



State of Missouri

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

IN RE:)
)
 COMMUNITY TITLE)
 SERVICES LLC,) **Case No. 14-0821633C**
)
 Renewal Applicant.)

ORDER REFUSING TO RENEW **A BUSINESS ENTITY INSURANCE PRODUCER LICENSE**

On November 6, 2014, the Consumer Affairs Division ("Division") submitted a Petition to the Director alleging cause for refusing to renew Community Title Services LLC's business entity insurance producer license. After reviewing the Petition, the Investigative Report, and the entirety of the file, the Director issues the following findings of fact, conclusions of law and order:

FINDINGS OF FACT

1. Community Title Services LLC ("Community Title") is a Missouri business entity producer with a business address of 2112 Schuetz Road, St. Louis, Missouri 63146.
2. Community Title has been licensed by the Department of Insurance, Financial Institutions and Professional Registration ("Department") as a business entity since November 8, 2010 (license number 8061112). Its license expires on November 8, 2014.
3. Beginning on November 8, 2010, Sara Carey ("Carey") was the sole owner and qualified principal of Community Title.
4. On October 25, 2013, the Director of the Department ("Director") issued his "Order Refusing to Renew an Insurance Producer License," refusing to renew Carey's individual resident insurance producer license. Carey appealed the refusal. The Missouri Administrative Hearing Commission ("AHC") issued a Decision on June 18, 2014, dismissing Carey's appeal because it was not timely filed.
5. In November 2013, licensed producer Leslie Steinlage ("Steinlage") began working at Community Title.

6. On August 6, 2014, Carey signed and submitted a "Change of Business Entity Producer Status" form to the Department on behalf of Community Title. On the form, under the subheading, "Change of Owners, Officers, Directors or Designated/Responsible Licensed Producer," Carey marked "Delete" for herself, whom she had designated as "President." Carey did not indicate that she was no longer an owner of Community Title. Carey marked the box to add Steinlage as Manager. Under the subheading, "Changes of Licensed Producer," Carey added Steinlage and Matthew T. Fendell. In the cover letter accompanying the change of status form, Carey indicated that Steinlage was the "Designated Responsible Licensee" for Community Title.

7. In July 2014, Carey negotiated a termination agreement with WFG National Title Insurance Company ("WFG"), Community Title's underwriter at that time, and in August 2014 she sought to extend the termination date. Also in August 2014, Carey ordered title work from WFG.

8. In late August 2014, Carey contacted David Litton at First American Title Insurance Company ("First American"). Carey contacted First American on behalf of Community Title. Carey, acting on behalf of and speaking for Community Title, inquired about a possible underwriting agreement between Community Title and First American.

9. Also in August 2014, the Division's Investigative Consultant Kathleen Jolly ("Jolly") contacted Kathleen McCarthy and Ronald Willenbrock ("McCarthy" and "Willenbrock") with the law firm Evans & Dixon to inquire whether they represented Community Title.¹ McCarthy and Willenbrock confirmed that they represented Community Title.

10. On October 24, 2014, Community Title submitted its "Uniform Application for Business Entity License Renewal/Continuation" ("Renewal Application") to the Department. In the Renewal Application, Steinlage lists herself as the Authorized Submitter and Manager of Community Title.

11. In an e-mail to the Department on October 23, 2014, Steinlage identifies herself as the Qualified Producer for Community Title.

12. The "Applicant's Certification and Attestation" of the Renewal Application states, in relevant part, as follows:

On behalf of the business entity or limited liability company, the undersigned owner, partner, officer or director of the business entity, or member or manager of a limited liability company, hereby certifies, under penalty of perjury, that:

¹ Jolly contacted McCarthy and Willenbrock in this regard because both had represented Carey when she appealed the refusal of her individual producer license to the AHC in 2013 and 2014.

All of the information submitted in this application and attachments is true and complete and I am aware that submitting false information or omitting pertinent or material information in connection with this application is grounds for license or registration revocation and may subject me and the business entity or limited liability company to civil or criminal penalties.

13. Background Question No. 2 of the Renewal Application provides as follows:

Has the business entity or any owner, partner, officer or director of the business entity, or manager or member of a limited liability company, been named or involved as a party in an administrative proceeding, including a FINRA sanction or arbitration proceeding regarding any professional or occupational license, or registration, which has not been previously reported to this insurance department?

