

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Escrow Agent Registration Act by:

Mountain Escrow Inc.; Pamela Skillman,
Designated Escrow Officer,

Respondents.

Case No.: S-04-130-04-TD01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO REVOKE AND
DECLINE TO RENEW LICENSES,
PROHIBIT PARTICIPATION IN THE
ESCROW INDUSTRY, IMPOSE FINES,
AND ASSESS COSTS

THE STATE OF WASHINGTON TO:

Mountain Escrow Inc.
701 Prairie Park Lane, Suite E
Yelm, WA 98597

Pamela Skillman, Designated Escrow Officer
Mountain Escrow Inc.
701 Prairie Park Lane, Suite E
Yelm, WA 98597

STATEMENT OF CHARGES

Please take notice that the Department of Financial Institutions of the State of Washington (“Department”) has reason to believe that Respondents, Mountain Escrow Inc. and Pamela Skillman, have each violated the Escrow Agent Registration Act and that their violations justify the Department in entering an order under RCW 18.44.430 to revoke Mountain Escrow’s license as an escrow agent, to revoke Pamela Skillman’s license as a designated escrow officer, to prohibit Pamela Skillman from participating in the escrow industry, and to impose fines against and assess costs from Mountain Escrow and Pamela Skillman. The Department finds as follows:

STATEMENT OF CHARGES AND NOTICE OF INTENT
TO REVOKE AND DECLINE TO RENEW LICENSES,
PROHIBIT PARTICIPATION IN THE ESCROW
INDUSTRY, IMPOSE FINES, AND ASSESS COSTS

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

1 **TENTATIVE FINDINGS OF FACT**

2 RESPONDENTS

3 1. Respondent Mountain Escrow Inc. (“Mountain”) is a Washington corporation licensed
4 by the Department as an escrow agent. Mountain’s principal place of business is 701 Prairie
5 Park Lane, Suite E, Yelm, Washington 98597. Mountain’s agent license was first issued in 2001
6 and will expire on December 31, 2004.

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8 2. Respondent Pamela Skillman (“Skillman”) is the sole owner of Mountain and is
9 licensed by the Department as its designated escrow officer (“DEO”). Skillman’s DEO license
10 was first issued in 2001 and expired on June 1, 2004. Skillman submitted her renewal notice in
11 May 2004.

12 ON-SITE EXAMINATION

13 3. From late April to early May 2004, examiners from the Department of Financial
14 Institutions conducted a multi-day, on-site examination of Mountain’s books and records. The
15 examination included a review of Mountain’s IOLTA trust account, regular trust account,
16 general business account, and certain escrow client transaction files. The examination findings
17 included the violations described below.

18 UNAUTHORIZED TRUST ACCOUNT TRANSFERS

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20 4. On or around January 24, 2003, Skillman deposited \$1,159.52 of client trust funds into
21 Mountain’s general business account. This amount represented refunds due to clients from third
22 party vendors whom Mountain had overpaid during escrow closings. Respondents did not have
23 authorization or written instructions to place these trust funds in the Mountain general business
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1 account. After the examiners discovered this matter, Respondents wrote refund checks for this
2 \$1,159.52 amount to the proper clients in May 2004.

3 5. From March to September of 2003, Skillman transferred a total of at least \$37,900 in
4 client trust funds to Mountain's general business account, as set forth below. Generally, the
5 amounts transferred were to cover overdrafts in and/or expenses drawn against Mountain's
6 general business account. Respondents did not have authorization or written instructions to place
7 these trust funds in the general business account. As set forth below, Respondents wrote refund
8 checks for these amounts to the trust accounts.
9

Date	Amount deposited to general account	Origin of funds	Refund date
03/05/03	\$ 5,389.87	IOLTA trust account	03/19/03
03/31/03	5,789.33	Regular trust account	05/06/04
04/11/03	1,362.14	IOLTA trust account	10/20/03
04/11/03	3,828.33	Regular trust account	10/23/03
05/09/03	4,775.82	Regular trust account	12/10/03
05/12/03	77.90	Regular trust account	04/29/04
06/18/03	3,525.00	IOLTA trust account	10/20/03
06/18/03	4,238.17	Regular trust account	12/10/03
07/30/03	7,932.81	Regular trust account	04/29/04
09/05/03	525.23	IOLTA trust account	04/29/04
09/19/03	500.00	Regular trust account	04/29/04
TOTAL	\$ 37,944.60		

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19 FAILURE TO MAINTAIN RECONCILIATIONS

20 6. Respondents did not keep and/or maintain adequate and timely reconciliations. For the
21 months of April 2001 through February 2003, the Respondents did not reconcile the IOLTA trust
22 account to the bank statements until July 2003. For the months of May 2001 through February
23 2003, the Respondents did not reconcile the regular trust account to the bank statements until
24 July 2003. Additionally, Respondents did not identify the trust account disbursements noted in
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1 Tentative Findings of Fact 4 or 5 to any specific escrow client. Respondents did not append any
2 supporting information to explain or justify these adjustments.

