

ORDER SUMMARY – Case Number: C-12-1020

Name(s): Hartman Escrow Inc.

Order Number: C-12-1020-13-FO01

Effective Date: August 12, 2013

License Number: 18608
Or NMLS Identifier [U/L] (Revoked, suspended, stayed, application denied or withdrawn)
 If applicable, you must specifically note the ending dates of terms.

License Effect: Revoked

Not Apply Until: n/a

Not Eligible Until: n/a

Prohibition/Ban Until: August 12, 2038

Investigation Costs	\$0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Fine	\$0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Assessment(s)	\$0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Restitution	\$0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Judgment	\$0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Satisfaction of Judgment Filed?		<input type="checkbox"/> Y <input checked="" type="checkbox"/> N		
No. of Victims:		Over 85		

Comments:

1 D. Record Presented. The record presented to the Director's designee for her review and entry of a final
2 decision included the Statement of Charges, cover letter, Notice of Opportunity to Defend and Opportunity
3 for Hearing, blank Application for Adjudicative Hearing for Respondent, proof of service, and an e-mail from
4 Receiver's counsel dated August 6, 2013, advising the Department of the default.

5 E. Factual Findings and Grounds for Order. Pursuant to RCW 34.05.440(1), the Director's designee
6 hereby adopts the Statement of Charges.

7 **II. FINAL ORDER**

8 Based upon the foregoing, and the Director's designee having considered the record and being otherwise
9 fully advised, NOW, THEREFORE:

10 A. IT IS HEREBY ORDERED, That:

- 11 1. Respondent Hartman Escrow, Inc.'s license to conduct business of as an Escrow Agent is
12 revoked.
- 13 2. Respondent Hartman Escrow, Inc. is prohibited from participation in the conduct of the affairs of
14 any escrow agent subject to licensure by the Director, in any manner, for a period of twenty-five
15 (25) years.

16 B. Reconsideration. Pursuant to RCW 34.05.470, Respondent has the right to file a Petition for
17 Reconsideration stating the specific grounds upon which relief is requested. The Petition must be filed in the
18 Office of the Director of the Department of Financial Institutions by courier at 150 Israel Road SW,
19 Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia, Washington 98504-1200, within
20 ten (10) days of service of the Final Order upon Respondent. The Petition for Reconsideration shall not stay
21 the effectiveness of this order nor is a Petition for Reconsideration a prerequisite for seeking judicial review in
22 this matter. A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the date
23 the petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a written notice
24 specifying the date by which it will act on a petition.

25 C. Stay of Order. The Director's designee has determined not to consider a Petition to Stay the
effectiveness of this order. Any such requests should be made in connection with a Petition for Judicial
Review made under chapter 34.05 RCW and RCW 34.05.550.

1 D. Judicial Review. Respondent has the right to petition the superior court for judicial review of this
2 agency action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition for
3 Judicial Review, see RCW 34.05.510 and sections following.

4 E. Service. For purposes of filing a Petition for Reconsideration or a Petition for Judicial Review,
5 service is effective upon deposit of this order by the Department in the U.S. mail, declaration of service
6 attached hereto.

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8 DATED this 12th day of August, 2013.

9 STATE OF WASHINGTON
10 DEPARTMENT OF FINANCIAL INSTITUTIONS

11 /S/
12 DEBORAH BORTNER
13 Director, Division of Consumer Services
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1 **II. REGULATORY BACKGROUND**

2 **2.1** On or about June 21, the Department began a for-cause examination of Respondent Hartman to
3 investigate possible irregularities with the Respondent Hartman’s KeyBank escrow trust account.

4 **2.2** On or about July 10, 2012, the Department served Respondents Hartman Escrow, Inc. and Andrew
5 (Respondents) with a subpoena requiring production of certain escrow documents and records (the
6 documents). Respondents produced some, but not all, of the documents required.

7 **2.3** On or about July 18, 2012, the Department issued a Temporary Order to Cease and Desist, number C-
8 12-1020-12-TD01 (TCD01) against Respondents requiring them to immediately:

- 9 a. Cease and desist from failing to provide the subpoenaed documents to the Department;
- 10 b. Provide the requested documents to the Department; and
- 11 c. Stop all transfers of funds from any trust account until the Department lifted TCD01.