“Involved” means having a license censured, suspended, revoked, canceled, terminated; or, being assessed a fine, placed on probation, or sanctioned or surrendering a license to resolve an administrative action. “Involved” also means being named as a party to an administrative or arbitration proceeding which is related to a professional or occupational license. “Involved” also means having a license application denied or the act of withdrawing an application to avoid a denial. You may exclude terminations due solely to noncompliance with continuing education requirements or failure to pay a renewal fee.

If you answer yes, you must attach to this application:

- a) a written statement identifying the type of license; identifying all parties involved (including their percentage of ownership, if any) and explaining the circumstances of each incident,
- b) a copy of the Notice of Hearing or other document that states the charges and allegations, and
- c) a copy of the official document which demonstrates the resolution of the charges or any final judgment.

14. Steinlage answered “No” in response to Background Question No. 2 of the Renewal Application.

15. Between October 2013 and October 2014, the Department did not receive any other “Change of Business Entity Producer Status” form from Carey or anyone else associated with Community Title regarding any new owners, partners, officers, directors or other insurance producers with Community Title, except for the form that Community Title submitted in August 2014, as referenced in paragraph 6, above.

Sale of the Belt Property

16. On or about May 22, 2012, the Division received a complaint from an individual named Beverly Crawford relative to her 2011 sale of property located at 3316-18 Belt Avenue, St. Louis, Missouri 63120 ("the Belt property").²

17. Carey and Community Title ultimately closed for the buyer in Crawford's 2011 sale of the Belt property.

18. Crawford initially purchased the Belt property in October 2006 from John Easley ("Easley") who was then president of Surety Investment Group ("Surety Investment"). Carey closed for the seller, Easley, in this October 2006 transaction.

19. When Crawford purchased from Easley, she took out a mortgage from Meritage Mortgage Corporation³ in the amount of \$96,050.00. Also as part of the purchase of the Belt property, Easley agreed to a deed of trust or seller take back to Surety Investment in the amount of \$16,950.00 ("seller take back").

The Sale Parameters

20. On May 17, 2011, Crawford entered into a Special Sale Contract for the sale of the Belt property to an individual named Rosalind Johnson ("Johnson"). The contract listed a purchase price of \$7,000.00, with \$500.00 earnest money deposited to Lafayette Title ("Lafayette"), who ultimately closed for the seller, Crawford. The contract specified a closing date of June 30, 2011.

21. Relative to the sale, Lafayette issued a commitment for title insurance effective May 23, 2011. This document listed several exceptions,⁴ among them, the following deeds of trust that Crawford, the seller, had initially used to purchase the Belt property in 2006:

a. A deed of trust for the mortgage from MGC in the amount of \$96,050.00. This deed was recorded on November 7, 2006 with the Recorder of Deeds for the City of St. Louis.

b. A deed of trust for the seller take back in the amount of \$16,950.00 dated October 30, 2006. Surety Investment, by Carla Townsend, President, later assigned this deed of trust to Allied Property Ventures, LC, by John

² Documents show that Ms. Crawford actually owned the Belt property along with her husband, Rufus Crawford, though the two were divorced on or about October 30, 2006. But Ms. Crawford signed the Special Sale Contract and Amendments for the 2011 sale of the Belt property; Mr. Crawford did not. Because of this, and for simplicity, we will only reference Ms. Crawford ("Crawford").

³ Meritage Mortgage Corporation subsequently became MGC Mortgage, Inc. ("MGC").

⁴ Exceptions in a commitment remove matters from coverage that would otherwise fall within the policy.

Easley, Manager. That Assignment of Deed of Trust was recorded on July 16, 2008 with the Recorder of Deeds for the City of St. Louis.

22. The Lafayette title insurance commitment also listed exceptions for a lien and a judgment in favor of the St. Louis Metropolitan Sewer District (“MSD”) for sewer fees that Crawford had not paid on the Belt property.

23. The Special Sale Contract for the 2011 sale of the Belt property was ultimately amended twice, as follows:

a. The first amendment moved the closing date from June 30, 2011 to August 30, 2011. This amendment also increased the sales price to \$8,000.00. Crawford and Johnson both signed this amendment on July 25, 2011.

b. The second amendment extended the closing date to “on or before October 17, 2011” and substituted Yolanda Whitfield (“Whitfield”) for Johnson as the buyer. The second amendment also added terms for the payment of delinquent sewer and water bills owed by Crawford for the property and specified that the buyer would pay those bills.⁵ Crawford and Whitfield both signed this second amendment on October 13, 2011; Johnson did not.

