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

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

HARTMAN ESCROW, INC., and
LORI L. ANDREW, Owner and Designated
Escrow Officer,

Respondents.

No. C-12-1020-12-TP01

ORDER TAKING POSSESSION OF
HARTMAN ESCROW, INC.

8 THE STATE OF WASHINGTON TO: HARTMAN ESCROW, INC.
LORI L. ANDREW

9
10 COMES NOW the Director of the Washington State Department of Financial Institutions (Director),
11 by and through his designee Deborah Bortner, Division Director, Division of Consumer Services, and
12 finding that Hartman Escrow, Inc., an Escrow Agent licensed pursuant to chapter 18.44 RCW, the
13 Escrow Agent Registration Act (Act), is conducting its business in such an unsafe or unsound manner as
14 to render its further operations hazardous to the public, and further finding that Hartman Escrow, Inc. has
15 refused to comply with an Order of the Director pursuant to the Act, enters this Order Taking Possession
16 of Hartman Escrow, Inc. pursuant to the Act and based on the following:

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I. FACTUAL FINDINGS

**1.1 Conducting Business in such an Unsafe Manner as to Render its Further Operation
Hazardous to the Public.** The Department reviewed bank statements and reconciliation records
received from Respondents Hartman Escrow, Inc. and Lori L. Andrew (Respondents) and noted
numerous questionable transactions. For example, two month-end reconciliation Trial Balance reports
printed on April 30, 2012, show the escrow trust account of Respondent Hartman Escrow, Inc.
(Respondent Hartman Escrow) to be significantly overdrawn. The first report lists 13 overdrawn

1 escrow accounts with an aggregate negative balance of \$1,090,755.09; the second report lists 13
2 overdrawn escrow accounts, but with a lower aggregate negative balance of \$205,400.94. The
3 overdrawn escrow accounts indicate Respondent Hartman Escrow has disbursed more money from the
4 accounts than they received. The number and aggregate dollar amount of the overdrawn escrow
5 accounts is unusual, and indicates much larger shortages in the trust account may exist.

6 The June 2012 general account statement for Respondent Hartman Escrow shows six transfers
7 from the general account to the trust account totaling \$678,548. The number and aggregate dollar
8 amount of these transfers are unusual, and indicates an attempt to “cover” overdrawn escrow accounts.

9 The Department has identified suspicious transactions in Respondent Hartman Escrow’s general
10 account between December 2011 and July 2012 of approximately:

- 11 • \$2.1 million in transfers from the trust account to the general account;
- 12 • \$212,000 in checks and transfers payable to Respondent Lori L. Andrew or her husband;
- 13 • \$103,000 in checks payable to casinos in Washington and Nevada; and
- 14 • \$65,000 in checks and transfers payable to a Nordstrom-branded VISA credit card.

15 **1.2 Neglecting or Failing to Comply with any Order by the Director issued under the Act.** On or
16 about July 10, 2012, the Department served Respondents with a Subpoena to Provide Documents and
17 Records requiring production of the following:

- 18 1. All reconciliation records;
- 19 2. All trust account bank statements and cancelled checks; and
- 20 3. All general account bank statements and cancelled checks.

21 Respondents were instructed to produce the records immediately unless otherwise agreed by the
22 Department in writing. Respondents provided partial records related to their trust and general accounts,
23 and some reconciliation records, but did not provide all the records required. On or about July 11, 2012,
the Department notified Respondents that unless the remainder of the records were produced by July 16,

1 2012, the Department would issue a Temporary Cease and Desist Order (TCD) compelling production of
2 the records. Respondents did not produce the records as required.

3 On or about July 18, 2012, the Department issued a TCD requiring Respondents to produce the
4 records immediately. The TCD was served on Respondents on or about the same day, and served by
5 Federal Express overnight delivery on July 28, 2012. To date, Respondents have failed to produce the
6 required records.

