

---

# AUDIT REPORT



FORTUNE ESCROW, INC.  
CLOSING AGENT CONTRACT  
GLENDDORA, CALIFORNIA

00-FW-222-1006

AUGUST 23, 2000

OFFICE OF AUDIT, SOUTHWEST DISTRICT  
FORT WORTH, TEXAS

---



Issue Date	August 23, 2000
Audit Case Number	00-FW-222-1006

TO: Joseph C. Bates  
Acting Director  
Single Family Homeownership Center, 9JHH

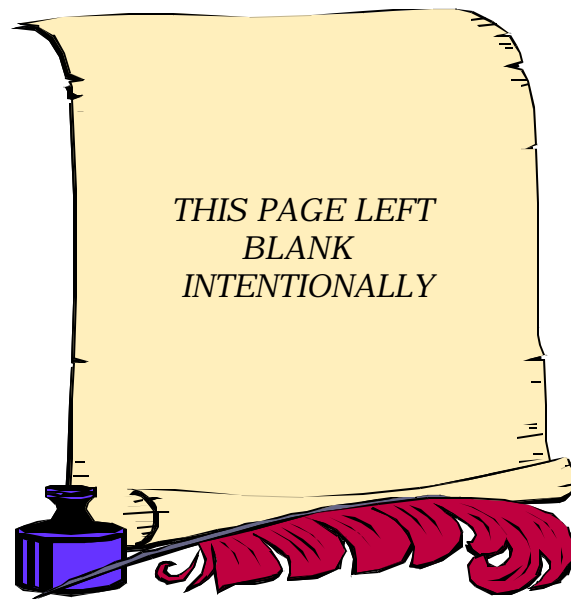
FROM: D. Michael Beard  
District Inspector General for Audit, 6AGA

SUBJECT: Fortune Escrow, Inc. Closing Agent Contract

We performed an audit of Fortune Escrow, Inc. Closing Agent contract. Our attached report contains two findings.

Within 60 days, please furnish this office, for each recommendation in this report, a status on: (1) corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to the audit.

If you have any questions, please contact Theresa A. Carroll, Assistant District Inspector General for Audit, at (817) 978-9309.



---

# Executive Summary

We performed an audit of Fortune Escrow, Inc. (Fortune), a closing agent for HUD, as part of a nationwide effort to review closing agents. Our audit objective was to determine whether management controls were adequate to ensure the prevention of fraud, waste, and abuse. To meet this objective, we performed audit steps to determine whether Fortune complied with the contract terms and conditions of a closing agent. Overall, Fortune substantially complied with its HUD contract. However, Fortune did charge HUD for ineligible wire transfer fees.

---

**Fortune sufficiently performed some closing agent duties.**

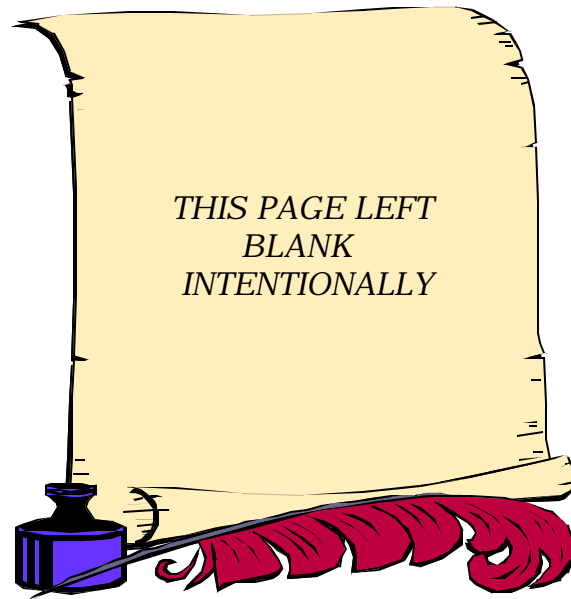
Although we noted some exceptions, Fortune performed the following contractual duties acceptably:

- Issued clear title;
- Paid only allowable expenses;
- Forwarded closing documents to HUD timely;
- Wired correct amounts;
- Recorded Grant Deed timely; and
- Prepared the Grant Deeds correctly.

**Fortune Escrow overcharged HUD \$43,900.**

Fortune overcharged HUD for wire transfer fees. Fortune's contract with HUD included any wire transfer fees in the closing agent fee. However, Fortune charged HUD \$50 for each wire transfer. Fortune may owe HUD at least \$43,900 based on the closings that occurred from June 1, 1999, through September 15, 1999.

This report recommends that the Santa Ana Homeownership Center require Fortune to reimburse HUD for the ineligible wire transfer fees. We discussed the findings in the report with Fortune on October 19, 1999. We provided a draft of this report to Fortune on August 8, 2000. They provided us with written comments on August 16, 2000, which are included in this final report.



---

# Table of Contents

---

Management Memorandum	i
-----------------------	---

---

Executive Summary	iii
-------------------	-----

---

Introduction	1
--------------	---

---

## Findings

1 Fortune Charged Ineligible Wire Transfer Fees	7
---	---

2 Fortune Not Always Attentive	9
--------------------------------	---

---

Management Controls	17
---------------------	----

---

## Appendices

A Schedule of Questioned Costs	19
--------------------------------	----

B Auditee Comments	21
--------------------	----

C Distribution	41
----------------	----

## Abbreviations

CFR	Code of Federal Regulations
HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General
RESPA	Real Estate Settlement Procedures Act
SAMS	Single Family Asset Management System

---

# Introduction

## Background

Fortune Escrow, Inc. (Fortune) contracted with the U.S. Department of Housing and Urban Development (HUD) to provide closing services for single family properties owned by HUD and located within the counties of Santa Barbara, San Luis Obispo, Ventura, and Los Angeles in the State of California. The effective date of the contract was October 1, 1997. Fortune conducted business in its offices located at 302 W. Foothill Boulevard, Glendora, California. Its contract number was C-SFC-00017. Although Fortune's closing agent contract was up for its first year renewal option, HUD only extended Fortune's contract until December 31, 1999, because HUD wanted to consolidate the four closing agents in Los Angeles into one closing agent with multiple offices. Fortune closed 878 properties from June 1, 1999, through September 15, 1999. As of December 7, 1999, HUD valued its contract with Fortune at \$1,005,092.

Fortune had an indefinite quantity contract that provided closing services for single family properties owned by HUD. The primary objectives of the contract were to ensure that: (1) properties closed within the time frame stipulated in the sales contract; (2) prompt and accurate payment of all closing costs was made; (3) the net proceeds of each sale were deposited into a non-interest bearing escrow account and request initiated for the wire transfer of the proceeds via FEDWIRE to HUD's account with the U.S. Treasury on the day of closing or not later than the next banking day; and (4) the complete and accurate closing package was submitted to HUD within 2 working days of closing.

In the State of California an escrow company performs the following:

- Serves as the communication link to all parties in the transaction;
- Prepares escrow instructions;
- Requests a preliminary title search to determine the basis upon which title insurance may be issued;
- Complies with lender's requirements specified in escrow agreement;
- Receives purchase funds from the buyer;



- Prepares or secures the deed or other documents related to escrow;
- Prorates taxes, interest, insurance and rents according to instructions;
- Secures releases of all contingencies or other conditions as imposed on any particular escrow;
- Records deeds and any other documents as instructed;
- Requests issuance of the title insurance policy;
- Closes escrow when all of the instructions of buyer and seller have been carried out;
- Disburses funds as authorized by instructions, including charges for title insurance, recording fees, real estate commissions and loan payoff; and
- Prepares final statements for the parties accounting for the disposition of all funds deposited in escrow.

To conduct a closing, Fortune's contract required it as closing agent to:

- Establish individual property files and maintain in numerical sequence by escrow number, cross-referenced by FHA case number, property address, and purchaser's name.
- Coordinate with the Management and Marketing (M&M) contractor<sup>1</sup>, purchaser, broker, and mortgagee to establish a firm closing date on or before the date specified in the sales contract.
- Perform a title examination, including land, judgment and tax records, and any other records that may contain information that affects the title or may reflect a lien, encumbrance, or defect on the title.
- Order a preliminary title report and forward it to the M&M contractor and mortgagee within 4 business days of initial assignment.
- Prepare deed and escrow instructions within 5 days of initial assignment and forward to the M&M contractor for signature.
- Explain all closing papers and documents to the purchaser at closing.

---

<sup>1</sup> In 1999, HUD embarked upon a new partnership with the private sector in the management and marketing of HUD homes. The management and marketing (M&M) contractors coordinate sales of single family properties with the closing agents.

- Administer requests by brokers for extensions of sales closing date.
- Complete all necessary documents at closing.
- Prorate unpaid property taxes to the date of closing.
- Accept only cashier's or certified check, postal money order, or broker's trust account check that has been certified by a bank or trust account made payable to the contractor.
- Deposit the sales proceeds and initiate the request for the wire transfer of the proceeds due HUD on the day of closing or the next banking day. Obtain the bank's dated confirmation of the wire transfer and verify that the correct amount of sales proceeds was wire transferred.
- Schedule the filing of the deed for record.
- Deliver the closing package to the M&M contractor no later than 2 business days after closing.

According to information obtained from HUD's Single Family Asset Management System (SAMS), Fortune closed 878 properties as a closing agent from June 1, 1999, to September 15, 1999. For each closing it performed, HUD paid Fortune a \$323 closing agent fee from the closing proceeds.

### **Audit Objectives**

Our audit objectives were to determine whether management controls were adequate to ensure the prevention of fraud, waste, and abuse.

### **Scope and Methodology**

We obtained background information by:

- Reviewing prior closing agent audit programs.
- Participating in a teleconference with KPMG regarding its findings for the fiscal year 1998 FHA Financial Statement Audit.
- Reviewing the KPMG briefing paper regarding the fiscal year 1998 FHA Financial Statement Audit.

To accomplish our audit objectives, we:

- Examined the closing agent contract and HUD's Property Disposition Handbook.
- Obtained information from SAMS.

- Obtained from SAMS a listing of closings performed by Fortune from which we attempted to select an audit sample. However, because Fortune did not maintain its files by FHA case number nor cross-referenced the closing files by the FHA case number, we had to rely on Fortune to provide a sample of its closings (see scope limitation).
- Interviewed HUD and Fortune staff regarding the closing process.
- Obtained an understanding of Fortune's closing process.
- Tested 100 closing files for the following specific attributes:
  1. The property closed timely and, if the property did not close timely, we documented the number of days late;
  2. The closing file contained an extension request and approval, if applicable;
  3. The correct extension fee was collected, if applicable;
  4. Only allowable closing expenses were paid;
  5. The sales proceeds were deposited timely;
  6. The correct sales proceeds less expenses amount was wired timely;
  7. The Deed was recorded timely;
  8. The correct amount was collected for the taxing authority;
  9. Clear title was issued;
  10. The title insurance premium was not split;
  11. A Warranty Deed was prepared;
  12. The Warranty Deed was forwarded to HUD timely;
  13. The selling amount on the sales contract and the HUD-1<sup>2</sup> was identical;
  14. Closing costs for the buyer were identical on both pages of the HUD-1; and
  15. The correct amount of extension fees was on the HUD-1, if applicable.