11 Respondents produced some, but not all, of the documents required.

12 **2.4** On or about July 31, 2012, after discovering that some of the documents produced by Respondents in
13 response to the Subpoena had been altered, the Department issued an Order Taking Possession of Hartman
14 Escrow, Inc. (the Order) taking possession of the property and business of Respondent Hartman Escrow
15 pursuant to RCW 18.44.455, which provides the Director the authority to immediately take possession of an
16 escrow agent in certain circumstances. In this case, the Order was based on findings that Respondents:

- 17 a. Were conducting business in such an unsafe manner as to render its further operation
18 hazardous to the public;
- 19 b. Had neglected or failed to comply with an Order of the Director; and
- 20 c. Had knowingly made or published a written statement of its affairs containing material
21 statements which were false.

22 **2.5** On or about August 7, 2012, in response to Respondents’ failure to relinquish to the Department all of
23 the property of Respondent Hartman, the Department issued a Temporary Order to Cease and Desist, number
24 C-12-1020-12-TD02 (TCD02) against Respondents requiring Respondent Andrew to immediately:

- 25 a. Cease and desist from engaging in any act, directly or indirectly, which affected
Respondent Hartman;
- b. Surrender to the Department all escrow and other business files of Respondent Hartman;
- c. Surrender to the Department all business related equipment owned, leased, or rented by
Respondent Hartman; and

1 d. Surrender to the Department all credit cards in the name of Respondent Hartman, as well
2 as all keys to property owned, leased, or rented by Respondent Hartman.

3 Respondent Andrew surrendered some, but not all, of the files, equipment, and credit cards required.

4 **2.6** On or about September 13, 2012, the Department filed a Petition for Appointment of General Receiver
5 for Respondent Hartman in King County Superior Court. On September 20, 2012, the Order Appointing
6 General Receiver for Respondent Hartman was entered by the Court. Respondent Andrew appeared by and
7 through her attorneys, denied the allegations, and acknowledged that the allegations, if true, would be
8 sufficient to support the appointment of a general receiver for Respondent Hartman.

9 **2.7** The Department's examination of Respondent Hartman, while winding down, is on-going.

10 **III. FACTUAL ALLEGATIONS**

11 **3.1 Neglecting or Failing to Comply with the Director's Authority.** On or about July 10, 2012, the
12 Department served Respondents with a subpoena requiring immediate production of all trust and bank
13 account reconciliation records; all trust account bank statements and cancelled checks; and all general account
14 bank statements and cancelled checks. Respondents produced partial records related to their trust and general
15 accounts, and some reconciliation records, but did not provide all the records required. On or about July 18,
16 2012, the Department issued TCD01 requiring Respondents to produce the requested records immediately.
17 Respondents failed to produce all of the required records. On or about August 7, 2012, the Department issued
18 TCD02 requiring Respondent Andrew to surrender escrow and business files, equipment, and credit cards
19 belonging to Respondent Hartman. Respondent Andrew surrendered some, but not all, of the files,
20 equipment, and credit cards required.

21 **3.2 Comingled Trust and General Accounts.** On or about June 6, 2012, Respondent Hartman's trust and
22 general operating accounts at KeyBank were closed. On or about June 25, 2012, Respondent Andrew opened
23 new business checking and savings accounts at BECU in the name of Respondent Hartman. Respondent
24 Andrew subsequently deposited into the new BECU business accounts comingled trust and general account
25 funds from the closed KeyBank accounts. In addition, Respondents accepted more than 40 deposits of trust
funds, totaling more than \$5 million, into the new BECU business accounts. Between at least June 6, 2012,

1 and July 31, 2012, when the Department took possession of Respondent Hartman, Respondents comingled
2 trust and non-trust funds in the BECU accounts.

