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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING) Order Number S-03-178-05-FO02
Whether there has been a violation of the)
Escrow Agent Registration Act of Washington) **FINAL ORDER TO CEASE AND DESIST**
by:) **AND REVOKING ESCROW AGENT**
) **LICENSE**
INTER ISLAND ESCROW, INC. and)
KENNETH E. LOYD)
)
)
Respondents)

THE STATE OF WASHINGTON TO: Inter Island Escrow, Inc.
Kenneth E. Loyd

INTRODUCTION

On October 6, 2003, the Assistant Director of the Department of Financial Institutions issued a Temporary Order to Cease and Desist, Statement of Charges and Notice of Intent to Suspend or Revoke Escrow Agent Registration and to Impose Fines, Order #S-03-178-03-SC01 (“Temporary Order”). The Temporary Order, together with a Notice of Opportunity for Hearing and an Application for Hearing, was served on Inter Island Escrow, Inc. and Kenneth E. Loyd on October 17, 2003. The Notice of Opportunity for Hearing advised Inter Island Escrow, Inc. and Kenneth E. Loyd that a written application for an administrative hearing on the Temporary Order must be received within twenty days from the date of receipt of the notice. Inter Island Escrow, Inc. and Kenneth E. Loyd each failed to request an administrative hearing within twenty days of receipt of the Temporary Order and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise. The Assistant Director of the Department of Financial Institutions will therefore adopt as final the Findings of Fact and Conclusions of Law as set forth in the Temporary Order.

FINAL ORDER TO CEASE AND DESIST AND
REVOKING ESCROW AGENT LICENSE

1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 The Department of Financial Institutions now makes the following Findings of Fact and
2 Conclusions of Law:

3 **FINDINGS OF FACT**

4 **PARTIES**

5 **I.**

6 Inter Island Escrow, Inc. is an escrow agent with its principal place of business at 123
7 North Beach Road, Eastsound, WA 98245. Inter Island Escrow, Inc. first became licensed as an
8 escrow agent on June 3, 1996.

9 **II.**

10 Kenneth E. Loyd is the designated escrow officer of Inter Island Escrow, Inc. Kenneth E.
11 Loyd's escrow officer license expired June 26, 2003 and has not been renewed.

12 **CONDUCT OF ESCROW BUSINESS**

13 **III.**

14 The Department of Financial Institutions conducted an on-site examination of the books
15 and records of Inter Island Escrow, Inc. on the 1st and 2nd days of July 2003. During that
16 examination, the Department of Financial Institutions found Inter Island Escrow, Inc. had not,
17 since July 2002, reconciled the balances in the trust accounts it maintained with the amounts
18 shown on its books as the balances of outstanding client ledger balances.

19 **IV.**

20 The examination also showed that Inter Island Escrow, Inc. had, during the period from
21 June 30, 2002 to June 30, 2003, disbursed funds from 25 escrow accounts in excess of the
22 deposits made to those escrow accounts. These disbursements totaled \$28,303.33. As of July 2,
23 2003, 11 of those accounts still showed unresolved shortages totaling \$5,305.19.

1 V.

2 Inter Island Escrow, Inc. has had no licensed escrow officer to supervise its escrow
3 transactions since the escrow officer license of Kenneth Loyd, its designated escrow officer,
4 expired on June 26, 2003.

5 VI.

6 Gulf Underwriters Insurance Company provides errors and omissions insurance for Inter
7 Island Escrow, Inc. On September 23, 2003, the Department of Financial Institutions received a
8 notice that Inter Island Escrow, Inc.'s policy will be cancelled on October 21, 2003 for
9 nonpayment of premium. The Department of Financial Institutions received an earlier
10 cancellation notice on August 12, 2003 concerning this policy. It forwarded a copy of that notice
11 to Kenneth Loyd and Inter Island Escrow, Inc., together with a letter explaining that RCW
12 18.44.201 required Inter Island Escrow, Inc. to maintain a valid errors and omissions policy in
13 the amount of \$50,000. Neither Kenneth Loyd nor Inter Island Escrow, Inc. has responded to the
14 letter the Department of Financial Institutions sent.

15
16 Based upon the Findings of Fact, the following Conclusions of Law are made:

17 I.

18 The conduct described in Tentative Finding of Fact III is in violation of RCW 18.44.400
19 and WAC 208-680E-011 because Inter Island Escrow, Inc. has failed to reconcile its trust bank
20 account statements to the trust account receipts and disbursement records each month, and to
21 maintain copies, signed by the designated escrow officer, as permanent records, it has therefore
22 failed to keep adequate records of all transactions it has handled.
23
24
25

1 II.

2 The conduct described in Tentative Finding of Fact IV is in violation of RCW
3 18.44.400(3) and WAC 208-680E-011(14) because Inter Island Escrow, Inc. has made
4 disbursements for particular escrow accounts prior to receipt of deposits directly relating to those
5 accounts in amounts at least equal to the disbursements.

6 III.

7 The conduct described in Tentative Finding of Fact V is in violation of RCW 18.44.071,
8 which requires that every licensed escrow agent ensure that all escrow transactions are
9 supervised by a licensed escrow officer.
10

11 IV.

12 The Department of Financial Institutions finds and concludes that the violations of the
13 Escrow Agent Registration Act described above constitute grounds for the suspension or
14 revocation of the escrow agent license of Inter Island Escrow, Inc. pursuant to RCW
15 18.44.430(1)(b).

16 **ORDER TO CEASE AND DESIST**

17 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that Inter
18 Island Escrow, Inc.; Kenneth E. Loyd; and their agents and employees each cease and desist
19 from violation of RCW 18.44.400 and WAC 208-680E-011, which requires monthly
20 reconciliations of trust bank account statements to the escrow agent books.
21

22 It is further ORDERED that Respondents, Inter Island Escrow, Inc. and Kenneth E. Loyd
23 and their agents and employees each cease and desist from violation of RCW 18.44.400(3) and
24 WAC 208-680E-011(14), which prohibit disbursement of funds from individual escrow accounts
25 in excess of deposits made to those accounts.

1 It is further ORDERED that Inter Island Escrow, Inc. cease and desist from violation of
2 RCW 18.44.071, which requires that all escrow transactions be supervised by a licensed escrow
3 officer.

4 **ORDER REVOKING ESCROW AGENT LICENSE**

5 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that Inter
6 Island Escrow, Inc.'s escrow agent license is revoked pursuant to RCW 18.44.430.

7 This Order is entered pursuant to RCW 18.44.430 and RCW 18.44.440 and is subject to
8 the provisions of ch. 34.05 RCW.

9 Dated and Entered this 22nd day of February, 2005

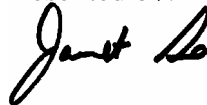
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13 MICHAEL E. STEVENSON
14 Securities Administrator

14 Approved by:

15 

17 Martin Cordell
18 Chief of Enforcement

14 Presented by:

15 

17 Janet So
18 Financial Legal Examiner