---

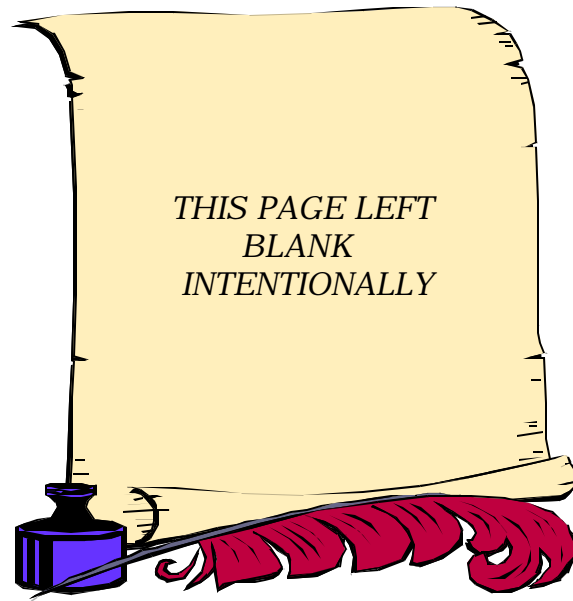
<sup>2</sup> The HUD-1 is the Settlement Statement used in the sale of properties.

**Scope Limitation**

We were unable to select a random sample of closings on which to base our audit work. Fortune did not keep records of HUD closings as its contract required. The contract stipulated that Fortune keep records in a manner so each HUD closing could later be identified. Fortune did not keep such records thus, we could not match SAMS data with Fortune's. Fortune identified HUD closings for our sample testing. Thus, we are not able to conclude we made our selection from the entire universe of HUD closings.

**Audit Period and Sites**

We conducted the audit at Fortune's offices located in Glendora, California, during October 1999. The audit covered closings performed during the period June 1, 1999, through September 15, 1999. We selected this period because HUD had changed its closing process with the advent of the M&M contracts in June 1999. The M&M contractor for the Santa Ana HOC is Golden Feather Realty Service (Golden Feather). We conducted our audit in accordance with generally accepted government auditing standards.



---

## Fortune Charged Ineligible Wire Transfer Fees

Fortune charged HUD a contractually ineligible fee to wire transfer the sales proceeds to the Treasury. The closing agent contract stated that the closing agent shall be responsible for the cost of the wire transfer fees because the unit price was inclusive of all costs. Fortune, erroneously thinking it could charge wire fees, charged HUD a \$50 wire transfer fee for each closing. If Fortune made that charge on every sale, it overcharged HUD \$43,900 in wire transfer fees for the closings during the selected audit period.

---

### Contract Requirement

The contract clearly stated wire transfer fees are the closing agent's responsibility. In Section B. IV of the contract, Price Schedule, the contract had the following note: "The contractor shall be responsible for the cost of the wire transfer fees . . ."

### Fortune says overcharge an error.

The President of Fortune Escrow stated that she was unaware that the contract made the closing agent responsible for wire fees. She also stated a previous closing agent contract did allow the agent to charge the wire fee and that Golden Feather (the M&M contractor) had informed her HUD paid wire fees. Fortune charged HUD a \$50 wire fee, which included \$30 for the outgoing wire, \$5 for a wire confirmation, and \$15 for internal costs and staff time. However, even if the closing agent contract allowed for wire fees, Fortune was overcharging because it included its internal cost and staff time. We noted the fee on the 100 files selected for audit. Thus, those files reflect a \$5,000 ineligible cost. Further, during our audit period, Fortune completed 878 closings, indicating it overcharged up to \$38,900.

---

### Auditee Comments

Fortune responded that the wire transfer fee was clearly allowed because HUD included the wire fee in correspondence regarding allowable closing costs. Further, Fortune responded that the wire fee charged to HUD was the company's standard wiring fee and there was no overcharge.

OIG Evaluation of  
Comments

Although documentation provided by Fortune showed that it believed HUD allowed reimbursement for the wire fee, the contract does not allow the fee.

---

Recommendations

We recommend that the Santa Ana Homeownership Center Director:

- 1A. Require Fortune to reimburse HUD \$5,000.
- 1B. Determine the number of sales closed by Fortune during its closing agent contract with HUD and require that it reimburse HUD for any additional ineligible wire transfer fees, potentially \$38,900 for the period June 1, 1999, through September 15, 1999.

## Fortune Not Always Attentive

Fortune was not very attentive to the details of its contract with HUD. As a result, we noted numerous contract infractions with closings, which Fortune could have avoided with a thorough review of the closing package prior to the closings. While Fortune was substantially compliant with its HUD contract, the below listed problems show a disregard to detail. Since the contract between Fortune and HUD expired on December 31, 1999, we have not made recommendations regarding the following issues. However, some issues may be addressed in an internal report to HUD.

---

### **No trustee account in HUD's name.**

Fortune did not maintain a separate trustee account for its HUD closings. The closing agent contract stated that the contractor would establish a separate non-interest bearing escrow account. Instead, Fortune commingled the escrow moneys from its other closings with that from HUD closings in one non-interest bearing account. The President of Fortune stated that because its computer was not year 2000 compliant, it was unable to handle two escrow accounts. However, we noted that the computer problem was resolved in March 1999, and at that time, Fortune did not establish separate accounts.

### **Untimely sales proceeds deposited and wired to HUD.**

Fortune did not always immediately deposit or wire sales proceeds to HUD. The closing agent contract requires that the closing agent deposit and wire proceeds to HUD on the day of closing or the next banking day. In 7 of 100 closing files reviewed, Fortune deposited funds on the second day after closing. Further, in 73 out of the 100, Fortune did not wire the sales proceeds timely. The President of Fortune stated that it is difficult to get the wires out timely because of California real estate and escrow laws. In California, the deed must be recorded and the title company must determine the amount of escrow fees due prior to the title company notifying the escrow company of the deed recording. Further, the date of closing is the date the deed is recorded, not the date the closing occurs. Additionally, according to Fortune, it must balance its escrow amounts prior to remitting the proceeds to HUD.



Santa Ana HOC personnel did not require the closing agents within its jurisdiction to pay late fees for untimely wires of proceeds to HUD.

**Extension fees<sup>3</sup>  
calculated incorrectly.**

Fortune calculated the extension fees incorrectly in 11 out of 100 closing files reviewed. Generally, Fortune included the day the property was originally to close in the calculation or did not include in the calculation all the days that the closing was late. Prudent business practice requires that the extension fees<sup>3</sup> be calculated correctly. Because HUD did not receive all the extension fees it was entitled to, HUD did not receive the maximum return from each sale.

The following table illustrates the ten properties for which the extension fees were incorrectly calculated.

FHA Case No.	Date Should Close	Date Closed	Days Late	Extension Fee Paid	Extension Fee Owed	Over/(Under) Payment
041-886962	7/30/99	8/2/99	3	50	75	(25)
041-823791	5/20/99	6/9/99	19	270	285	(15)
041-723800	8/16/99	9/13/99	13	350	0	350
041-955685	7/26/99	9/10/99	46	925	1150	(225)
041-858107	6/7/99	6/14/99	7	200	175	25
041-982876	8/12/99	8/16/99	4	75	100	(25)
041-933567	7/19/99	7/21/99	2	25	50	(25)
041-857928	6/18/99	6/22/99	4	125	100	25
041-828163	6/10/99	6/21/99	11	300	275	25
041-910878	6/14/99	6/17/99	3	50	75	(25)
041-973946	6/18/99	8/19/99	2	425	50	375

Golden Feather established a closing time frame of 45 days throughout the Santa Ana HOC jurisdiction. However, Fortune held even the 203(k)<sup>4</sup> loans to the 45-day closing time frame. HUD regulations<sup>5</sup> state in 4310.5 Revision 2 Chapters 10-24 and 11-12.E that a 203(k) loan is allowed up to a 60-day closing time frame and a 30-day free extension if the delay in closing was not the purchaser's fault.

In one instance (FHA case number 041-723800), a nonprofit purchased a property with a 203(k) loan. The sales contract

<sup>3</sup> An extension fee is a fee paid if scheduled closing dates cannot be met.

<sup>4</sup> The 203(k) program allows a buyer to obtain one mortgage loan to finance acquisition and repair, provided the amount of repairs required makes financing feasible.

<sup>5</sup> Single Family Property Disposition Handbook.

provided for a 60-day closing time frame, as described above. However, Golden Feather allowed only the standard 45-day closing time frame for this sale. It allowed an initial 15-day extension of the closing date at no charge. After the 15-day extension, it began charging extension fees until the sale closed. When the sale closed on the 75th day, the nonprofit was charged extension fees for 14 days. However, had Golden Feather followed HUD's 203(k) guidelines regarding this sale, including a 30-day extension at no charge, the nonprofit would have been charged no extension fees. Thus, the nonprofit was charged inappropriate fees.

**Approved closing cost amounts exceeded.**

In 6 of 100 closing files reviewed, the closing costs charged to HUD exceeded the amount approved on the sales contract. Section C. III of the closing agent contract stated that the contractor shall pay only actual closing costs not to exceed the amount specified on line 5 of the sales contract. Because Fortune was not diligent in its review of the closing contracts, HUD did not receive the maximum return from each sale.

The following table illustrates the properties for which the allowable closing costs were exceeded. Generally, this occurred when the sale was to a nonprofit and the closing costs should have been included in the nonprofit's total discount, not as an additional amount paid by HUD.

FHA Case Number	Approved Closing Costs on Sales Contract	Closing Costs on HUD-1	Difference
041-853958	3,500.00	3,593.83	93.83
041-891752 <sup>6</sup>	0	1,269.56	1,269.56
041-955685 <sup>7</sup>	0	487.50	487.50
041-858107	3,843.00	3,844.10	1.10
041-850422	0	198.00	198.00
041-910772	2,777.00	2,789.31	12.31

**Tax proration incorrectly calculated.**

Fortune did not include the day of sale in the calculation of the tax proration because its computer program only calculated through the day before the sale. Section C. IV.E.12.b. of the contract stated that the closing agent at closing shall prorate unpaid taxes to the date of closing. The contract further stated, if HUD prepaid the taxes, the closing agent shall collect the

<sup>6</sup> This is an example where the nonprofit discount was exceeded. See page 7 for discussion of that finding.

<sup>7</sup> Ibid.

appropriate amount from the purchaser. In the instances where the taxes were unpaid as of closing, HUD did not pay for 1 day's worth of taxes. In the instances where HUD prepaid the taxes, the purchaser did not pay 1 day's worth of taxes.

**Closing files lack documentation.**

Closing files maintained by Fortune lacked documentation. Specifically, the closing files lacked: extension requests (27 out of 100 reviewed), documentation of when the post closing files were sent to HUD (4 out of 100 reviewed), a HUD-1 (3 out of 100 reviewed), documentation of when a deed was recorded (1 out of 100 reviewed), and documentation of when sales proceeds were received and deposited (1 out of 100 reviewed). Section C. IV.E.13.i. of the closing agent contract stated that the contractor shall maintain a complete record of each closing . . . retain all pertinent records . . . . Fortune provided a computer-generated copy of the HUD-1s for those files that lacked a settlement statement. However, Fortune was not diligent in its efforts to maintain all the pertinent records for each closing. Thus, Fortune did not maintain a complete record of all closings nor retain all pertinent records.