24. Before the closing, Community Title issued a commitment effective September 9, 2011. This commitment contained exceptions for the deeds of trust for the MGC mortgage and the seller take back. It also contained exceptions for an MSD sewer lien and an MSD sewer judgment. The version of the commitment that Carey later marked up⁶ shows the paragraph regarding the sewer lien with a handwritten notation, “Pd @ close.” The paragraph regarding the sewer judgment has an arrow next to it pointing to the paragraph regarding the sewer lien and the handwritten notation, “Pd w/this.”

25. On September 20, 2011, MGC approved the pre-foreclosure sale of the Belt property by Crawford in an instruction letter that set forth the following conditions pertinent here:

- a. The sales price was \$8,000.00.
- b. The closing was to occur on or before October 17, 2011.
- c. The net sales proceeds to MGC were to be no less than \$6,404.56.

⁵ Regarding the sewer payment in particular, the amendment reads, “Buyer to pay past due/delinquent sewer bill to MSD.”

⁶ The “marked up” version of a commitment or other document refers to the version that is actually written on at or near closing to reflect any changes arising at that time.

- d. Funds had to be tendered to MGC and in hand by October 18, 2011.
- e. MGC was to receive a copy of the HUD-1 Settlement Statement⁷ for approval.
- f. Any overages or tax credits were to increase the net sales proceeds.

26. On October 14, 2011, Crawford signed an affidavit indicating, among other things, that she would not receive any net proceeds of the sale and that if there were such proceeds, they would be paid to the holder of the note on the Belt property (*i.e.*, MGC).

The Crawford/Whitfield Closing

27. On October 14, 2011, Carey closed for the buyer, Whitfield, and Lafayette closed for the seller, Crawford. Johnson did not take part in the closing. No one purchased title insurance.

28. During the closing, Carey used an incomplete copy of the contract,⁸ an information sheet faxed to her by Lafayette, and the short sale lender's (MGC's) instruction letter as closing instructions.

29. The complete contract, together with its amendments, and the information sheet from Lafayette, provided for payment of MSD by the buyer, Whitfield.

30. MGC's instruction letter did not mention the money owed to MSD. It did, however, make clear that the buyer's funds were not to benefit the seller, Crawford; rather, any overages were to increase the net sales proceeds going to MGC.

31. As part of the closing, Carey prepared the HUD-1 Settlement Statement. Under the "Additional Settlement Charges" section of the form, under "Sewer to MSD," Carey indicated "POC: 3718.64."⁹ Carey submitted the HUD-1 Settlement Statement to MGC for approval per the terms of MGC's instruction letter.

⁷ "HUD" stands for Housing and Urban Development. The HUD-1 Form is also known as a "Settlement Statement," a "Settlement Sheet," or a "Closing Statement." Lenders providing funds for real estate purchases or refinancing must use the HUD-1. The HUD-1 should set out all the costs involved in a real estate transaction and which party will pay them. Here, since the ultimate buyer, Whitfield, did not use a lender, the HUD-1 was not required. That said, MGC in its instruction letter, conditioned the pre-foreclosure sale of the Belt property upon, among other things, completion and submission of a HUD-1.

⁸ Carey's copy of the contract was missing pages 4 of 6 and 5 of 6.

⁹ POC, in this context, stands for "Paid Outside of Closing." MSD had obtained a judgment against Crawford in April 2011, but it agreed to this discounted amount (\$3,718.64) if paid by November 14, 2011.

32. On October 14, 2011, Whitfield signed a quit claim deed for the Belt property that she had just acquired to FOCI Enterprises, LLC ("FOCI").

33. Also on October 14, 2011, Carey notarized the signature of John Easley for the release of the seller take back which, by then, had been assigned to Allied Property Ventures, LC. As of at least November 30, 2008, Easley was Vice President of Allied Property Ventures, LC.

34. On October 19, 2011, Carey recorded the deed from Crawford to Whitfield. She recorded the quit claim deed from Whitfield to FOCI as a consecutive document, filed on the same date and at the same time. She recorded the release of the seller take back on October 21, 2011.

The Monetary Transactions from the Crawford/Whitfield Closing

35. On October 18, 2011, Carey instructed Commerce Bank to wire MGC \$6,404.56 from Community Title's trust account. No funds had been deposited yet for the 2011 sale of the Belt property.

