ORDER SUMMARY – Case Number: C-12-1020

Name(s):	Hartman Escro	ow Inc.			
Order Number:	C-12-1020-13-	-FO01			
Effective Date :	August 12, 201	13			
License Number: Or NMLS Identifier [U/L] License Effect:		stayed, application denied or vest specifically note the ending of			
Not Apply Until:	n/a				
Not Eligible Until:	n/a				
Prohibition/Ban Until:	August 12, 2038				
Investigation Costs	\$0	Due	Paid Y N	Date	
Fine	\$0	Due	Paid N N	Date	
Assessment(s)	\$0	Due	Paid N N	Date	
Restitution	\$0	Due	Paid Y N	Date	
Judgment	\$0	Due	Paid N N	Date	
Satisfaction of Judgment F	☐ Y ⊠ N Over 85				
	Victims:				
Comments:					

STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS **DIVISION OF CONSUMER SERVICES**

1 2 3 IN THE MATTER OF DETERMINING Whether there has been a violation of the 4 Escrow Agent Registration Act of Washington by: 5 HARTMAN ESCROW, INC., and LORI L. ANDREW, President and Designated Escrow Officer, 6 Respondents. 7 8 9 10 11

NO. C-12-1020-13-FO01

FINAL ORDER AS TO RESPONDENT HARTMAN ESCROW, INC.

I. <u>DIRECTOR'S CONSIDERATION</u>

A. Default. This matter has come before the Director of the Department of Financial Institutions of the State of Washington (Director), through his designee, Consumer Services Division Director Deborah Bortner (Director's designee), pursuant to RCW 34.05.440(1). On July 1, 2013, the Director's designee issued a Statement of Charges and Notice of Intent to Enter an Order to Revoke Licenses, Prohibit from Industry, and Charge and Collect Examination Fees (Statement of Charges) against Respondents Hartman Escrow, Inc. and Lori L. Andrew. A copy of the Statement of Charges is attached and incorporated into this order by reference. The Statement of Charges was accompanied by a cover letter, a Notice of Opportunity to Defend and Opportunity for Hearing, and a blank Application for Adjudicative Hearing for Respondent.

- B. On September 20, 2012, a Seattle-based financial advisory company, Orse & Company, Inc., was appointed Receiver for Respondent Hartman Escrow, Inc. (Respondent). After service of the Statement of Charges, the Respondent, by and through the Receiver, elected to default on the Statement of Charges and communicated that intention to the Department.
- C. Respondent did not request an adjudicative hearing within twenty calendar days after the Department served the Notice of Opportunity to Defend and Opportunity for Hearing, as provided for in WAC 208-08-050(2).

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- D. Record Presented. The record presented to the Director's designee for her review and entry of a final decision included the Statement of Charges, cover letter, Notice of Opportunity to Defend and Opportunity for Hearing, blank Application for Adjudicative Hearing for Respondent, proof of service, and an e-mail from Receiver's counsel dated August 6, 2013, advising the Department of the default.
- E. Factual Findings and Grounds for Order. Pursuant to RCW 34.05.440(1), the Director's designee hereby adopts the Statement of Charges.

II. FINAL ORDER

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

A. IT IS HEREBY ORDERED, That:

- 1. Respondent Hartman Escrow, Inc.'s license to conduct business of as an Escrow Agent is revoked.
- 2. Respondent Hartman Escrow, Inc. is prohibited from participation in the conduct of the affairs of any escrow agent subject to licensure by the Director, in any manner, for a period of twenty-five (25) years.
- B. Reconsideration. Pursuant to RCW 34.05.470, Respondent has the right to file a Petition for Reconsideration stating the specific grounds upon which relief is requested. The Petition must be filed in the Office of the Director of the Department of Financial Institutions by courier at 150 Israel Road SW, Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia, Washington 98504-1200, within ten (10) days of service of the Final Order upon Respondent. The Petition for Reconsideration shall not stay the effectiveness of this order nor is a Petition for Reconsideration a prerequisite for seeking judicial review in this matter. A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the date the petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a written notice specifying the date by which it will act on a petition.
- 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. <u>Judicial Review</u> . 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. <u>Service</u> . 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 12 th day of August, 2013.
9	STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS
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11	_ <u>/S/</u> DEBORAH BORTNER
12	Director, Division of Consumer Services
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STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS **DIVISION OF CONSUMER SERVICES**

2 3 IN THE MATTER OF DETERMINING NO. C-12-1020-13-SC01 Whether there has been a violation of the 4 Escrow Agent Registration Act of Washington by: STATEMENT OF CHARGES and NOTICE OF INTENT TO ENTER AN 5 HARTMAN ESCROW, INC., and LORI L. ANDREW, ORDER TO REVOKE LICENSES, PROHIBIT President and Designated Escrow Officer, FROM INDUSTRY, and CHARGE AND 6 **COLLECT EXAMINATION FEES** Respondents. 7 8 INTRODUCTION 9 Pursuant to RCW 18.44.410, the Director of the Department of Financial Institutions of the State of 10 Washington (Director) is responsible for the administration of chapter 18.44 RCW, the Escrow Agent 11 Registration Act (the Act). After having conducted an investigation pursuant to RCW 18.44.420, and based 12 upon the facts available as of the date of this Statement of Charges, the Director, through his designee, 13 Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows: 14 I. RESPONDENTS 15 Hartman Escrow, Inc. (Respondent Hartman) is an active for-profit Washington corporation 16 organized on December 13, 1994. Respondent Hartman has been licensed by the Department of Financial 17 Institutions (Department) under the Act to conduct business as an escrow agent in the state of Washington 18 since about June 2000. Until July 31, 2012, Respondent Hartman was licensed to operate from a main office 19 located at 14237 Interurban Avenue South in Tukwila, license number 540-EA-18608, and from a branch 20 office located at 519 Beach Avenue in Marysville, license number 540-EA-18608-44181. 21 **1.2** Lori Lynn Andrew (Respondent Andrew) is the president and sole owner of Respondent Hartman. 22 Respondent Andrew has been licensed by the Department under the Act to conduct business as the 23 Designated Escrow Officer (DEO) of Respondent Hartman since about October 2002. Respondent Andrew's 24 DEO license, number 540-DO-21090, is currently in "inactive" status. While it was active, Respondent

Andrew was the sole DEO and supervisor of Respondent Hartman's main and branch offices.