**Nonprofit discount incorrectly calculated.**

In 3 of 55<sup>8</sup> nonprofit closing files reviewed (5.5 percent), the 30 percent discount that nonprofits receive was not calculated correctly. As a result, HUD did not receive \$19,702 in sales proceeds. A nonprofit is allowed a 30 percent discount when it purchases a HUD-owned property in a revitalization area.<sup>9</sup> However, the 30 percent discount was to include the amounts of closing costs and commissions requested on the sales contract. Fortune's Escrow Officer stated that Fortune did not get sales contract changes in writing and Fortune was instructed to follow the verbal instructions of Golden Feather personnel when real estate transactions should be in writing. Because Fortune was not diligent in its review of the closing documents and relied on verbal instructions, HUD did not receive the maximum return on property sales.

In one instance, the sales contract showed that the nonprofit requested a 29.25 percent discount off the sales price of \$65,000, or \$19,013. However, on the HUD-1, the nonprofit

---

<sup>8</sup> Of the files reviewed, 55 of the 100 were sales to nonprofit organizations.

<sup>9</sup> Revitalization Area means a neighborhood that has a significant concentration of vacant properties, including properties needing extensive repairs that have been in HUD's inventory at least 8 months; exhibits other characteristics of economic distress; and has been targeted by the locality for establishing affordable housing and providing adequate supportive services.

received a 30 percent discount of \$19,500, a difference of \$487. There was no amendment to the contract in the file approving the adjustment to 30 percent. In another instance, the sales contract showed that the nonprofit would receive a 30 percent discount off the sale price of \$95,560, or \$28,668, less the approved commission of \$717, bringing the allowed discount to \$27,951. The HUD-1 showed that the discount received by the nonprofit was \$28,668 in addition to the approved commission. Thus, HUD did not maximize its return on the property and received \$717 less than it was owed. In a final instance, on a sales contract dated May 25, 1999, and approved by HUD on May 28, 1999, the nonprofit did not request any discount. A note attached to the sales contract dated June 7, 1999, shows that Golden Feather approved a 30 percent discount. However, a subsequent sales contract requesting the 30 percent discount was not prepared nor approved. Also, the nonprofit did not request any closing costs on the approved sales contract. When the property closed on July 9, 1999, the nonprofit not only received the 30 percent discount of \$18,300, but also received credit for \$198 in closing costs.

**Property closed without clear title.**

In 2 of 100 closing files reviewed, clear title was not passed to the purchaser because of liens. Section J, Attachment 9 of the closing agent contract stated that the evidence of title shall show that according to public records that there are not any outstanding prior liens. Fortune's Escrow Officer stated that liens were cleared with time. However, because the liens were not cleared prior to closing, the purchaser did not receive clear title.

**Closing files not maintained by system that allows retrieval by FHA case number.**

Fortune did not maintain the closing files by a system that allowed retrieval by FHA case number. Instead, Fortune maintained the closing files by its escrow number, cross-referenced by address. The contract stated that the contractor shall establish property files and maintain in numerical sequence by escrow number, cross-referenced by FHA case number, property address, and purchaser's name. Prior to fieldwork, the auditors selected a random sample using information obtained from SAMS that only included the FHA case numbers. However, because Fortune did not cross-reference the closing files by FHA case number, it was unable to pull the selected closing files. Because Fortune did not cross-reference by FHA

case number, it was not in compliance with its contractual terms and conditions.

**Fortune not open during core hours.**

Fortune's hours of operations were 8:30 a.m. to 5:00 p.m. The closing agent contract required that Fortune be open from 8:00 a.m. to 4:30 p.m. The President of Fortune acknowledged that Fortune was not open during the hours required by the contract. Thus, Fortune was not in compliance with its contractual terms and conditions.

**Extension fees shown on HUD-1 incorrectly.**

Fortune showed the extension fees on the HUD-1 on lines 109 and 409 when the contract required placement on lines 104 and 404. The President of Fortune stated that it used lines 109 and 409 since 1994 and HUD never told it that the use of those lines was incorrect. Further, Fortune's computer system only allowed the extension fees to be inserted on lines 109 and 409. However, the closing agent contract Section C. IV.E.10.d. stated that the full amount of the extension fees shall be shown on lines 104 and 404 on the HUD-1. Because Fortune showed the extension fees on line 109 and 409 and not 104 and 404, it was not in compliance with the terms and conditions of the contract.

---

**Auditee Comments  
and OIG Evaluation of  
Comments**

***Untimely Sales Proceeds Deposited and Wired to HUD***

Fortune stated that the process does not consistently allow for the immediate release of seller funds, as in other states, in which recording the Deed is not required prior to disbursement of funds from escrow. We noted in the report the conditions that Fortune mentioned in its response.

***Extension Fees Calculated Incorrectly***

Fortune responded that it did not "hold" any transactions to a predetermined formulated closing schedule, but to the sales contract or written instructions from HUD or M&M contractor personnel. Although Fortune stated that it did not "hold" any transactions to any predetermined formula regarding closing, it did, as the example in the report shows, hold a 203(k) loan to a 45-day closing when the nonprofit should have been allowed a 60-day closing.

***Tax Proration Incorrectly Calculated***

Fortune stated that in California the tax proration was calculated to the date of recording the Deed. HUD requirements and the contract stated that the tax proration should include the date of closing.

***Nonprofit Discount Incorrectly Calculated***

Fortune responded that discrepancies resulted from a lack of consistent, clear, and non-contradictory directions from HUD and the M&M contractor, and the high volume of transactions Fortune processed. However, because there were only 3 out of 55 instances where this occurred, we believe it was caused by oversight.

***Closing Files Not Maintained by FHA Case Number***

Fortune responded that the software system was not available to allow it to maintain case files by FHA case number. However, this is a contract requirement.

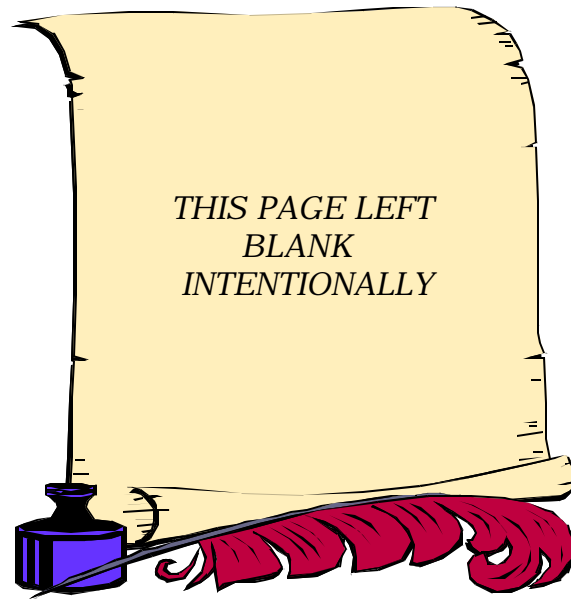
***Extension Fees Shown on HUD-1 Incorrectly***

Fortune responded that it utilized a HUD-1 format specifically modified and in compliance with RESPA laws and instructions by the Santa Ana HOC. However, RESPA Appendix A to Part 3500 specifically states that lines 104, 105, 404, and 405 are to be additional amounts owed by the borrower. Further, the contract specifically states that the extension fees are to be shown on lines 104 and 404.

---

**Recommendation**

Since the contract between Fortune and HUD expired on December 31, 1999, we have not made recommendations for this finding.



# Management Controls

---

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

---

## Relevant Management Controls.

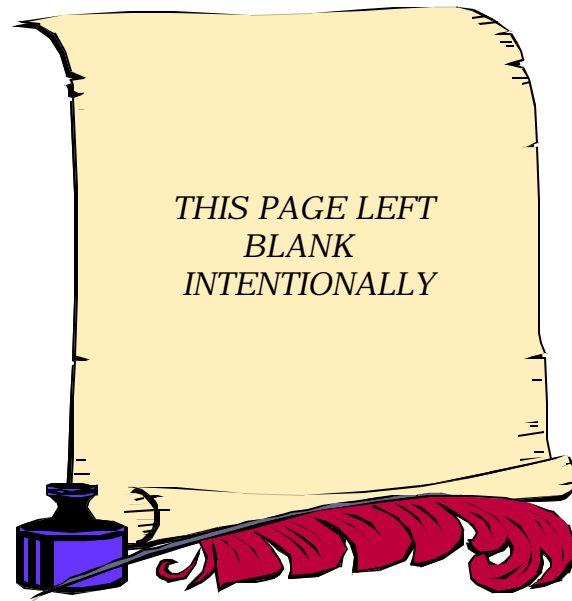
We determined the following management controls were relevant to our audit objectives:

- Policies and procedures of the sales process at HUD.
- Administrative controls to ensure that accurate data is input from the settlement statement into the Single Family Asset Management System.
- Policies and procedures of the cash receipts and disbursements controls at the closing agent.
- Administrative controls to ensure the closing documents were kept secure.

## Significant Weakness.

A significant weakness exists if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports. Our review did not disclose significant weaknesses.





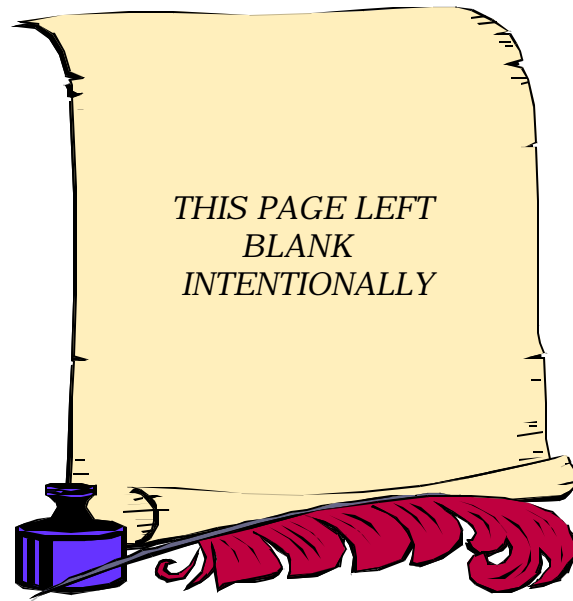
---

## Schedule of Questioned Costs

<u>Issue</u>	<u>Type of Questioned Costs</u> <u>Ineligible</u> <sup>1/</sup>
1A Ineligible costs	\$ 5,000
1B Ineligible wire transfer fees	<u>38,900</u>
Total	<u><u>\$43,900</u></u>

---

<sup>1</sup> Ineligible costs are costs charged to a HUD-financed or insured program or activity that the auditor believes are not allowable by law, contract, or federal, state, or local policies or regulations.