7 **1.3 Altered Bank Statements.** On or about June 21, 2012, Respondent Lori L. Andrew (Respondent
8 Andrew) provided the Department with copies of what she represented to be the monthly statements for
9 Respondent Hartman Escrow's general account at Key Bank. On or about July 25, 2012, the Department
10 received copies of the actual monthly statements for the general account directly from Key Bank. A
11 comparison of the two sets of statements revealed that among other deceptions, Respondent Andrew had
12 altered the account statements she provided the Department to conceal more than \$2.1 million in transfers
13 from the trust account to the general account. The differences between the general account statements
14 provided by Respondent Andrew and those provided by Key Bank are as follows:

Hartman Escrow, Inc. General Account Bank Statements	
Dec-11	The statement was altered to conceal 6 transfers totaling \$23,754.28 from the trust account to the general account.
Jan-12	The statement was altered to conceal 13 transfers totaling \$188,135.42 from the trust account to the general account, and did not include a page listing a \$5,000 transfer from the savings account to the general account.
Feb-12	The statement was altered to conceal 8 transfers totaling \$161,074.45 from the trust account to the general account.
Mar-12	The statement was altered to conceal 7 transfers totaling \$359,864.86 from the trust account to the general account, and a separate transfer of \$291,164.86 from the trust account to the general account.
Apr-12	The statement was altered to conceal a transfer totaling \$145,582.28 from the general account to the trust account, and a \$5,000 transfer from the general account to Respondent Andrew's personal account.

1 2	May-12	The statement did not include three pages, two of which listed 18 transfers totaling \$237,507.32 from the trust account to the general account. Another missing page listed a \$10,404.49 transfer from the general account to the trust account and two credit card payments totaling \$45,785.15.
3 4	Jun-12	The statement was altered to conceal 15 transfers totaling \$762,758.15 from the trust account to the general account, and did not include a page listing a \$5,000 transfer from the savings account to Respondent Andrew's personal account.

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6 **II. GROUNDS FOR ENTRY OF ORDER**

7 **2.1 Conducting Business in such an Unsafe Manner as to Render its Further Operation**

8 **Hazardous to the Public.** Based on the Factual Allegations set forth in Section I above, the Director
9 finds that Respondents are conducting business in such an unsafe manner as to render its further
10 operation hazardous to the public.

11 **2.2 Requirement to Comply with Director's Authority.** Based on the Factual Allegations set
12 forth in Section I above, the Director finds that Respondents have neglected or refused to comply with
13 an Order by the Director issued under the Act.

14 **2.3 Prohibition Against False Statements.** Based on the Factual Allegations set forth in Section I
15 above, the Director finds that Respondent Andrew, as Designated Escrow Officer and owner of
16 Respondent Hartman Escrow has knowingly made or published a written report, exhibit, or statement of
17 its affairs or pecuniary condition, containing material statements which are false, and omitted making
18 statements required by law to be contained therein.

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20 **III. AUTHORITY TO TAKE POSSESSION**

21 **3.1 Authority to Take Possession of the Property and Business of Hartman Escrow, Inc.**

22 Pursuant to RCW 18.44.455, the Director may immediately take possession of the property and

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1 business of a licensee whenever it appears to the Director that, as a result of an examination, report,
2 investigation, or complaint:

- 3 (a) The licensee is conducting its business in such an unsafe or unsound manner
4 as to render its further operations hazardous to the public;
- 5 (b) The licensee has suspended payment of its trust obligations; or
- 6 (c) The licensee neglects or refuses to comply with any order of the director
7 made pursuant to this chapter unless the enforcement of such an order is
8 restrained in a proceeding brought by the licensee.

8 The Director may retain possession of the licensee's property and business until the licensee resumes
9 business or its affairs are finally liquidated as provided in RCW 18.44.470. The licensee may only
10 resume business upon those terms as the Director may prescribe.