36. Carey received monies from various sources relative to the sale of the Belt property. She made the following deposits into Community Title's trust account on October 21, 2011:

a. \$3,378.67 in total from Easley, in the form of two Bank of America cashier's checks for \$2,378.67 and \$1,000.00, both dated October 20, 2011.

b. \$450.00 from Jermaine Bryant¹⁰ in the form of a postal money order, dated October 21, 2011.

c. \$2,500.00 in cash remitted by Community Title. The source of the cash is not documented.

d. \$3,050.00 remitted by Community Title in the form of a cashier's check. This cashier's check was purchased on October 21, 2011 with funds from Community Title's operating account; a corresponding amount was transferred into that account the following day.

e. A check for \$151.04 dated October 14, 2011, from Lafayette's trust account for funds required from the seller. The deposit slip that Carey filled out is dated October 19, 2011, but the check stamped by the bank shows that it was deposited on October 21, 2011.

¹⁰ Documents relative to the 2011 sale of the Belt property do not reveal who Jermaine Bryant is, or with what participating entity he might have been affiliated.

Division Inquiries Regarding the Sale of the Belt Property and Community Title's Responses

37. As noted, the Division became aware of the circumstances surrounding the 2011 sale of the Belt property when Crawford initiated a complaint with the Division, on May 22, 2012. She did so because MSD did not receive payment, outside of closing or otherwise, and ultimately Crawford's wages were garnished by MSD.

38. On or about May 25 and June 20, 2012, Jolly sent letters to Carey and Community Title, inquiring regarding Crawford's complaint relative to the 2011 sale of the Belt property and requesting Carey's complete file documentation on the sale.

39. On or about June 19, 2012, Carey responded by letter and provided some file documents relative to the 2011 sale of the Belt property.

40. On June 26, 2012, Jolly sent a letter to Carey and Community Title regarding the file that she had provided, indicating that Carey had failed to include documentation that one would expect to find in a closing file, such as the file ledger, instructions for closing, and evidence of search and examination of title. Jolly indicated that Carey's response was due by July 20, 2012.

41. Community Title did not provide the materials that Jolly had requested by July 20, 2012, and did not demonstrate reasonable justification for the delay.

Further Division Inquiries and Community Title's Responses

42. Sometime in August 2014, Jolly learned that Community Title's underwriter, WFG, was seeking to terminate its relationship with Community Title.

43. On August 21, 2014, Jolly e-mailed McCarthy, with Evans & Dixon, and indicated that she (Jolly) wanted to discuss transition issues related to Community Title, since Community Title's underwriter was planning to terminate its relationship with Community Title.

44. On September 8, 2014, Jolly sent an inquiry letter to McCarthy and Willenbrock, attorneys for Community Title. In the letter, Jolly indicated that she had not received any information regarding transition issues at Community Title once WFG was no longer its underwriter. Jolly formally requested that McCarthy and Willenbrock provide the transition information and, in particular, answer 15 specific questions related to said transition, by September 30, 2014.

45. Jolly's questions, in part, pertained to the number of closing and title orders that Community Title had open as of August 25, 2014, the number of Community Title orders for

which WFG closing protection letters had been issued, the closing dates on each such open file, the status for each such open file, the details regarding any file opened after August 25, 2014, but now closed, information about Community Title's ability to issue a title insurance policy and have a title insurance company provide a closing protection letter after August 29, 2014, the effective date of any agency agreement with a new title insurance company, how the change of insurance companies would be communicated to parties with open orders with Community Title, title and closing files opened on or after August 25, 2014, information about any reciprocal title companies with whom Community Title might be working, and the names of any title insurance companies with whom Community Title had a written contract, had inquired about obtaining a written contract, and had applied for a written contract.

46. On September 30, 2014, Jolly received an e-mail from McCarthy indicating that she (McCarthy) had overlooked the September 30, 2014 response date to Jolly's September 8, 2014 inquiry letter, and requesting an extension of time to October 6, 2014.

47. On October 1, 2014, Jolly e-mailed McCarthy and indicated that a response by October 6, 2014 would be acceptable.

48. On October 20, 2014, Willenbrock e-mailed Jolly. He enclosed a letter from Jason Mapp ("Mapp"), Vice President, Agency Services, with WFG, dated October 10, 2014 and addressed to Carey and Community Title. In the letter, Mapp indicated that, effective August 29, 2014, WFG was unilaterally terminating Community Title as a title policy-issuing agent. Also in the letter, Mapp indicates that any policies issued by Community Title "on or after September 30, 2013" would not be honored.