# Auditee Comments

August 14, 2000

Mr. D. Michael Beard  
District Inspector General  
U.S. Department of Housing and Urban Development  
Southwest District Office of Inspector General  
819 Taylor St. St. 13A09  
Fort Worth, Texas 76012

Re: Letter of August 8, 2000 regarding Audit Findings

Dear Mr. Beard;

It would be unrealistic and unreasonable on my part to state that Fortune Escrow made absolutely no errors in the execution of our duties under the closing agent contract in view of the thousands of transactions closed during the course of our contract; we are, after all, human and not infallible. I will maintain, however, that both my management and staff performed above and beyond the assigned contractual duties in our efforts to comply with the contract terms and assist HUD in achieving their goal of affordable home ownership. It would be difficult for any person lacking in the day to day, hands on experience of carrying out the duties involved in our profession to be aware of the degree of intense attention to detail required amidst the unceasing daily demands of hundreds of purchasers and their agents, coupled with continual contract modifications and conflicting procedural directives issued by the many and frequently replaced contracting officers and/or others designated to administer the contract. In spite of this situation, Fortune Escrow was very often selected over other contractors to act as closing agent by a large number of HUD selling agents due to the service and degree of professionalism we provided. The auditor's lack of familiarity with California escrow closing procedures made the auditing procedure more difficult and, I believe, caused some inaccuracies in the findings noted in the audit report, despite the fact that much time was spent attempting to assist her.

I respectfully request to be advised of the basis under which my company was solely selected for this audit, particularly in light of the fact that other closing agents under contract during this same time period were suspected and, in some cases known, by HUD officials to be grossly mishandling their assigned transactions; some even to the extent of committing fraudulent acts. As I am sure you are aware, actions by a number of parties involved in the REO program, allegedly also including certain HUD employees, have resulted in ongoing investigations by the FBI and various District Attorneys' offices. My experience with the HUD REO program has resulted in being served with several Grand Jury subpoenas to provide our HUD files to assist in their investigations, only as custodian of record and not due to any wrong doing on our part, and being afforded the peculiar opportunity to become acquainted with their investigators on a first name basis; a first in my 27 years in business. In order to avoid the possible perception of discrimination directed at me due to the fact that only my company appears to have been singled out for this particular audit, I would propose that audits, comparable to the one conducted by your examiner of Fortune Escrow, be done of the other closing agents also under contract during the same time period as Fortune Escrow; and feel that this is a fair and reasonable request prior to finalization of any recommendations on the part of the Office of the Inspector General in connection with this matter.

Cordially;



Sandra Valentine - CEO  
Fortune Escrow Inc.  
302 W. Foothill Blvd.  
Glendora, CA 91741  
626.914.7817 ~ Fax 626.963.1841

August 14, 2000

Mr. D. Michael Beard  
District Inspector General  
U.S. Department of Housing and Urban Development  
Southwest District Office of Inspector General  
819 Taylor St. St. 13A09  
Fort Worth, Texas 76012

Re: Letter of August 8, 2000 regarding audit results

For ease of clarification, findings noted in HUD letter dated 8/8/00 have been numbered and are addressed below in accordance with number shown on said correspondence.

**2. – 3b. Wire Fees Charged:** Please see highlighted areas on attached documentation issued closing agents, including Fortune Escrow, dated September 27, 1998 from SAHOC (Exhibit A) and October 22, 1999 from Salt Lake City Contracting Office (Exhibit B). Further, authorization for this fee was clearly delineated on every sale escrow instruction executed by authorized HUD signatory on Escrow Instructions approved by acting GTR (Exhibit C) Based on above referenced documentation and specific written authorization for charge of wire fees as evidenced by Escrow Instructions executed by HUD officials; there were no charges debited from HUD's account in error. The wire fee charged HUD is the company's standard wiring fee and there was no overcharge. Contrary to the auditor's note I did not state that the debit of wire fees from HUD proceeds was done in error (i.e.: "Fortune Says Overcharge an Error"). My statement was to the effect that if, in fact the wire fees were not an allowable charge to HUD, this deduction was strictly a matter of human error, was done in accordance with written instructions provided my office and was, in no way, meant to be interpreted as a deliberate act.

**4. Fortune Not Always Attentive:** Comments set forth in Item 1 appear to be in contradiction of this comment. The management and staff of Fortune Escrow were attentive to detail in accordance with the standard practices of the California escrow industry. Based on the volume of closings transacted with Fortune Escrow, "some exceptions" are to be expected however I believe the auditor's comment that she "noted numerous infractions" is an exaggeration due to the auditor's apparent and admitted lack of background in this particular aspect of the closing process. Further, the term "infraction" indicates "the act of breaking a law, rule or agreement; violation" which would interpret the noted exceptions as deliberate. In no instance was there ever any intent on the part of the management or staff of Fortune Escrow to deliberately violate any terms of the contract thus compromising the integrity of my company's excellent and well established reputation. Any exceptions noted were strictly the result of human error.

**5. No Trustee Account in HUD's Name:** As noted, the proprietary escrow software utilized by the company did not allow the ability to establish two separate trust accounts. Though the software company implemented a year 2000 compliant program, the system did not perform accurately or adequately until approximately October 2000. From the period of their upgrade installation until said time, the company experienced many software related problems. By the time the system was performing correctly, allowing the establishment of the requested separate account, the new contract was in the process of being awarded and contractor was performing closing duties on the basis of semi-monthly or monthly extensions pending award of the new contract. At all times, funds associated with HUD transactions were maintained in Fortune Escrow's non-interest bearing Trust Account in accordance with the State of California's Department of Corporations regulatory guidelines. Maintaining trust funds in this manner does not, in any way, constitute violation of any regulations nor compromise the fiduciary role of the escrow holder. As a statement of fact, funds deposited into escrow for the purpose of consummating the HUD closings, as in any real property transaction, are not the property of the seller, in this case HUD, until the time the Grant Deed is recorded. Until such time as the escrow is closed, memorialized in California by the time and date of recordation of the Grant Deed, all funds deposited remain the property of the purchaser, held in trust by the escrow holder.

**6. Untimely Sales Proceeds Deposited and Wired to HUD:** A great amount of time was spent with the auditor attempting to familiarize her with the standard and customary closing process of California escrow offices, in view of the fact that the system in our state is substantially different from that of other states. Disbursement of seller proceeds in California requires different confirmations as to recordation of the Grant deed and the closing agent's receipt of the final figures necessary to balance the file in order to determine final figures for disbursement. This standardized process does not consistently allow for the immediate release of seller funds as in other states in which Deed recordation is not required prior to disbursement of funds from the escrow. All HUD proceeds were disbursed as expediently as possible upon escrow holder's receipt of confirmation of recording and the final auditing/balancing of each file. Again, this is the normal procedure under standard California escrow practice. An audit of disbursement time frames on closings conducted by other closing agents under contract during this time period would verify the accuracy of this process and subsequently this response.

**7. Extension Fees Calculated Incorrectly:** Extension fees charged purchasers were calculated in accordance with contract instructions and/or subsequent directives given Fortune Escrow by HUD personnel or M&M contractor personnel. Fortune Escrow did not "hold" any transactions to a predetermined formulated closing schedule as noted by auditor and acted only upon written contract instructions provided escrow holder, taken either from the individually executed and accepted sales contracts or instructions from above named parties. It is not within the authority level of an escrow holder to make a determination as to terms of the contract and our function is to comply with mutually acceptable instructions given escrow by the principals to the transaction. Note #6 at bottom of Page 8 differentiates weekend days from business days however this is inaccurate as time frames set forth in real estate contracting are considered to be "calendar" days unless specifically designated as "business" days. All references to "days" in HUD contract and Modifications thereto are noted as "days" or "calendar days". To avoid this situation in future contracts, prudent business practice would dictate that closing agents be provided with clear and specific guidelines as to whether days for proration purposes are to be calculated "from and including scheduled day of close" or "commencing upon day after scheduled date of close. If weekend dates are to be exempt from calculations, this too should be clearly noted.

**8. Approved Closing Cost Amounts Exceeded:** Fortune Escrow staff made every effort to diligently audit each file to assure that approved closing costs were not exceeded. Any exception to this was strictly the result of human error. In order to receive a detailed response to the specific incidences noted in this item, please furnish contractor with escrow number or address correlating to the FHA Case Number.

**9. Tax Proration Incorrectly Calculated:** Escrow Closing Agent Contract and normal and customary escrow practices in California provide for tax prorations to be calculated to the date of recordation, not **through and including** said date (see item #7 above). In actuality, the majority of recordations transacted in the counties for which we were contracted normally occur at approximately 8:00 a.m., therefore full inclusion of the date of closing would be inaccurate as the title to the property is conveyed only 8 hours into the calendar day on which the deed is recorded. (See Exhibit D)

**10. Closing Files Lacked Documentation:** Fortune Escrow staff acted diligently to insure that files contained all necessary documentation required under the closing agent contract and also in accordance with the normal and customary practice of escrow in this area. In previous HUD internal audits and those conducted annually by the state regulatory agency, California Department of Corporations, no insufficiencies were noted. Any exceptions noted by your auditor were strictly an oversight due to human error.

**11. Non-profit Discount Incorrectly Calculated:** Disbursement of closing funds and net proceeds were executed in accordance with written contract or instructions given Fortune Escrow staff by authorized HUD personnel or authorized M&M Contractor personnel. Discrepancies noted in audit report which may have occurred were not caused by a lack of diligence on the part of Fortune Escrow but were the result of a lack of consistent, clear and non-contradictory direction provided closing agent by HUD and M&M Contractor as to policies and procedures; often modified on a weekly basis. Due to the extremely high volume of transactions being processed by the closing agents and the lack of direction and organization as it pertained

to new procedures being implemented following the time the M&M Contractor took control of the closing process, there were many instances wherein we were directed to act upon verbal instructions in order to expedite the transactions despite the fact that we were only to act upon written instructions. Carrying out the closing agent duties with the understanding that we were to act under the authority of the M&M contractor in lieu of or in conjunction with HUD designated personnel, these directives were complied with as received, with the agreement that they would be followed by written instructions which, through no fault of our own, were at times not subsequently provided.

**12. Property Closed Without Clear Title:** Due to the nature of “substandard property” or “Homeowners Association” liens filed against HUD owned properties and in view of contract time frame restraints, on occasion it was necessary to close the transactions and withhold a portion of funds pending receipt of the lien clearances. At the onset of the closing agent contract, and in accordance with the normal and customary escrow practices in this area, net proceeds were being held pending escrow holder’s receipt of these clearances, in order to provide the buyer with “clear title”. This, however, obviously would cause the company to be in non-compliance with the terms of the contract as it pertained to required time frame of seller net proceeds disbursement or, if the closing was delayed pending receipt of the lien clearances would, through no fault of their own, potentially cost the purchasers unwarranted extension fees. In accordance with verbal instructions given Fortune Escrow staff by Robert Kube, HUD GTR, during the course of an annual internal HUD audit, an estimated lien amount was retained by escrow holder in a non-interest bearing account, with the balance of the proceeds being wired to HUD to avoid delays. The delay in the filing of the lien releases occurring after escrow had closed did not cause harm to the purchasers as they were, in all cases, issued a title insurance policy by the designated title company providing them with “clear title” as required in the contract.

**13. Fortune Wired Excess Funds to HUD:** I am unaware of this particular situation and would request specific Escrow Number data in order to respond to this allegation however, if this actually occurred and wire fees were non-allowable charges to HUD, why would a refund of same have been made?

**14. Closing Files Not Maintained by FHA Case Number:** As set forth in response to Item 5 above, software system capability for said item was not available for Fortune Escrow until approximately October, 2000 at which time our contract had expired and we were performing our duties under limited time period extensions.