3 DISBURSEMENTS EXCEEDING FUNDS ON DEPOSIT

4 7. For the months listed below, Respondents had negative balances in their IOLTA and/or
5 regular trust accounts as of the statement date. Respondents could not overdraw their trust
6 accounts without having disbursed trust funds exceeding the amount on deposit for escrow
7 transactions.
8

9	Date	Trust account overdrawn	Amount Overdrawn
10	05/31/03	IOLTA	\$ (875.26)
11	09/30/03	IOLTA	(97.49)
12	09/30/03	Regular trust account	(1,212.07)
13	03/31/04	IOLTA	(792.28)
14	TOTAL		\$ (2,959.10)

15 FALSE STATEMENTS TO EXAMINERS

16 8. During the on-site examination's entrance interview, the examiners asked Skillman
17 whether she had taken any funds from the trust account without authorization and she denied
18 having done so.

19 9. During the examination, the examiners also asked Skillman whether she had a current
20 limited practice officer (LPO) license from the Washington State Bar Association (WSBA). She
21 stated that she did. However, her LPO license has been administratively suspended since May
22 2003 for noncompliance with certain WSBA requirements. While her license was suspended,
23 Skillman held herself out to the public as able to select, prepare, and complete certain legal
24 documents and did in fact select, prepare, and complete Statutory Warranty Deeds, Real Estate
25 Excise Tax Affidavits, Promissory Notes, and Deeds of Trust.

1 FALSE STATEMENTS TO CLIENT

2 10. In or around February 2004, Skillman sent an escrow client a refund check for the
3 client's remaining trust funds. There were non-sufficient funds in the trust account and the client
4 was unable to cash the check. On February 12, 2004, Skillman sent a letter, along with a second
5 refund check, to the client stating that there had been non-sufficient funds for the check because
6 certain funds had been wired into the wrong account. However, the bank statements show that
7 the funds were correctly wired to the proper trust account.
8

9 FAILURE TO TIMELY NOTIFY THE DEPARTMENT

10 11. Effective September 15, 2002, Skillman entered into an agreement to restructure
11 corporate ownership through which she became the sole shareholder of Mountain. Neither
12 Skillman nor Mountain provided to the Department information regarding the changes in
13 principal officers or controlling persons at least 30 days prior to the changes.
14

15 12. By at least April 16, 2004, Mountain moved its office from Parkland, Washington, to
16 Yelm, Washington. The Department did not receive an amendment to Mountain's agent
17 application reflecting this address change until May 10, 2004. Neither Skillman nor Mountain
18 filed with the Department, at least 10 days prior to the change, a change of address application
19 accompanied by all licenses issued to the former address and all applicable fees.
20

21 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:
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1 **CONCLUSIONS OF LAW**

2 1. The conduct described in Tentative Findings of Fact 4 and 5 is in violation of RCW
3 18.44.430(1)(e) because Skillman and Mountain each converted money, delivered in trust, to their
4 own use or the use of another person, in violation of the trust.

5 2. The conduct described in Tentative Findings of Fact 4 and 5 is in violation of RCW
6 18.44.400(2) because Skillman and Mountain each failed to keep separate escrow trust accounts
7 for each client and/or to keep the trust accounts separate, apart, and segregated from Mountain's
8 own funds.

9 3. The conduct described in Tentative Findings of Fact 4 and 5 is in violation of RCW
10 18.44.400(1) and WAC 208-680D-060 because Skillman and Mountain each disbursed escrowed
11 trust funds without a written escrow instruction.

12 4. The conduct described in Tentative Findings of Fact 4 through 6 is in violation of RCW
13 18.44.400(1) and WAC 208-680D-020 because Skillman and Mountain each failed to keep
14 adequate trust account records, including reconciliations.

15 5. The conduct described in Tentative Finding of Fact 7 is in violation of RCW
16 18.44.400(3) because Skillman and Mountain each made disbursements from escrowed trust
17 funds without first having received deposits for those accounts in amounts at least equal to the
18 disbursements.

19 6. The conduct described in Tentative Findings of Fact 4, 5, and 8, is in violation of RCW
20 18.44.301 because Skillman and Mountain each engaged in an unfair or deceptive practice
21 toward a person, relating to misrepresentations to examiners about appropriating trust funds.
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1 7. The conduct described in Tentative Finding of Fact 9 is in violation of RCW 18.44.301
2 because Skillman and Mountain each employed a scheme, device, or artifice to defraud a person,
3 and/or engaged in an unfair or deceptive practice toward a person, relating to (A)
4 misrepresenting Skillman’s authority to select, prepare, and complete legal documents; and (B)
5 actually selecting, preparing, and completing legal documents without the required licenses.
6

7 8. The conduct described in Tentative Findings of Fact 4, 5, and 10 is in violation of RCW
8 18.44.301 because Skillman and Mountain each employed a scheme, device, or artifice to
9 defraud a person, and/or engaged in an unfair or deceptive practice toward a person, relating to
10 withdrawals from trust accounts and misrepresenting to a client why there were non-sufficient
11 funds for the client’s trust refund check.