49. Willenbrock indicated (correctly, as it appears from the context) that Mapp's letter contained a typographical error as to the date when Community Title-issued WFG policies would no longer be honored (Mapp's letter said 2013, not 2014, when WFG terminated its relationship with Community Title). Willenbrock pledged to have Mapp correct the date error. Willenbrock indicated that after that, he would respond more fully to Jolly's 15 questions propounded in her September 8, 2014 inquiry letter. Willenbrock indicated, however, that there was no lapse in Community Title's underwriter coverage.

50. To date neither McCarthy, Willenbrock, nor Community Title has provided answers to the various questions that Jolly posed in her September 8, 2014 inquiry letter and neither McCarthy, Willenbrock, nor Community Title has demonstrated reasonable justification for the delay.¹¹

¹¹ Sometime in October 2014, Willenbrock told Jolly that McCarthy no longer worked for him at Evans & Dixon.

The Fajardo Gonzalez Closing Protection Letter

51. In October 2014, Charles Cain (“Cain”), Senior Vice President – Agency, Midwest Region, with WFG, notified Jolly that he believed that Community Title had issued a closing protection letter (CPL) after WFG terminated its agency agreement with Community Title. Cain provided a copy of the CPL in question to Jolly.

52. The CPL that Community Title issued is dated September 29, 2014, and is addressed to Citibank. It pertains to a borrower named Luis Jorge Fajardo Gonzalez (“Fajardo Gonzalez”). The CPL relates to property that Fajardo Gonzalez wanted to purchase at 17625 W. 112th Street, Olathe, Kansas 66061. Under the “Conditions and Exclusions” section of the CPL, paragraph 7 indicates, “The protection herein offered extends only to real property transactions in MISSOURI.” (All capital letters in original).

CONCLUSIONS OF LAW

53. Section 375.141.1¹² provides, in part:

The director may suspend, revoke, refuse to issue or refuse to renew an insurance producer license for any one or more of the following causes:

(1) Intentionally providing materially incorrect, misleading, incomplete or untrue information in the license application;

(2) Violating any insurance laws, or violating any regulation, subpoena or order of the director or of another insurance commissioner in any other state;

* * *

(8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere[.]

54. Section 375.141.3 provides as follows:

The license of a business entity licensed as an insurance producer may be suspended, revoked, renewal refused or an application may be refused if the director finds that a violation by an individual insurance producer was known or should have been known by one or more of the partners, officers or managers acting on behalf of the business entity and the violation was neither reported to the director nor corrective

¹² This and all further statutory references are to RSMo Supp. 2013 unless otherwise noted.

action taken.

55. Section 381.022 provides, in relevant part, as follows:

2. A title insurer, title agency, or title agent not affiliated with a title agency may operate as an escrow, security, settlement, or closing agent, provided that all funds deposited with the title insurer, title agency, or title agent not affiliated with a title agency, pursuant to written instructions in connection with any escrow, settlement, closing, or security deposit shall be submitted for collection to or deposited in a separate fiduciary trust account or accounts in a qualified depository institution no later than the close of the second business day after receipt, in accordance with the following requirements:

* * *

(2) The funds shall be applied only in accordance with the terms of the individual written instructions or agreements under which the funds were accepted.

3. It is unlawful for any person to

(1) Commingle personal or any other moneys with escrow funds regulated under this section;

(2) Use such escrow funds to pay or indemnify against debts of the title insurance agent or of any other person;

(3) Use such escrow funds for any purpose other than to fulfill the terms of the individual written escrow instructions after the necessary conditions of the written escrow instructions have been met;

* * *

5. Notwithstanding the provisions of subsection 2 of this section, a title insurer, title agency, or title agent is not authorized to provide such services as an escrow, security, settlement, or closing agent in a residential real estate transaction unless as part of the same transaction the title insurer, title agency, or title agent issues a commitment, binder or title insurance policy and closing protection letters have been issued protecting the buyer's and the seller's interests, or the title agency or agent has given written notice to the affected person in a title insurance commitment or on a form approved by rule promulgated by the director

that the person's interest in the closing or settlement is not protected by the title insurer, title agency, or title agent.