**15. Fortune Not Open During Core Hours;** Though the posted business hours of Fortune Escrow are 8:30 a.m. to 5:00 p.m., Monday through Friday, a business day did not pass during which the staff was not available from approximately 7:00 a.m. to 6:00 p.m. for the convenience of HUD staff, real estate agents and their clients. We also accommodated the HUD clients by providing evening and weekend appointments. In addition, all HUD & M&M staff members were furnished with private phone numbers for ease of communication with Fortune Escrow staff during non-standard business hours, along with Email capabilities. Many days during the course of the audit, despite the fact that the majority of the staff was present and working as early as 7:30 a.m., the auditor and her assistant declined our invitation to begin their work day prior to our posted morning opening time and chose, instead, to wait outside in their car until 8:30 a.m. each day.

**16. Extension Fees Shown on HUD-1 Incorrectly:** Fortune Escrow utilized a HUD-1 format specifically modified from the standard accepted form issued in connection with the RESPA laws, in compliance with instructions given my company by SAHOC staff and the Los Angeles REO staff prior to establishment of the Santa Ana office. At no time in the six years the company acted in the capacity of closing agent for HUD, after which the requested modifications were completed and during which thousands of transactions were successfully completed, were we notified that the format was unsatisfactory and not in compliance with required guidelines.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
 Santa Ana Homeownership Center  
 721 South Parker Street, Suite 310  
 Orange, CA 92868

September 27, 1998

MEMORANDUM TO: CIMARRON ESCROW, INC. - HUD DEPARTMENT  
 ESCROWMAX - HUD DEPARTMENT  
 FORTUNE ESCROW, INC. - HUD DEPARTMENT  
 MONARCH ESCROW, INC. - HUD DEPARTMENT  
 SOUTH HILLS ESCROW CORP. - HUD DEPARTMENT  
 STONERIDGE ESCROW CORP. - HUD DEPARTMENT

FROM: TERESA Y. BARBEE, SINGLE FAMILY HOUSING SPECIALIST

SUBJECT: PROCEDURAL CHANGES

I would like to introduce myself, I am the newly appointed GTR assigned to your contract. I will be contacting you in the near future to schedule a face-to-face meeting, in the interim this memo will provide you with some procedural changes that need to be implemented immediately.

- As you may have already noticed, from now on you will receive an executed carbon copy or a xerox copy of HUD 9458 (9/96) rather than the original as authorization for opening escrow via the current courier service established. If you receive an unexecuted copy of a contract under no conditions are you to open escrow.
- Please package Escrow Instructions and Grant Deeds together and provide HUD with a copy for our files.
- Please insure that the old FHA case number is on all documents (e.g. grant deeds, escrow instructions, amendments and extension requests) it will expedite the processing.
- Escrow amendments are to be generated upon your receiving a signed and executed HUD 9548 (9/96) or other correspondence via the courier service or via facsimile from HUD.

Attachment 1 is for your information only, it is the notice that is posted on Los Angeles' website relating to the migration of properties to the Santa Ana HOC, early closing bonuses etc. Attachment 2 is the Forfeiture and Extension Policy. Extension Fees are a flat \$25.00 per day for every sale exceeding the scheduled closing date the top of page 2 outlines the order in which line 5 monies are to be utilized. Please update your escrow instructions to reflect these changes. Since we are still processing contracts under the former system, contracts that you will receive under the new system will be identified accordingly. Attachment 3 is the extension request that is the responsibility of the sales agent/broker to generate, as you can see it requires the signature of the buyer. Attachment 4 is the new sales list for October 14<sup>th</sup> bid date. The sales lists are identified by bid opening date rather than the previous format that you were accustomed to. A copy will be sent via courier or you can obtain it from the website. I need your co-operation in our efforts to properly identify the status of active and inactive properties in our inventory. When reviewing the sales lists sent to you if you notice that we have listed a property that you know has closed escrow, please send us a copy of the closing statement ASAP so we can remove it from the list and reconcile it in our system.

Please provide me with an updated list of personnel stating their job function and telephone extension (if applicable) within your company that process HUD work.

I look forward to a positive working relationship with you. I can be reached by phone at (888) 827-5605 x 3223 or by fax at (714) 796-1284.



ATTACHMENT 1

# Announcements

Updated on 9/14/98.

**\*\* NEW ADDRESS \*\***

U.S. Department of Housing and Urban Development  
721 South Parker St., Suite 310, Orange, CA 92868

Our new number is 1-888-827-5605

## **SPECIAL ANNOUNCEMENT PERTAINING TO THIRD PARTY ESCROW CLOSINGS**

It has come to our attention that there has been some confusion over the issue of whether third party escrow closings are permitted on the sale of HUD homes. In accordance with outstanding program procedures, the only time that a third party closing is permitted is if the lender table funds the loan. Since it is not customary for local lenders to table fund loans at the time the documents are signed, the mandatory requirement that would permit a third party escrow closing can not be adhered to.

Accordingly, since only those escrow companies that are under contract with HUD and who are covered under the national surety bond are permitted to handle escrow proceeds on behalf of the Department. All escrow instructions must be submitted from HUD's approved contracted closing agents. Any sales contract or escrow instruction received that does not indicate one of HUD's approved closing agents will be rejected. Any and all changes to the above procedures will required prior approval from HUD.

## **IMPORTANT NOTICE FOR ALL LOS ANGELES AREA BROKERS**

As you are aware, the Los Angeles Field Office's inventory was migrated into the Santa Ana Homeownership Center on August 15, 1998. In an attempt to streamline listing and bidding processes, as of the date of this listing, the program policies and procedures which were described in the former Los Angeles Field Office's homepage are no longer in effect. This includes all previous closing bonuses and special marketing incentives.

Please be sure to read the entire broker instructions and electronic bidding information listed on the Santa Ana homepage. The procedures described on the Santa Ana Homepage are effective with this weeks listing and bids submitted under the old procedures will not be accepted.

Tower Communications' Customer Service Staff will be happy to assist you with converting to the new electronic bidding process. Tower's customer service number is 1-800-560-0634. In addition as a courtesy, Tower Communications will continue to fax the listing to you until Septmber 11, 1998 to assist you during this transition. After September 11, 1998 the listing will only be made available to you via the Internet.

### **Bid Deadlines**

Please check the properties for the deadline date, the deadline time will be 11:59pm on the deadline date. There are no extended properties at this time.

### **Earnest Money Deposits**

The Earnest Money Deposit for owner occupant purchases is \$2,000. Please click here for more information about "earnest money deposits"

## ATTACHMENT 2

## U.S. DEPT. OF HOUSING &amp; URBAN DEVELOPMENT

Addendum A

July 27, 1998

## \*\*\*\*\*FORFEITURE AND EXTENSION POLICY\*\*\*\*\*

All HUD Property Disposition sales of HUD-acquired properties are to close within 45 days of acceptance of a HUD-9548 (9/96) Sales Contract offer to purchase.

**Forfeiture of Earnest Money Deposits.**

The failure by a Purchaser to close on the sale of property within the allowable time period, including any extensions granted by HUD, will result in the forfeiture of the earnest money deposit, except where the purchaser presents documentation to HUD that one of the special circumstances described in paragraphs (a) and (b) below of this section has occurred.

- (a) Investor Purchasers.
  - (1) The failure by an investor Purchaser to close on an uninsured sale will result in forfeiture of the entire earnest money deposit.
  - (2) Fifty percent of the earnest money deposit on an insured sale will be returned to an Investor Purchaser where HUD (or a Direct Endorsement lender using HUD guidelines) determines that the Purchaser is not an acceptable borrower.
- (b) Owner-Occupant Purchasers.
  - (1) The entire earnest money deposit will be returned to an owner-occupant Purchaser who fails to close where, since the contract of sale was signed:
    - (i) There has been a death in the immediate family (contract holder, spouse, or children living in the same household)
    - (ii) There has been a recent serious illness in the immediate family that has resulted in significant medical expenses substantial loss of income, thus adversely affecting the purchaser's financial ability to close the sale.
    - (iii) There has been a loss of job by one of the primary breadwinners, or substantial loss of income through no fault Purchaser;
    - (iv) In the case of an insured sale, HUD (or a Direct Endorsement lender using HUD guidelines) determines that the Purchaser is not an acceptable borrower; or
    - (v) For other good cause, as determined by the field office.
  - (2) In the case of an uninsured loan where, despite good faith efforts by the Purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender, 50 percent of the earnest money deposit will be returned.
  - (3) On either type of sale, forfeit 100 percent of the deposit in those instances where no documentation is submitted, where the documentation fails to provide an acceptable cause for the Buyer's failure to close, or where documentation is not provided within a reasonable time following contract cancellation (e.g., 30 days).

**Extensions.**

The Santa Ana office will grant extensions of time upon written request from purchaser. Extensions of time to close the sale are entirely within the Seller's discretion. An extension, if granted, will be under the following conditions:

- (a) A written request for an extension must be received by HUD no later than five days before the scheduled deadline for closing.
- (b) The documentation submitted with the request must establish the cause of delay and that mortgage approval is imminent during the extension period.
- (c) An extension will be for a period of fifteen calendar days at a fee of \$375.00 (203K - 30 days, \$750.00). Fees (certified funds) will be deposited in escrow immediately upon approval.
- (d) Extension fees shall be retained by Seller if a closing does not occur.
- (e) At the time of closing, unused extension fees will be prorated to the Purchaser and refunded by escrow.
- (f) The granting of one extension shall not obligate the Seller to grant additional extensions, and the Seller shall declare a default for the Purchasers' failure to close the sale upon the expiration of the original closing period or upon expiration of the extension.

**Allowable Closing Costs.**

The following closing costs may be credited to Line 5 of the Sales Contract. Funds not consumed will be credited to the Seller.

1% Loan Origination Fee  
Credit Report  
Impounds  
Interest  
Hazard Insurance  
Lenders Coverage Policy  
Owners Coverage Policy  
Notary  
Taxes (Current tax year)  
HOA Dues (Current month plus one)

**AUTOMATICALLY PAID BY HUD**

• Recording Fees - Deed and Mortgage  
City/County Tax/Stamps  
Escrow Closing Fee  
Wire Transfer Fee to Washington, D.C.

HUD Case No. 046-\_\_\_\_\_

Property Address: \_\_\_\_\_

City: \_\_\_\_\_

**Seller Disclosure.**

Seller makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, dry basement, foundation, structural, or compliance with code, zoning or building requirements and will make no repairs to the property after execution of this contract. Purchaser understands that regardless of whether the property is being financed with an FHA-insured mortgage, Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, lead-based paint, or any other condition that may render the property uninhabitable or otherwise unusable. Purchaser acknowledges responsibility for taking such action as it believes necessary to satisfy itself that the property is in a condition acceptable to it, of laws, regulations and ordinances affecting the property, and agrees to accept the property in the condition existing on the date of this contract. Seller disclosure concerning HOA dues, Mello Roos taxes, assessments, or any tax concerning HUD homes is based on available information but not deemed complete or accurate. It is the responsibility of the Buyer to obtain all information concerning these issues.

**Walk-Thru Inspection.**

All purchasers are strongly encouraged to perform a walk through inspection PRIOR to the close of escrow. If a purchaser discovers a property condition that did not exist at the time of sale they must immediately notify HUD's property manager, Intown Properties, of the damage. The buyer assumes full responsibility for the property and its condition on the date of close of escrow. The Department assumes no responsibility, and will make no settlement, for damages reported to HUD after the close of escrow. Brokers must sign out keys with the property manager to perform the inspection. (See item #13.E of HUD Sales Contract) The purchaser should contact the property manager, Intown Properties, to schedule appointment prior to the close of escrow to have the appliance doors and smoke detectors installed.