3 **3.3 False Statements: Altered Bank Statements Filed with DFI.** On or about July 11, 2012, in response
4 to a subpoena issued by the Department, Respondents provided the Department with KeyBank trust and
5 general account statements. On or about July 25, 2012, the Department received the actual KeyBank trust
6 and general account statements from KeyBank. A comparison revealed that the statements provided to the
7 Department by Respondent Andrew had been altered to conceal more than 60 transactions involving more
8 than \$1.4 million in suspicious transfers, mostly involving transfers from the trust to the general account.

9 **IV. GROUNDS FOR ENTRY OF ORDER**

10 **4.1 Requirement to Comply with Director's Authority.** Based on the Factual Allegations set forth in
11 Section III above, Respondents are in apparent violation of RCW 18.44.301(10), which makes it a violation of
12 the Act for any escrow agent to fail to make any report or statement lawfully required by the Director.

13 **4.2 Prohibitions Against False Statements.** Based on the Factual Allegations set forth in Section III
14 above, Respondents are in apparent violation of RCW 18.44.301(4), (6), and (7), which make it a violation of
15 the Act for any escrow agent, controlling person, officer, or designated escrow officer to:

- 16 a. Knowingly make, publish, or disseminate any false, deceptive, or misleading information
17 in the conduct of the business of escrow;
18 b. Make, or concur in making, any false entry, in its books or accounts; and
19 c. Knowingly make or publish, or concur in making or publishing, any written report,
20 exhibit, or statement of its affairs or pecuniary condition containing any material
21 statement which is false.

22 **4.3 Prohibitions Against Comingling.** Based on the Factual Allegations set forth in Section III above,
23 Respondents are in apparent violation of RCW 18.44.400(2) and WAC 208-680-410(2) for not keeping a
24 separate designated trust account authorized to receive funds, in which trust deposits are kept separate and
25 apart and segregated from the escrow agent's own funds.

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1 **V. AUTHORITY TO IMPOSE SANCTIONS**

2 **5.1 Authority to Revoke Licenses.** Pursuant to RCW 18.44.400(5), the Director may revoke the license of
3 any escrow agent for any violation of RCW 18.44.400. In addition, pursuant to RCW 18.44.430(1), the
4 Director may upon notice revoke the license of any escrow agent or escrow officer if the Director finds that a
5 licensee has violated any of the provisions of the Act or any lawful rules under the Act, including, failing,
6 upon demand, to produce any document, book, or record in his or her possession for inspection of the
7 Director’s authorized representatives.

8 **5.2 Authority to Prohibit from Industry.** Pursuant to RCW 18.44.400(5), the Director may prohibit from
9 the industry any escrow agent or escrow officer for any violation of RCW 18.44.400. In addition, pursuant to
10 RCW 18.44.430(3), the Director may upon notice prohibit from participation in the conduct of the affairs of
11 any licensed escrow agent, any officer, controlling person, director, employee, or licensed escrow officer, if
12 the Director finds that a licensee has violated any of the provisions of the Act or any lawful rules under the
13 Act, including, committing acts or engaging in conduct that demonstrates the applicant or licensee to be
14 incompetent or untrustworthy.

15 **5.3 Authority to Charge and Collect Examination Fees.** Pursuant to RCW 18.44.121(1)(d) and
16 WAC 208-680-610, the Director may charge and collect an hourly examination fee.

17 **VI. NOTICE OF INTENT TO ENTER ORDER**

18 Respondents’ violations of the provisions of chapter 18.44 RCW as set forth in the above Factual
19 Allegations and Grounds for Entry of Order constitute a basis for the entry of an Order under RCW 18.44.410
20 and RCW 18.44.430, which authorize the Director to enforce all laws and rules related to the regulation of
21 escrow agents and officers. Therefore, it is the Director’s intent to ORDER that:

- 22 **6.1** Respondent Hartman Escrow, Inc.’s escrow agent license be revoked;
- 23 **6.2** Respondent Lori Lynn Andrew’s designated escrow officer license be revoked;
- 24 **6.3** Respondents Hartman Escrow, Inc. and Lori Lynn Andrew be prohibited from participation
25 in the conduct of the affairs of any licensed escrow agent for twenty five (25) years; and