6. It is unlawful for any title agency or agent to engage in the handling of an escrow, settlement or closing of a residential real estate transaction unless the escrow handling, settlement or closing is conducted or performed in contemplation of and in conjunction with the issuance of a title insurance policy or a closing protection letter, or prior to the receipt of any funds, the title agency or agent clearly discloses to the seller, buyer or lender involved in such escrow, settlement or closing, that no title insurer is providing any protection for closing or settlement funds received by the title agency or agent.

56. Section 381.026 provides as follows:

1. The settlement agent shall present for recording all deeds and security instruments for real estate closings handled by it within five business days after completion of all conditions precedent thereto unless otherwise instructed by all of the parties to the transaction.

2. Nothing in this chapter shall be deemed to prohibit the recording of documents prior to the time funds are available for disbursement with respect to a transaction in which a title insurer, title agency, or title agent not affiliated with a title agency is the settlement agent, provided all parties to whom payment will become due upon such recording consent thereto in writing.

57. Section 381.048.1 provides as follows:

The director may bring an action against any title insurer, title agency, title agent, or any director officer, agent, employee, trustee, or affiliate of a title insurer, title agency, or title agent in a court of competent jurisdiction to enjoin violations of the Real Estate Settlement Procedures Act, 12 U.S.C. Section 2607, as amended.

58. Section 381.412.2 provides as follows:

It is unlawful for any title insurer, title agency, or title agent, as defined in section 381.009, to make any payment, disbursement or withdrawal from an escrow account which it maintains as a depository of funds received from the public for the settlement of real estate transactions unless a corresponding deposit of funds was made to the escrow account for the benefit of the payee or payees:

- (1) At least ten days prior to such payment, disbursement, or withdrawal; or
- (2) Which consisted of certified funds; or
- (3) Consisted of a check made exempt from this section by the provisions of subsection 1 of this section.

59. Title 20 CSR 100-4.100(2)(A) provides as follows:

Upon receipt of any inquiry from the division, every person shall mail to the division an adequate response to the inquiry within twenty (20) days from the date the division mails the inquiry. An envelope's postmark shall determine the date of mailing. When the requested response is not produced by the person within twenty (20) days, this nonproduction shall be deemed a violation of this rule, unless the person can demonstrate reasonable justification for that delay.

60. Title 24 CFR Ch. 20 § 3500, Appendix A, General Instructions, provides, in part, as follows:

The settlement agent shall complete the HUD-1 to itemize all charges imposed upon the Borrower and the Seller by the loan originator and all sales commissions, whether to be paid at settlement or outside of settlement, and any other charges which either the Borrower or the Seller will pay at settlement.

* * *

Charges paid outside of settlement by the borrower, seller, loan originator, real estate agent, or any other person, must be included on the HUD-1 but marked "P.O.C." for "Paid Outside of Closing" (settlement) and must not be included in computing totals....P.O.C. items must not be placed in the Borrower or Seller columns, but rather on the appropriate line outside the columns. The settlement agent must indicate whether P.O.C. items are paid for by the Borrower, Seller, or some other party by marking the items paid for by whoever made the payment as "P.O.C." with the party making the payment identified in parentheses, such as "P.O.C. (borrower)" or "P.O.C. (seller)".

61. The principal purpose of § 375.141 is not to punish licensees or applicants, but to protect the public. *Ballew v. Ainsworth*, 670 S.W.2d 94, 100 (Mo. App. E.D. 1984).

62. Community Title's Renewal Application for a business entity insurance producer license may be refused under § 375.141.1(1) because Community Title answered "No" in response to Background Question No. 2 of the Renewal Application. On October 25, 2013, the Director refused to renew Carey's individual insurance producer license. Carey appealed that decision, but the AHC ultimately dismissed the case in June 2014. Community Title's "No" answer to Background Question No. 2 is misleading because Carey had been the subject of an administrative action beginning in 2013. Not only that, but Carey's appeal of her refusal to the AHC occurred during Authorized Submitter Steinlage's tenure at Community Title.