**Buyer Certification.**

I/we certify that I/we have been interviewed, completed a loan application, verification of employments and obtained a full credit report from the lender that has provided the attached Letter of Commitment. I/we understand that I/we will forfeit our earnest money deposit if we enter into this contract without completing this qualification process.

Signatures \_\_\_\_\_ (Purchaser) \_\_\_\_\_ (Purchaser)  
\_\_\_\_\_  
(Purchaser) \_\_\_\_\_ (Purchaser)

Extension Request

<http://www.hud.org/sahud/saext.htm>

ATTACHMENT 3

## EXTENSION REQUEST

\_\_\_\_\_  
DateHUD FHA Case No. \_\_\_\_\_ ESCROW #  
\_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Lender \_\_\_\_\_

Contact \_\_\_\_\_

Telephone Number \_\_\_\_\_

Extension Dates \_\_\_\_\_  
(From) (To)Reason for Extension: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_Signatures \_\_\_\_\_  
Purchaser Date Purchaser DateHUD APPROVAL ☐ YES ☐ NO Extension Fee \$ \_\_\_\_\_

Signature (Chief, REO Branch) \_\_\_\_\_ Date \_\_\_\_\_



**U.S. Department of Housing  
and Urban Development**

Salt Lake City Contracting  
257 East 200 South, Suite 550  
Salt Lake City, UT 84111-2048

<http://www.hud.gov/cts/ctshome.html>

*Office of the Chief Procurement Officer*

October 22, 1999

Ms. Sandy Valentine  
Fortune Escrow Inc.  
302 West Foothill Boulevard  
Glendora, CA 91741

Subject: Contract C-SFC-00017, Closing Agent Services for Santa Barbara, San Luis Obispo, Ventura and Los Angeles counties in California, for the HUD Home Ownership Center, Santa Ana, CA

Dear Ms. Valentine,

Clarification has been provided by HUD HQ pertaining to the proper procedures for the FHA 203b with repair escrow program. It has been determined that the repair escrow is to be financed in the FHA loan and is not to be taken from HUD proceeds at closing.

Accordingly, all HUD Closing Agents are hereby notified for all contracts accepted by the M&M on or after November 1, 1999 the deduction of the repair escrow from seller's proceeds is no longer permitted. Closing Agents are hereby instructed to advise all FHA lenders that the amount of the repair escrow is to be financed with the FHA mortgage. The closing agent, however, may still deduct the \$200 escrow fee from HUD proceeds. This fee must be reflected on the lender instructions in order to be paid by the closing agent.

The DE Underwriter will take the mortgage amount shown on Line 4 of the sales contract and add the repair escrow amount to determine the FHA loan amount. All loan calculations are subject to the provisions described in ML 98-29. REO properties are no longer exempt. No closing costs, prepaids, etc. are permitted to be financed in the loan and the loan is calculated, with the exception of the repair escrow, the same as all other FHA loans. DE Underwriters will reserve the right to adjust the loan in accordance with ML-98-29 to ensure the statutory 3% minimum investment is met.

In addition, all Closing Agents need to be reminded that only HUD allowable closing costs are permitted to be credited toward Line 5 of the contract. We are finding that some of the M&M Contractors and Closing Agents are still allowing other than HUD Allowable Costs such as prepaids, insurance, and lender processing fees to be deducted from the credit given by Seller on Line #5.

Please see the list below for items that can be credited to Line 5 of the contract and for fees that will be paid directly by HUD at closing.

**Allowable Closing Costs - Line 5 HUD 9548 (1/99) Sales Contract .**

The Seller will pay up to a maximum of 3% of the purchase price, (Line 3 of sales contract), towards allowable purchaser closing costs, not to exceed actual cost incurred. The following is a list of those HUD Allowable Closing Costs that may be credited towards Line 5 of the Sales Contract:

- 1% Loan Origination Fee
- Credit Report
- Appraisal **(203K Only)**
- Title Policy (Lenders and/or Owners)
- Notary Fees
- Misc. Recording Fees (other than recording of Grant Deed which is paid for by the Seller)
- EEM Report (see HUD HB 4155.1 Rev. 4, Chg. #1) - **\$200 maximum**
- Home Inspection Fee (Secretary Cuomo's Homebuyer Protection Plan, dated 6-10-98), **\$300 maximum**

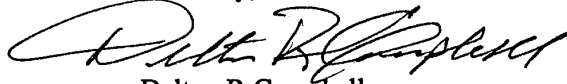
(All Escrow Agents will receive a copy of the signed "Addendum A" with the sales package so funds will credited correctly at closing.)

**The following items are paid for by the Seller (HUD):**

- Recording Fees - **Grant Deed Only**
- City/County Tax/Stamps
- Escrow Closing Fee
- Escrow Agents Wire Transfer Fee to Treasury

Questions concerning this letter may be directed to Ms. Charlene Dombrosky at 717-796-1200, Ext. 3553.

Sincerely,



Delton R Campbell  
Contracting Officer

cc: Bob Kube, GTR

**EXHIBIT C- EXAMPLE OF ESCROW INSTRUCTIONS UTILIZED ON ALL HUD TRANSACTIONS****ESCROW INSTRUCTIONS****ESCROW NO:** 84329-HU

Tiffany Moderow/Carolyn De Boer,  
**ESCROW OFFICER**  
 HUD CASE#041-803997

**DATE:** November 18, 1999

CASH THROUGH ESCROW ..... \$ 2,000.00  
 (of which the sum of \$ 2,000.00 Buyer has handed you)  
 Buyer herein to obtain a new first trust deed FHA loan in the amount of ..... \*\*\$84,390.00  
**TOTAL CONSIDERATION** ..... **\$87,100.00**

I/We will deliver to you any instruments which this escrow requires shall be executed by me, all of which you are instructed to use provided that on or before January 3, 2000 you hold a policy of title insurance with the usual title company's exceptions, with a liability of \$87,100.00 covering property:

LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT "A" AND MADE A PART HEREOF

**COMMONLY KNOWN AS:**  
 5162 Jefferson Square #25, Oxnard, CA 93033

**SHOWING TITLE VESTED IN:** SERGIO JIMENEZ and MARIA, C. ESQUIVEL, Husband and Wife as Joint Tenants**FREE FROM ENCUMBRANCES EXCEPT:**

- (1) All General and Special Taxes for the fiscal year 1999 and 2000, and/or supplemental taxes assessed pursuant to the provisions of Chapter 498, Statutes of 1983 of the State of California. (Change of ownership will affect the taxes to be paid. A Supplemental Tax Bill will be issued and BUYER accepts all responsibility for all additional taxes due because of said reassessment. TAX BILLS ISSUED AFTER THE CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYERS AND SELLERS.)
- (2) Covenants, conditions, restrictions, reservations, rights, rights of way, and easements, and any oil, gas, or mineral reservations now of record, if any.
- (3) First Deed of Trust to record securing a note in the amount of \$84,390.00 (new FHA loan).

**INSTRUCTIONS:**

- A. This escrow is subject to Buyer obtaining new first trust deed loan in the amount of \$84,390.00 in favor of Professional Investments as per their terms, to be obtained by buyer at buyer's expense. Said loan to be at the best prevailing rates and terms. Escrow Holder is authorized and instructed to charge Buyer's account with all costs incurred on Buyers's behalf allowable by FHA to be paid by the Buyer, including but not limited to, loan origination fees, credit report, appraisal, recording fees, inspection fee, and endorsement to title policy in the maximum amounts allowable. Escrow Holder is authorized and instructed to charge Seller's account with all costs incurred on Seller's behalf and all costs incurred on Buyers behalf that are not allowable by FHA to be paid by the Buyer, including but not limited to, fees for documents, photos, inspection, warehouse or differential fees, if any, tax service, owners policy of title insurance, sub-escrow fees, documentary transfer tax, Seller's escrow fee, and the balance of Buyer's fees not allowable by FHA for Buyer to pay. Escrow Holder is authorized and instructed to charge Seller's account with the lenders discount fee of not to exceed point(s). Buyers execution of loan documents shall constituted Buyers approval of the terms and conditions of said new loan and Escrow Holders authorization to comply with lenders requirements.

It is expressly agreed that, notwithstanding any other provisions of this contract the purchaser shall not be obligated to complete the purchase of the property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise unless the purchaser has been given in accordance with HUD/FHA or VA requirements a written statement by the Federal Housing Commissioner, Veterans Administration, or a Direct Endorsement lender setting forth the appraised value of the property of not less than \$87,100.00. The purchaser shall have the privilege and option of proceeding with consummation of the contract without regard to the amount of the appraised valuation. The appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value nor the condition of the property. The purchaser should satisfy himself/herself that the price and condition of the property are acceptable.

SEE PG II →

(CONTINUED)

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Date: December 13, 1999

Escrow No: 84329-HU

PAGE 2 of 6: Additional instructions made a part of previous pages as if fully incorporated therein.

**B. FIRE INSURANCE:** Buyer(s) shall furnish new fire insurance through agent of their choice and you are instructed to pay for same from buyers funds at close of escrow. **IF REQUIRED**

**PAYMENT OF COSTS BY HUD:** All parties are aware that seller, HUD, has agreed to pay the following closing costs, in accordance with the original Sales Contract, with no further approval required:

1. Real Estate Broker commission and any agreed upon bonuses;
2. Escrow Closing Fee;
3. City/County Documentary Transfer Tax;
4. Customary Tax Prorations and any delinquent property taxes;
5. Proration of Homeowners Association dues and any delinquent dues, if applicable;
6. Homeowners Association Transfer fee and document fee, if applicable;
7. Recording fees for **GRANT DEED ONLY**;
- h. Escrow Agents Wire Transfer Fee to Treasury;

**LINE 5 HUD 9548 (1/99) Sales Contract - ALLOWABLE CLOSING COSTS:**

HUD (seller) shall pay up to a maximum of 3% of the purchase price (Line 3 of Sales Contract) towards allowable purchaser closing costs, not to exceed actual cost incurred.

The following is a list of those HUD Allowable Closing Costs that may be credited towards Line 5 of the Sales Contract:

- |    |   |                 |
|----|---|-----------------|
| a. | 1% Loan Origination Fee   |                 |
| b. | Credit Report   |                 |
| c. | Appraisal fee for FHA 203K loans ONLY   |                 |
| d. | Title Policy (Owners and/or Lenders)  |                 |
| e. | Notary Fees   |                 |
| f. | Miscellaneous Recording Fees (other than recording of Grant Deed which is paid by | seller)         |
| g. | EEM Report (see HUD HB 4155.1 Rev.4, Chg.#1)-\$200 maximum (see Repair Escrow     | Clause below**) |
| h. | Home Inspection Fee (Secretary Cuomo's Homebuyer Protection Plan dtd.             | 6/10/98) -      |

\$300.00 maximum

Effective for Sales Contracts accepted by the M&M Contractor on or after November 1, 1999, certain closing costs previously deducted from Line 5 shall NO LONGER be allowable including, but not limited to, prepaid loan costs, lender processing fees, loan impounds, hazard insurance, and certain title company charges including "sub escrow" fee. Said costs shall be chargeable to purchaser or negotiated between purchaser, real estate broker(s) and lender as set forth below in this paragraph.