12 9. The conduct described in Tentative Finding of Fact 11 is in violation of RCW
13 18.44.301(10) and WAC 208-680B-015(4) because Skillman and Mountain each failed to
14 provide to the Department information regarding the changes in principal officers or controlling
15 persons at least 30 days prior to the changes.
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17 10. The conduct described in Tentative Finding of Fact 12 is in violation of RCW
18 18.44.301(10) and WAC 208-680C-040 because Skillman and Mountain each failed to file with
19 the Department, at least 10 days prior to the change, a change of address application
20 accompanied by all licenses issued to the former address and all applicable fees.
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22 11. The conduct described in Tentative Findings of Fact 4 through 13 is in violation of
23 RCW 18.44.430(1)(i) because the acts and conduct of both Mountain and Skillman have
24 demonstrated incompetence, untrustworthiness, and/or a source of injury and loss to the public.
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1 **CONTINUING INVESTIGATION**

2 The Department is continuing to investigate the practices of the Respondents and
3 their principals, employees, and agents to determine the full extent of the violations of the
4 Escrow Agent Registration Act that have occurred in this matter.
5

6 **NOTICE OF INTENT TO REVOKE AND DECLINE TO RENEW LICENSES**

7 Pursuant to RCW 18.44.400, RCW 18.44.430, and RCW 18.44.440, and based on the
8 Department’s findings and conclusions that Mountain Escrow and Pamela Skillman have each
9 violated the Escrow Agent Registration Act, the Department intends to ORDER that (1) the
10 license of Mountain Escrow Inc. to do business as an escrow agent be revoked; and (2) the license
11 of Pamela Skillman to do business as an designated escrow officer not be renewed.
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13 **NOTICE OF INTENT TO PROHIBIT PARTICIPATION IN ESCROW INDUSTRY**

14 Pursuant to RCW 18.44.400, RCW 18.44.430, and RCW 18.44.440, and based on the
15 Department’s findings and conclusions that Mountain Escrow and Pamela Skillman have each
16 violated the Escrow Agent Registration Act, the Department intends to ORDER that Pamela
17 Skillman be prohibited from participating in the conduct of the affairs of any licensed escrow
18 agent.
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21 **NOTICE OF INTENT TO IMPOSE FINES AND ASSESS COSTS**

22 Pursuant to RCW 18.44.400, RCW 18.44.430, and RCW 18.44.440, and based on the
23 Department’s findings and conclusions that Mountain Escrow and Pamela Skillman have each
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1 violated the Escrow Agent Registration Act, the Department intends to ORDER that Pamela
2 Skillman and Mountain Escrow be jointly and severally liable for and pay to the Department (1)
3 a fine in the amount of \$20,000; and (2) the costs, fees, and other expenses incurred in the
4 conduct of the investigation on this matter, in an amount not less than \$5,000.
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7 **AUTHORITY AND PROCEDURE**

8 This Statement of Charges and Notice of Intent to Revoke and Decline to Renew
9 Licenses, Prohibit Participation in the Escrow Industry, Impose Fines, and Assess Costs is entered
10 pursuant to the provisions of RCW 18.44.400, RCW 18.44.410, RCW 18.44.430, and RCW
11 18.44.440 and is subject to the provisions of chapter 34.05 RCW. The Respondents, Mountain
12 Escrow Inc. and Pamela Skillman, may each make a written request for a hearing as set forth in
13 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
14 accompanying this order.
15

16 If a Respondent does not timely request a hearing, the Department intends to adopt the
17 above Tentative Findings of Fact and Conclusions of Law as final, to revoke Mountain Escrow's
18 agent license and decline to renew Pamela Skillman's designated escrow officer license, to
19 prohibit Pamela Skillman from participation in the escrow industry, and to impose a \$20,000 fine
20 against and to assess \$5,000 from that respondent.

21 DATED this 17th day of August, 2004
22

23 
24 MICHAEL STEVENSON
25 Assistant Director
26 Department of Financial Institutions

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28 TO REVOKE AND DECLINE TO RENEW LICENSES,
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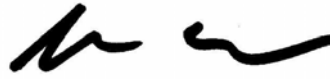
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Approved by:



Martin Cordell
Chief of Enforcement

Presented by:



Andrew Ledbetter
Financial Legal Examiner

Presented by:



Janet So
Financial Legal Examiner

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