63. Community Title's Renewal Application for a business entity insurance producer license may be refused under § 375.141.1(2) for violating various insurance laws relating to title insurance, in the following respects:

a. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, violated § 381.026.2, because Carey recorded documents related to the 2011 sale of the Belt property by Crawford before funds were available for disbursement. This constitutes a violation, as Carey recorded the sale-related documents on October 19, 2011, and did not deposit the funds from the transaction into the Community Title trust account until October 21, 2011, but she did not obtain consent in writing from all parties to whom such payments would become due as the statute requires.

b. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, violated § 381.412.2, because Carey disbursed funds from Community Title's trust account before making a corresponding deposit when she disbursed \$6404.56 to MGC on October 18, 2011. Carey did not deposit any funds related to the 2011 sale of the Belt property into Community Title's trust account until three days later, on October 21, 2011.

c. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, violated § 381.022.3(2) and (3) because Carey disbursed funds from Community Title's trust account before making a corresponding deposit when she paid out MGC on October 18, 2011, she necessarily used other consumers' funds to pay MGC as she had not yet deposited the proceeds from the 2011 sale of the Belt property.

d. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, violated § 381.022.3(1) because Carey deposited funds from Community Title's operating account into the trust account and thus commingled funds when she purchased a cashier's

check on October 21, 2011. Carey deposited this cashier's check on October 21, 2011 into Community Title's trust account, along with the other funds for the 2011 sale of the Belt property.

e. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, violated § 381.022.5 and .6 because Carey provided escrow, settlement or closing services in a residential transaction without having given written notice to the parties that a title insurer was not providing any protection for the funds received by the title agent.

f. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, violated 24 CFR 3500, App. A, part of the Real Estate Settlement Procedures Act ("RESPA"), and § 381.048.1 because Carey indicated on the HUD-1 Settlement Statement that the sewer lien was "POC" – Paid Outside of Closing – but she did not indicate who would be responsible for payment.

64. Community Title's Renewal Application for a business entity insurance producer license may be refused under § 375.141.1(2) because Community Title did not adequately respond to Division inquiries as follows:

a. Community Title, on its own and/or by and through Carey, its sole owner, qualified producer and president during 2011, violated 20 CSR 100-4.100(2)(A), because Community Title failed to provide an adequate response to the Division within 20 days following numerous Division inquiries regarding the Belt property transaction. Jolly, in her inquiry letters of May 25, June 20, and June 26, 2012, requested complete file materials relative to the closing on the 2011 sale of the Belt property. Community Title did not provide the complete title and closing files including the file ledger, the instructions for closing, and evidence of the search and examination of title, within 20 days from the date when the Division mailed its inquiry. Community Title did not demonstrate reasonable justification for the delay.

b. Community Title violated 20 CSR 100-4.100(2)(A) because Community Title failed to provide an adequate response to the Division within 20 days following Division inquiries regarding the status of Community Title's underwriting agreement and a transition plan for the timing and use of a new underwriter. On September 8, 2014, Jolly sent an inquiry letter to McCarthy and Willenbrock and asked numerous questions regarding Community Title's transition from one underwriter to another. On October 20, 2014, Willenbrock e-mailed Jolly and attached a letter from WFG showing that Community Title's agency agreement had been terminated. Willenbrock also offered diffuse assurances that Community Title was not without

underwriter coverage. Willenbrock did not, however, name the new underwriter or answer the numerous other, specific inquiries set out in Jolly's September 8, 2014 letter. Community Title has not demonstrated reasonable justification for the delay.

65. Community Title's Renewal Application for a business entity insurance producer license may be refused under § 375.141.1(8) for using fraudulent or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere, in the following respects:

a. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, failed to obtain written instructions from all parties providing funds deposited into Community Title's trust account for a transaction. Instead, Carey used only a partial copy of the Special Sale Contract, an information sheet faxed to her by Lafayette, who closed for Crawford, and MGC's instruction letter when closing on the 2011 sale of the Belt property. Carey had no written instructions from Easley, who provided \$3,378.67 in the form of two cashier's checks. Similarly, Carey had no written instructions regarding the \$2,500.00 cash or the \$450.00 money order from Jermaine Bryant that she deposited into Community Title's trust account relative to the 2011 sale of the Belt property.

b. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, closed a contract with a new buyer without obtaining instructions to do so from the original buyer. The Special Sale Contract and the first amendment to that contract list Crawford as the seller and Johnson as the buyer. In the second amendment to the Special Sale Contract, Johnson falls away as buyer, and suddenly, Yolanda Whitfield appears as purchaser. No other explanation or instructions exist relative to the substitution of Whitfield for Johnson.

c. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, recorded the seller's deed without first complying with the seller's instructions regarding payment of the full purchase price, including the payment to MSD.

d. Community Title, by and through the actions of Carey, its sole owner, qualified producer, and president during 2011, closed a short sale knowing that a payment for the benefit of the seller was to be made by the buyer (*i.e.*, the payment to MSD) which was inconsistent with the lender's conditions for the short sale. In particular, MGC's instruction letter specified that the seller, Crawford, should not receive any overages and that any such overages should

benefit MGC. Crawford, in fact, signed an affidavit to that effect, *i.e.*, that she would not receive any overages from the sale.

e. Community Title issued a September 2014 CPL during Steinlage's tenure as manager that, by its terms, was only good for property purchased in Missouri. Yet the letter indicates that it is intended to cover Fajardo Gonzalez's purchase of property in Kansas.