Any funds remaining from Line 5 amount after payment of above set forth items shall be credited to seller (HUD) at close of escrow. In the event Line 5 of Sales Contract shows "0" amount, all parties acknowledge that seller shall pay ONLY those costs listed as "a" through "h" above. Buyer shall be responsible for payment of ALL other closing costs. In the event this escrow involves FHA or insured financing and said Line 5 of Sales Contract shows "0", any closing costs not allowable to purchaser must either: (A) be waived by charging party through negotiation between buyer, real estate agent and said party; (B) be paid by buyer or real estate agent/broker or; (c) this transaction shall be canceled.

**AMOUNT SHOWN ON LINE 5 OF SALES CONTRACT AS REFERENCED ABOVE IS: \$2,500.00**

**\*\*REPAIR ESCROWS (Section 4 of Sales Contract)** Effective for all Sales Contracts accepted by the M&M on or after November 1, 1999: The deduction of the repair escrow from seller's proceeds is no longer permitted. All FHA lenders and purchasers are hereby advised that the amount of the repair escrow is to be financed with the FHA mortgage. The \$200.00 EEM Report (Inspection fee for repairs) may be deducted from amount shown on Line 5 ONLY if said charge is reflected in writing on lender's instructions to closing agent at time of delivery of loan documents. If fee is NOT noted in writing, there shall be no payment of said fee WITHOUT EXCEPTION. The DE Underwriter shall take the mortgage amount shown on Line 4 of the Sales Contract and add the Repair Escrow amount, if applicable, to determine the FHA loan amount.

All parties are aware that purchase price shown on Line 3 of Sales Contract includes a "Repair Escrow" in the amount of \$0.00. As set forth above, said Repair Escrow amount is to be included in the FHA financing amount and EEM (Inspection Fee) in the maximum amount of \$200.00 shall be paid FHA lender ONLY if set forth, in writing, in said lender's instructions. At close of escrow, escrow holder is authorized and instructed to forward said Repair Escrow amount to lender, along with Inspection fee, if applicable, with no further written authorization or billing required by or from parties hereto. Lender is to credit any balance of said funds still outstanding 90 days after close of escrow towards a reduction of buyer's principal loan balance. Escrow holder is hereby released of all liability in connection with disbursement of said funds, determination of completion of any repairs, condition of property and lender's final disposition of repair funds sent them on or after close of escrow.

**MINIMUM DOWN PAYMENT/FHA LOAN REQUIREMENTS:** If a Repair Escrow amount is indicated on the Sales Contract, the DE Underwriter will take the mortgage amount shown on Line 4 of the Sales Contract and add the Repair Escrow amount to determine the FHA loan amount. All loan calculations are subject to the provisions described in ML 98-29. REO properties are no longer exempt. No closing costs, prepaids, etc. are permitted to be financed in the loan and the loan is calculated, with the exception of the Repair Escrow amount, the same as all other FHA loans. DE Underwriters hereby reserve the right to adjust the loan amount in accordance with ML-98-29 to ensure the statutory 3% minimum investment by purchaser is met.

(CONTINUED)

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_



Date: December 13, 1999

Escrow No: 84329 HUD

PAGE 3 of 6: Additional instructions made a part of previous pages as if fully incorporated therein.

**EXTENSION OF ESCROW PERIOD:** The within escrow shall not be extended beyond the scheduled closing date set forth herein without an approved extension from the M&M Contractor or HUD. In the event this escrow should fail to close by the scheduled closing date and escrow holder does NOT have a written approval of extension from the M&M Contractor or HUD, escrow holder is instructed to immediately stop all processing on this transaction until such time as M&M Contractor or HUD provides escrow holder with written instructions to either cancel escrow or extend the time limit.

- C. **EXTENSION:** In the event an extension is required, the Broker shall deposit with escrow holder a Request for Extension, along with required justification for said extension and proper documentation including buyer's deposit of certified, "good" funds for requested extension in the amount of \$375.00, which is to be immediately deposited into purchaser's escrow for the credit of seller (HUD). Escrow holder shall forward same to the M&M Contractor for consideration. Said funds, in the amount of \$375.00, represent the extension fee of \$25.00 per diem for a fifteen (15) day period and is NOT a portion of the purchase price. Said extension fee is NON-REFUNDABLE, regardless of the consummation of this transaction however, if closing occurs in less than the approved extension time period, buyers shall be credited back a portion of said fee at the rate of \$25.00 per diem for the unused number of day, excluding date of recordation.
- D. **CANCELLATION:** Upon receipt of unilateral instructions from the M&M Contractor to escrow holder to cancel the within escrow and to disburse funds as set forth in letter of cancellation, escrow holder is authorized and instructed to cancel the within escrow and disburse funds per seller's instructions, without further approval or instructions from buyers herein. Buyer's signature(s) on these escrow instructions shall be deemed their acknowledgement of Paragraph 12 of Sales Contract with HUD and awareness that the earnest money deposit in escrow shall not be refunded to buyer if escrow is canceled. Seller may, at seller's sole option and without further instructions from buyer, cancel this escrow. Seller may also, at seller's sole option and without further instructions from buyer, retain all or a portion of the deposit as Liquidated Damages. Seller reserves the right to apply the earnest money, or any portion thereon, to any sums which may be owed by the purchaser to the seller as rent. BUYER HEREBY RELEASES FORTUNE ESCROW INC. AND IT'S EMPLOYEES OF ANY AND ALL LIABILITY AND/OR RESPONSIBILITY FOR ACTING UPON THE UNILATERAL INSTRUCTIONS FROM SELLER (HUD) OR IT'S AUTHORIZED REPRESENTATIVE (M&M CONTRACTOR) FOR CANCELLATION AND DISBURSEMENT OF FUNDS.

**UNILATERAL INSTRUCTIONS:** Contrary to printed matter set forth in these instructions specifically referring but not limited to the General Provisions of escrow holder, Fortune Escrow Inc. shall not be required to obtain the signature(s) of seller, the Department of Housing and Urban Development, on any escrow instructions, commission instructions, amendments to escrow and/or lender documentation. Said escrow instructions, amendments and lender documentation shall require the signature of purchasers only, except in the case where an amendment materially alters the terms of the transaction. Purchasers and their representatives understand and agree that property is being purchased in it's present "AS IS" condition and there shall be no amendments to the Sales Contract, with the exception of those which do not materially alter the conditions of the Sales Contract unless purchasers or their representatives have obtained specific approval for same directly with seller, outside of escrow. Execution of the original Sales Contract by seller, delivered to escrow holder, shall be deemed said seller's approval and consent to all items set forth in escrow instructions, including payment of Real Estate Commission, with no further signatures required by said seller. The responsibilities of escrow holder are limited to those duties specifically required under these escrow instructions, any amendments thereto and Contract #C-SFC-00017 and any Modifications thereto between escrow holder and HUD.

**CC&RS/HOMEOWNERS ASSOCIATION:** Buyers shall be furnished with copies of Homeowners Association CC&Rs, By-Laws and Budget for their records. Escrow holder is authorized and instructed to prorate monthly association dues and debit account of seller for any transfer fee, document fees, delinquent dues and assessments, where applicable. In the event Homeowners Association requires payment in advance in order to issue the aforementioned documentation, escrow holder is authorized and instructed to release said payment from buyers funds on deposit, with no further written approval required, and credit same back to buyer from seller's account at close of escrow. Further, in the event buyer's new lender requires an additional set of said documentation in connection with the processing of buyer's new loan, escrow holder is authorized and instructed to procure same and debit buyer's account for cost at close of escrow.

\*\*\*\*\*

Prorate as of Close of Escrow

- Real property taxes based on latest tax bill or on amount furnished by title company
- Homeowners association dues

(CONTINUED)

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Date: December 13, 1999

Escrow No: 84329-HU

PAGE 4 of 6: Additional instructions made a part of previous pages as if fully incorporated therein.