11 **3.2 Authority to Conduct the Business of Hartman Escrow, Inc.** Pursuant to RCW 18.44.457,
12 the Director has the power and authority to conduct the licensee's business and take any action on
13 behalf of the licensee that the licensee could lawfully take on its own behalf, including but not limited
14 to discontinuing any violations and unsafe or injurious practices, making good any deficiencies, and
15 making claims against the licensee's fidelity bond, errors and omissions bond, or surety bond on behalf
16 of Hartman Escrow, Inc.

17 **IV. ORDER**

18 Based on the above Factual Findings, Grounds for Entry of Order, and Authority to Take
19 Possession, and pursuant to RCW 18.44.410, RCW 18.44.420, RCW 18.44.455, and WAC 208-680-
20 645, the Director ORDERS that:

21 **4.1** The Director hereby takes possession of the property and business of Respondent Hartman
22 Escrow. During the time that the Director retains possession of the property and business of a
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1 licensee, the Director shall have the power and authority to conduct the licensee's business and take
2 any action on behalf of the licensee that the licensee could lawfully take on its own behalf.

3 **4.2** The Department shall maintain possession of Respondent Hartman Escrow until the licensee is
4 able to resume business or the business is fully liquidated.

5 **4.3** The Director, the Department, and its employees shall not be subject to liability for actions
6 under RCW 18.44.455 and RCW 18.44.457, and no moneys from the Department's fund shall be
7 required to be expended on behalf of Respondent Hartman Escrow or its clients, creditors, employees,
8 shareholders, members, investors, or any other party or entity.

9 **4.4** Respondents Hartman Escrow, Inc. and Lori L. Andrew shall immediately notify the
10 Department of the location of the books, records, and escrow files of Respondent Hartman Escrow and
11 shall provide the Department with all means necessary for the Department to obtain immediate access
12 to such books, records, and escrow files.

13 **4.5** This order shall take effect immediately and shall remain in effect unless set aside, limited, or
14 suspended in writing by an authorized court.

15 **NOTICE**

16 PURSUANT TO CHAPTER 18.44 RCW, YOU ARE ENTITLED TO A HEARING TO
17 DETERMINE WHETHER THE DEPARTMENT HAS LAWFULLY TAKEN POSSESSION OF THE
18 PROPERTY AND BUSINESS OF HARTMAN ESCROW, INC. IF YOU DESIRE A HEARING,
19 THEN YOU MUST RETURN THE ACCOMPANYING APPLICATION FOR ADJUDICATIVE
20 HEARING, INCORPORATED HEREIN BY THIS REFERENCE. FAILURE TO COMPLETE AND
21 RETURN THE APPLICATION FOR ADJUDICATIVE HEARING FORM SO THAT IT IS
22 RECEIVED BY THE DEPARTMENT OF FINANCIAL INSTITUTIONS WITHIN 20 DAYS OF THE
23 DATE THAT THIS ORDER WAS SERVED ON YOU WILL CONSTITUTE A DEFAULT AND

1 WILL RESULT IN THE LOSS OF YOUR RIGHT TO A HEARING. SERVICE ON YOU IS
2 DEFINED AS POSTING IN THE U.S. MAIL, POSTAGE PREPAID, TO YOUR LAST KNOWN
3 ADDRESS. BE ADVISED THAT DEFAULT WILL RESULT ON THE 21ST DAY FOLLOWING
4 SERVICE OF THIS ORDER UPON YOU.

5 WITHIN 10 DAYS AFTER YOU HAVE BEEN SERVED WITH THIS ORDER TAKING
6 POSSESSION OF HARTMAN ESCROW, INC., YOU MAY APPLY TO THE SUPERIOR
7 COURT IN THURSTON COUNTY OR THE COUNTY OF YOUR PRINCIPAL PLACE OF
8 BUSINESS FOR AN INJUNCTION SETTING ASIDE, LIMITING, OR SUSPENDING THIS
9 ORDER PENDING THE COMPLETION OF THE ADMINISTRATIVE PROCEEDINGS
10 PURSUANT TO THIS NOTICE.

11
12 DATED this 31st day of July, 2012.



[REDACTED]
DEBORAH BORTNER
Director, Division of Consumer Services
Department of Financial Institution