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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;b. Provide the requested documents to the Department; and
10	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 hazardous to the public;
18	 b. Had neglected or failed to comply with an Order of the Director; and c. Had knowingly made or published a written statement of its affairs containing material
19	statements which were false.
20	2.5 On or about August 7, 2012, in response to Respondents' failure to relinquish to the Department all of
21	the property of Respondent Hartman, the Department issued a Temporary Order to Cease and Desist, number
22	C-12-1020-12-TD02 (TCD02) against Respondents requiring Respondent Andrew to immediately:

- 23
- 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;
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- c. Surrender to the Department all business related equipment owned, leased, or rented by Respondent Hartman; and

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

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

- 2.6 On or about September 13, 2012, the Department filed a Petition for Appointment of General Receiver for Respondent Hartman in King County Superior Court. On September 20, 2012, the Order Appointing General Receiver for Respondent Hartman was entered by the Court. Respondent Andrew appeared by and through her attorneys, denied the allegations, and acknowledged that the allegations, if true, would be sufficient to support the appointment of a general receiver for Respondent Hartman.
- 2.7 The Department's examination of Respondent Hartman, while winding down, is on-going.

III. FACTUAL ALLEGATIONS

- 3.1 Neglecting or Failing to Comply with the Director's Authority. On or about July 10, 2012, the Department served Respondents with a subpoena requiring immediate production of all trust and bank account reconciliation records; all trust account bank statements and cancelled checks; and all general account bank statements and cancelled checks. Respondents produced partial records related to their trust and general accounts, and some reconciliation records, but did not provide all the records required. On or about July 18, 2012, the Department issued TCD01 requiring Respondents to produce the requested records immediately. Respondents failed to produce all of the required records. On or about August 7, 2012, the Department issued TCD02 requiring Respondent Andrew to surrender escrow and business files, equipment, and credit cards belonging to Respondent Hartman. Respondent Andrew surrendered some, but not all, of the files, equipment, and credit cards required.
- 3.2 Comingled Trust and General Accounts. On or about June 6, 2012, Respondent Hartman's trust and general operating accounts at KeyBank were closed. On or about June 25, 2012, Respondent Andrew opened new business checking and savings accounts at BECU in the name of Respondent Hartman. Respondent Andrew subsequently deposited into the new BECU business accounts comingled trust and general account 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,

STATEMENT OF CHARGES C-12-1020-13-SC01 Hartman Escrow, Inc. and Lori L. Andrew DEPARTMENT OF FINANCIAL INSTITUTIONS
Division of Consumer Services
PO Box 41200
Olympia, WA 98504-1200
(360) 902-8703

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 in the conduct of the business of escrow;
17	b. Make, or concur in making, any false entry, in its books or accounts; and
18	c. Knowingly make or publish, or concur in making or publishing, any written report, exhibit, or statement of its affairs or pecuniary condition containing any material statement which is false.
19	statement which is faise.
20	4.3 Prohibitions Against Comingling. Based on the Factual Allegations set forth in Section III above,
21	Respondents are in apparent violation of RCW 18.44.400(2) and WAC 208-680-410(2) for not keeping a
22	separate designated trust account authorized to receive funds, in which trust deposits are kept separate and
23	apart and segregated from the escrow agent's own funds.
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V. AUTHORITY TO IMPOSE SANCTIONS

Authority to Revoke Licenses. Pursuant to RCW 18.44.400(5), the Director may revoke the license of any escrow agent for any violation of RCW 18.44.400. In addition, pursuant to RCW 18.44.430(1), the Director may upon notice revoke the license of any escrow agent or escrow officer if the Director finds that a licensee has violated any of the provisions of the Act or any lawful rules under the Act, including, failing,

upon demand, to produce any document, book, or record in his or her possession for inspection of the Director's authorized representatives.

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

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

VI. NOTICE OF INTENT TO ENTER ORDER

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

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

Respondent Lori Lynn Andrew pay an examination fee of \$150,000. 1 6.4 VII. AUTHORITY AND PROCEDURE 2 3 This Statement of Charges and Notice of Intent to Enter an Order to Revoke Licenses, Prohibit from 4 Industry, and Charge and Collect Examination Fees (Statement of Charges) is entered pursuant to the 5 provisions of RCW 18.44.410 and RCW 18.44.430, and is subject to the provisions of Chapter 34.05 RCW, 6 the Administrative Procedure Act. Respondents may make a written request for a hearing as set forth in the 7 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this 8 Statement of Charges. 9 10 Dated this 1st day of July, 2013. 11 12 DEBORAH BORTNER 13 Director, Division of Consumer Services Department of Financial Institutions 14 15 16 Presented by: Approved by: 17 ANTHONY W. CARTER CHARLES E. CLARK 18 Senior Enforcement Attorney **Enforcement Chief** 19 20 21 22 23 24 25