisco, California 94104-4448
Telephone: (415) 972-8544
6 Facsimile: (415) 972-8500

7 Attorneys for the Complainant

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

11 In the Matter of:) ESCROW LICENSE NO.: 96 DBO-36062
)
12 THE COMMISSIONER OF BUSINESS) ACCUSATION TO SUSPEND ESCROW
OVERSIGHT,) AGENT LICENSE OF 7 STAR ESCROW,
13) INC.
14 Complainant,)
) (Financial Code section 17608)
15 v.)
)
16 7 STAR ESCROW, INC.,)
)
17 Respondents.)
18)

19 Jan Lynn Owen, the Commissioner of Business Oversight (Commissioner), is informed
20 and believes and based upon such information and belief, alleges and charges as follows:

21 **I.**

22 **Jurisdiction and Venue**

23 1. The Commissioner brings this action for an order to suspend 7 Star Escrow, Inc.,
24 pursuant to the provisions of Financial Code section 17608, for its repeated failures to meet the
25 tangible net worth and liquid asset requirements of Financial Code section 17210.

26 2. The Commissioner is authorized to administer and enforce the provisions of the
27 Escrow Law, Finance Code section 17000 et seq.¹
28

¹ All subsequent statutory references are to the Financial Code unless otherwise note.

1 II.

2 **Statement of Facts**

3 3. At all relevant times, 7 Star Escrow, Inc. (7 Star Escrow) is an escrow agent
4 licensed by the Commissioner pursuant to the Escrow Law and has its principal place of business
5 located at 927 N. Maclay Avenue, San Fernando, California 91340.

6 4. At all relevant times, Maria Ascencio (Ascencio) is President of 7 Star Escrow. 7
7 Star Escrow’s escrow agent’s license number is 96DBO-36062.

8 5. At all relevant times, the Commissioner licenses and regulates the activities of
9 escrow agents.

10 6. Section 17210 requires all escrow agent licensees to maintain tangible net worth
11 of at least \$50,000, including liquid assets of at least \$25,000 in excess of current liabilities. In
12 the case of a licensed branch office, additional tangible net worth is required. 7 Star has only a
13 main office and no branch office.

14 7. Section 17406 requires escrow agents to file an annual report with the Department
15 of Business Oversight (DBO) on or before 105th day after the end of the licensee’s fiscal year.

16 **A. In 2015, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

17 8. A review of 7 Star Escrow’s annual report for the period ending April 30, 2015
18 showed that it had net liquid assets of \$4,335.00 which is a deficiency of \$20,655.00 and tangible
19 net worth of \$48,827.00 which is a deficiency of \$1,173.00. Therefore, 7 Star Escrow was in
20 violation of Section 17210.

21 9. On August 20, 2015, DBO issued a written demand to 7 Star Escrow notifying it
22 of the liquid assets and tangible net worth deficiencies. On September 3, 2015, Ascencio
23 provided DBO with 7 Star Escrow’s August 2015 financial statement which still showed a liquid
24 asset deficiency of \$23,495.46. In addition, Ascencio provided DBO with a validated deposit
25 slip for deposit of \$25,000.00 made on September 17, 2015 and a corporate resolution
26 acknowledging the deposit as additional capital contribution. 7 Star Escrow’s September 2015
27 financial statement showed a net loss of \$8,858.04 for the month of September 2015. To cover
28 the cash flow shortage, Ascencio provided a \$7,500.00 promissory note. With the Ascencio

1 loan, 7 Star Escrow was able to meet the liquid assets requirement for September 2015.

2 **B. In 2016, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

3 10. A review of 7 Star Escrow's annual report for the period ending April 30, 2016
4 showed net liquid assets of \$298.00 which is a deficiency of \$24,702.00 and tangible net worth
5 of \$48,674.00 which is a deficiency of \$1,326.00. Therefore, 7 Star Escrow was in violation of
6 Section 17210.