66. Community Title's Renewal Application for a business entity insurance producer license may be refused for violating § 375.141.3 based upon paragraphs 63, 64a and 65a-d, above, because the grounds set forth in those paragraphs were known or should have been known by Community Title in that Carey committed them and she was the sole owner, qualified principal and president, and the only producer for Community Title during 2011 when the Belt property was sold. As the virtual alter ego of Community Title, Carey knew or should have known of her own violations relative to the Belt property, but she did not report them to the Director or take corrective action.

67. Community Title's Renewal Application for a business entity insurance producer license may be refused for violating § 375.141.1.3 based upon paragraph 64b, above, because the grounds set forth in that paragraph were known or should have been known by Community Title in that Carey was making inquiries regarding a new underwriter, so Carey knew or should have known about the lack of complete response to Jolly as to underwriting issues, and Carey did not report to the Director or take corrective action.

68. Community Title's Renewal Application for a business entity insurance producer license may be refused for violating § 375.141.3 based on paragraph 65e above, because the grounds set forth in that paragraph were known or should have been known by Community Title in that Carey, as noted, appeared to be handling Community Title issues related to underwriting as late as August 2014, and Steinlage was managing Community Title by that time, and neither Carey nor Steinlage reported the faulty Fajardo Gonzalez CPL to the Director nor took corrective action.

69. The above described instances are grounds upon which the Director may refuse to renew Community Title's business entity insurance producer license. Regarding the Belt property transaction in 2011, Carey deposited money into, and withdrew money from, Community Title's trust account in violation of various aspects of the title laws pertaining to the handling of escrow. Yet when the Division inquired about these financial irregularities, Carey, the sole owner of Community Title during this time period, did not provide adequate information in response in a timely way. Community Title, by Carey, demonstrated incompetence by failing to obtain complete and appropriate instructions for the closing of the sale of the Belt property, which, in turn, resulted in errors. Even now, with the Fajardo Gonzalez CPL, Community Title has again demonstrated incompetence by issuing a CPL that, by its terms, is valid only in Missouri, even though Fajardo Gonzalez wanted to purchase property in Kansas. Finally, when the Division sent inquiries to Community Title

regarding numerous issues associated with transitioning from one underwriter to the next, Community Title's response has been both late and insufficient, in what is becoming a troubling pattern of inconsistent responsiveness to this State's insurance regulator.

70. The Director has considered Community Title's history and all of the circumstances surrounding Community Title's Renewal Application. Renewing Community Title's business entity insurance producer license would not be in the interest of the public. Accordingly, the Director exercises his discretion to refuse to renew Community Title's business entity insurance producer license.

71. This Order is in the public interest.

ORDER

IT IS THEREFORE ORDERED that the business entity insurance producer license renewal application of **Community Title Services LLC**, is hereby **REFUSED**.

SO ORDERED.

WITNESS MY HAND THIS 7th DAY OF NOVEMBER, 2014.




JOHN M. HUFF
DIRECTOR

NOTICE

TO: Renewal Applicant and any unnamed persons aggrieved by this Order:

You may request a hearing in this matter. You may do so by filing a complaint with the Administrative Hearing Commission of Missouri, P.O. Box 1557, Jefferson City, Missouri, within 30 days after the mailing of this notice pursuant to Section 621.120, RSMo. Pursuant to 1 CSR 15-3.290, unless you send your complaint by registered or certified mail, it will not be considered filed until the Administrative Hearing Commission receives it.

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of November, 2014, a copy of the foregoing Order and Notice was served upon the Renewal Applicant in this matter by mailing it via the United States Postal Service, certified mail, with signature required, at the following addresses:

Community Title Services, LLC
c/o Business Filings International, Inc.
120 South Central Avenue
Suite 400
Clayton, MO 63105

Certified No. 7014 1820 0002 0484 2616

Community Title Services, LLC
c/o Leslie Steinlage, Manager
2112 Schuetz Road
St. Louis, MO 63146

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