7 11. On August 29, 2016, DBO issued a demand letter notifying Ascencio to cure the
8 deficiencies noted on the annual report and to provide proof of correction within 30 days. Not
9 receiving a response to the August 29, 2016 demand letter, on October 4, 2016, DBO sent
10 Ascencio a second demand letter to provide proof of correction to the deficiencies. Ascencio
11 provided the September 2016 financial statements which showed a deficiency in liquid assets of
12 \$18,948.00 and a deficiency in tangible net worth of \$1,685.20. Finally, 7 Star Escrow provided
13 to the DBO, its October 2016 and November 2016 financial statements showing that it had met
14 the financial requirements.

15 **C. In 2017, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

16 12. A review of 7 Star Escrow's annual report for the period ending April 30, 2017
17 showed a net liquid asset negative balance of \$2,545.00 which is a deficiency of \$27,545.00 and
18 tangible net worth of \$31,222.00 which is a deficiency of \$18,778.00. Therefore, 7 Star Escrow
19 was in violation of Section 17210.

20 13. On February 27, 2018, DBO wrote to 7 Star Escrow demanding proof of
21 correction of the liquid asset and tangible net worth deficiencies noted in the April 30, 2017
22 annual report filing. DBO also requested January and February, 2018 financial statements. On
23 April 14, 2018, Ascencio responded that as of March 31, 2018, 7 Star Escrow was fully
24 complaint with the minimum financial requirements. Ascencio provided the January, February
25 and March 2018 financial statements. A review of the January and February 2018 statements
26 showed a liquid asset deficiency of \$14,786.22 for January and a liquid asset deficiency in
27 February of \$16,903.39. However, Ascencio provided a deposit of \$7,000.00 on March 31,
28 2018 to bring the liquid asset of 7 Star Escrow to \$25,717.83 which was barely over the

1 minimum.

2 **D. In 2018, 7 Star Escrow Did Not Comply With Minimum Financial Requirements.**

3 14. A review of 7 Star Escrow’s annual report for period ending April 30, 2018
4 showed net liquid assets of \$5,596.00 which is a deficiency of \$19,404.00 and tangible net worth
5 of \$44,919.00, a deficiency of \$5,081.00. Therefore, 7 Star Escrow was in violation of Section
6 17210.

7 15. On September 28, 2018, DBO wrote to 7 Star Escrow demanding Ascencio to
8 cure the financial deficiencies, to provide proof of correction, and produce the company’s
9 August 2018 financial statements. In an email on October 11, 2018, Ascencio produced the
10 August 2018 financial statements which showed compliance with the financial requirements.

11 **III.**

12 **An Order Suspending 7 Star Escrow Is Appropriate Where It Repeatedly Failed to Meet**
13 **the Minimum Financial Requirements.**

14 16. Section 17210 provides in pertinent part, as follows:

15 (a) An escrow agent licensed on or after January 1, 1986, shall maintain at all
16 times a tangible net worth of fifty thousand (\$50,000), including liquid assets of at
17 least twenty-five thousand dollars (\$25,000) in excess of current liabilities.

18 17. Section 17608 provides in pertinent part, as follows:

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

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

23 18. It is clear that at various times, over each of the past four years, 7 Star Escrow did not
24 meet the minimum liquid asset or tangible net worth requirement or both, and thus violated
25 Section 17210. As the annual filings show for the past four years, 7 Star Escrow would bring
26 itself into compliance with Section 17210 only after DBO demanded compliance. The chronic
27 and repeated failure of 7 Star Escrow to meet the minimum financial requirements at all times
28 required in Section 17210 justifies DBO suspending the 7 Star Escrow’s escrow agent’s license.

IV.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Prayer for Relief

WHEREFORE, based upon the foregoing, the Commissioner finds it is in the public interest to suspend 7 Star Escrow, Inc. for repeated violations of the minimum financial requirements for liquid asset and tangible net worth set forth in Section 17210.

WHEREFORE, IT IS PRAYED pursuant to section 17608, that the escrow agent’s license of 7 Star Escrow, Inc. be suspended for a period of ten consecutive business days.

Dated: March 18, 2019

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
PAUL YEE
Senior Counsel
Enforcement Division