## GENERAL PROVISIONS

1. Your duty to act as escrow holder shall not commence until these instructions, signed by all parties, are received by you. Until such time either party may unilaterally cancel and, upon written request delivered to you, a party may withdraw funds and documents such party previously handed to you.
2. All funds received in this escrow shall be deposited with a State or National bank with other escrow funds. Make disbursements by your check: checks not presented for payment within six months after date are subject to service charges in accordance with your schedule in effect from time to time. Make all adjustments and proratings on the basis of a 30 day month. "Close of Escrow" as used in this escrow means the date on which documents are recorded, unless otherwise specified. All documents and funds due the respective parties herein are to be mailed to the addresses set out below their respective signatures, unless otherwise instructed. Our signatures on any documents and instructions pertaining to this escrow indicate our unconditional approval of same. Whenever provision is made herein for the payment of any sum, the delivery of any instrument of the performance of any act "outside escrow", you as escrow holder shall have no responsibility therefor, shall not be concerned therewith and are specifically relieved of any obligation relative thereto.
3. You shall not be responsible or liable in any manner for the sufficiency or correctness as to form, manner or execution or validity of any documents deposited in escrow, nor as to the identity, authority or rights of any person executing the same, either as to documents of record or those handled in this escrow. Your duties hereunder shall be limited to the safekeeping of such money and documents received by you as escrow holder, and for the disposition of the same in accordance with the written instructions accepted by you in this escrow. You shall not be required to take any action in connection with the collection, maturity or apparent outflow of any obligations deposited in this escrow, unless otherwise instructed. You shall not be liable to us for the failure of any condition of this escrow, or damage caused to us either by the exercise of your discretion in any particular manner, or by the omission to perform any duty on your part, or for other reason, except gross negligence or willful misconduct in the performance of your duties as escrow holder herein. You likewise shall not be liable to us for forgeries or false personations in connection with these instructions, any documents of record pertaining to this escrow, or any document handed to you in this escrow, or for any damage arising from such forgery or false personation.
4. Seller guarantees, and you shall be fully protected in assuming that, as to any insurance policy handed you, such policy is in force, has not been hypothecated, and that all necessary premiums therefore have been paid. You will transmit for assignment any insurance policy handed you for use in this escrow, but you shall not be responsible for verifying the acceptance of the assignment and policy by the insurance company. ESCROW HOLDER WILL MAKE NO ATTEMPT TO VERIFY THE RECEIPT OF THE REQUEST FOR ASSIGNMENT BY THE ISSUING COMPANY. You are hereby placed on notice that if the insurance company should fail to receive said assignment, the issuing company may deny coverage for any loss suffered by Buyer. IT IS THE OBLIGATION OF THE BUYER OR HIS REPRESENTATIVE TO VERIFY THE ACCEPTANCE OF THE ASSIGNMENT OF THE POLICY BY THE ISSUING COMPANY.
5. Deliver assurances of title, and insurance policies, if any, to holder of senior encumbrance or his order, or if there be no encumbrances, then to the buyer or his order.
6. TIME IS OF THE ESSENCE IN THIS TRANSACTION. If the conditions of this escrow have not been complied with, prior to the expiration of time provided for herein, or any extension thereof, you are instructed to complete the escrow as soon as the conditions except as to time, have been complied with unless written demand shall have been made upon you not to complete it, in which case you may withhold and stop all further proceedings in this escrow, without liability for interest on funds held or for damages, until mutual cancellation instructions by all parties shall have been deposited in this escrow. In the event of cancellation you shall be paid a sum sufficient to pay for any expense which you have incurred pursuant to the foregoing instructions, including attorney's fees, if any, and a reasonable cancellation fee for services rendered by you, said expense and fees to be deposited into escrow before cancellation is effective. Upon mutual cancellation instructions, you are then instructed to disburse the escrow funds and in accordance with such instructions and this escrow shall without further notice, be considered terminated and cancelled.  
We jointly and severally agree that in the event of cancellation or other termination of this escrow prior to the closing thereof, we shall pay for any expenses which you have incurred or become obligated for pursuant to these instructions, including attorney's fees, if any, and also a reasonable escrow fee for the services contracted by us to be rendered by you, and such expenses, if any, and fees shall be paid and deposited in escrow before any cancellation or other termination is effected. We agree that said charges or expenses and fees may be apportioned between us in a manner, in your sole discretion, you consider equitable and that your decision in that regard will be binding and conclusive upon us. Any documents or funds deposited with you may be retained by you as a lien to secure to you the reimbursement of and payment of expenses, if any, and fees provided for above.
7. NO NOTICE, DEMAND OR CHANGE OF INSTRUCTIONS SHALL BE OF ANY EFFECT IN THIS ESCROW UNLESS GIVEN IN WRITING BY ALL PARTIES AFFECTED THEREBY. In the event conflicting demands or notices are made or served upon you or any controversy arises between the parties hereto, or with third persons, growing out of or relating to this escrow, you shall have the absolute right to withhold and stop all further proceedings in, and performance of, this escrow until you receive written notification satisfactory to you of the settlement of the controversy by agreement of the parties thereto, or by final judgement of a court of competent jurisdiction. All of the parties to this escrow hereby jointly and severally promise and agree to pay promptly on demand, as well as to indemnify you and to hold you harmless from and against all litigation and interpleader costs, damages, judgements, attorney's fees, expenses, obligations and liabilities of every kind which in good faith, you may incur or suffer in connection with or arising out of this escrow, whether said litigation, interpleader, obligations, liabilities or expenses arise during the performance of this escrow, or subsequent thereto, directly or indirectly. You are hereby given a lien upon all rights, title and interest of every party hereto in all escrow papers and other property and monies deposited into this escrow to protect your rights and to indemnify and reimburse you in the event of failure to pay fees or expenses due you hereunder for costs and attorney's fees incurred in any litigation or interpleader, on demand, we agree to pay a reasonable fee for any attorney services which may be required to collect such fees or expenses, whether such attorney's fees are incurred prior to trial, at trial or appeal.
8. You are hereby authorized to deposit any funds or documents handed you under these escrow instructions, or cause the same to be deposited, with any duly authorized sub-escrow agent, subject to your order at or prior to close of escrow, in the event such deposit shall be necessary or convenient for the consummation of this escrow.
9. All parties agree that as far as your rights and liabilities are involved, this transaction is an escrow and not any other legal relation and you are an escrow holder only on the within expressed terms, and you shall have no responsibility of notifying me or any of the parties to this escrow of any sale, resale, loan, exchange, or other transaction involving any property herein described or of any profit realized by any person, firm or corporation (broker, agent and parties to this and/or any other escrow included) in connection therewith, regardless of the fact that such transaction(s) may be handled by you in the escrow or in an other escrow. NO ACTION SHALL LIE AGAINST ESCROW HOLDER FOR ANY CLAIM, LOSS, LIABILITY OR ALLEGED CAUSE OF ACTION OF ANY KIND OR NATURE WHATSOEVER, HOWEVER CAUSED OR OCCURRED, UNDER THIS ESCROW OR IN CONNECTION WITH THE HANDLING OR PROCESSING OF THIS ESCROW, UNLESS BROUGHT WITHIN TWELVE (12) MONTHS AFTER THE CLOSE OF ESCROW.
10. You are not to be concerned with the giving of any disclosures required by federal or state law, specifically but not exclusively, RESPA (Real Estate Settlement Procedures Act), Regulation Z (Truth in Lending Disclosures) or other warnings, or any warranties, expressed or implied. Neither are you to be concerned with the effect of zoning ordinances, land division regulations, or building restrictions which may pertain to affect the land or improvements that are the subject of this escrow.
11. The parties to this escrow have satisfied themselves outside of escrow that the transaction covered by this escrow is not in violation of the Subdivision Map Act or any other law regulating land division, and you as escrow holder are relieved of all responsibility and/or liability in connection therewith, and are not to be concerned with the enforcement of said laws.
12. In the event any Offer to Purchase, Deposit Receipt or any other form of Purchase Agreement is deposited in this escrow, it is understood that such document shall be effective only as between the parties signing said document. You as escrow holder are not to be concerned with terms of such document and are relieved of all responsibility in connection therewith. You are to be concerned only with the directives specifically set forth in the escrow instruction and amendments thereto, and are not to be concerned or liable for items designated as "memoranda" in the within escrow instructions nor with any other agreement or contract between the parties. You are authorized to furnish copies of escrow instructions, supplements,

(CONTINUED)

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Date: December 13, 1999

Escrow No: 84329-HU

PAGE 5 of 6: Additional instructions made a part of previous pages as if fully incorporated therein.

amendments, or notices of cancellation and closing statements in this escrow to real estate broker(s) and lender(s) referred to in this escrow. You are not required to submit any title report issued in connection with this escrow to any party or agent unless directed to do so by written mutual instructions. You may, however, do so without incurring liability to any party for such submission. You are hereby authorized to submit such report to any proposed lender.

13. If a party to this escrow unilaterally assigns or orders the proceeds of this escrow to be paid to other than the original parties to this escrow, such assignment or order shall be subordinated to the expenses of this escrow, liens of record on the subject property, and payments directed to be made by original parties together. If the result of such assignment or order would be to leave the escrow without sufficient funds to close, then you are directed to close nevertheless, and to pay such assignments or orders only out of the net proceeds due except for such assignments or orders, and to pay them in the order in which such assignments or orders are received by you. You are to furnish a copy of these instructions, amendments thereto, closing statements and/or any other documents deposited in this escrow to the lender or lenders and/or the real estate broker or brokers involved in this transaction upon request of such lenders or brokers. In the event of an assignment or transfer or interest by operation of law, with or without the approval or consent of any or all of the parties hereto, you shall retain the right to deduct any and all escrow costs, fees and expenses provided for herein from said assigned or transferred funds, properties or rights, said assignment or transfer notwithstanding.
14. If there is no written activity by a principal delivered to this escrow within any six-month period after the time date as set forth in the escrow instruction or written extension thereof, your agency obligation shall terminate at your option and all documents, monies or other items held by you shall be returned to the respective parties entitled thereto less fees and charges herein provided.
15. If any check submitted to escrow is dishonored upon presentation for payment, you are authorized to notify all principals and/or their respective agents of such nonpayment.
16. These instructions may be executed in counterparts, each of which shall be deemed an original regardless of the date of its execution and delivery. All such counterparts together shall constitute one and the same document.
17. The parties to these escrow instructions authorize you to destroy these instructions and all other instructions and records in this escrow at any time after five (5) years from date of close of escrow.
18. Purchaser herein to complete a "Preliminary Change of Ownership Report" and deposit same with escrow holder prior to close of escrow in accordance with Section 480.3 of the Revenue and Taxation Code. In the event buyer has not deposited this form prior to close of escrow or has not completed same in accordance with these instructions, escrow holder is instructed to charge the account of the buyer, at close of escrow, the sum of \$ 20.00 per document, for the additional recording fee as required by the County Recorder. By their signatures on the attached escrow instructions, all parties hereto acknowledge that they have read and understand this provision and have received a copy of these instructions.
19. Buyer(s) hereby agrees to hold Fortune Escrow Inc. harmless from any loss or damage that may be suffered by buyer by reason of the failure of the buyer or seller to comply with the provisions of the Foreign Investment in Real Property Tax Act of 1984. By their signatures on the attached escrow instructions, all parties hereto acknowledge that they have read and understand this provision and that they have been furnished with the proper forms for completion and have received a copy of these instructions.
20. Should no policy of title insurance be requested in your escrow, you are to be held harmless of conditions of title on date of recordation of any documents.
21. Your escrow is authorized to hold funds as required by lender for termite work or work required by any government agency only until final compliance inspections are made by the proper government agency, and to pay for additional work from said funds, if required.
22. Should either or both parties waive obtaining of a beneficiary statement, they shall be solely responsible for knowledge of its terms and conditions, whether in default or not, and your escrow is not to be liable in any manner for its terms.
23. In the course of processing this escrow, if charges are incurred for telephone calls, telegrams or special messenger arrangements, you are instructed to debit the account of the party responsible for said charges.
24. All parties herein understand and agree that Amendments to Escrow Instructions used for the purpose of supplementing and/or modifying the original instructions, are to be requested of escrow holder ONLY at such time as all parties have agreed to said modifications and are not, in any way, to be used as negotiating instruments.
25. AB 512 enacts a new Section 12413.1 to the State of California Insurance Code that regulates real estate escrow disbursements by title insurance companies, controlled escrows and underwritten title companies. The Bill requires that checks be deposited by the title company prior to escrow disbursement.

THE NEW LAW ESTABLISHED A THREE-TIER SYSTEM TO DETERMINE WHEN DISBURSEMENT MAY OCCUR.

1) Cash and "Wired Funds" may be disbursed on the same day as deposited.

2) Tellers' checks, cashier's checks and certified checks may be disbursed on the first business day following the day of deposit. (A teller's check is defined as a check drawn by an insured financial institution against another insured financial institution.)

3) Personal checks, corporate checks and drafts received from title companies (including escrow trust checks) may be disbursed on the day when the item must be made available for withdrawal by depositors under Regulation CC adopted by the Federal Reserve Board of Governors. Until September 1, 1990, the hold period on these items is three (3) business days following the date of deposit of local checks and seven (7) business days following the date of deposit of non-local checks; after September 1, 1990, these hold periods will be reduced to two (2) business days following the date of deposit for local checks and five (5) business days following date of deposit for non-local checks.

Please prepare for delayed disbursement of funds to all recipients at the close of escrow.

All parties are aware that NO interest will be paid to recipients of funds from Fortune Escrow Inc. as a result of this delay as outlined under Senate Bill 1550.

**NO ESCROW WILL RECORD UNTIL THE ABOVE REQUIREMENTS HAVE BEEN MET. NO EXCEPTIONS!!**

Each party acknowledges that the close of escrow is conditioned on check clearances. Funds to close must be in the form of a Cashiers Check drawn on a bank with clearing house in the State of California OR be wire transferred to Fortune Escrow Inc. Trust Account two (2) days prior to recording of documents. **ALL FINAL FUNDS IN EXCESS OF \$100,000.00 MUST BE WIRE TRANSFERRED.**

26. STATE OF CALIFORNIA WITHHOLDING CERTIFICATION: The State of California Revenue Taxation Code Sections 17705 and 26131 requires a Buyer of real property to withhold California income taxes from escrow funds if all of the following conditions are met: 1) The selling price is greater than \$ 100,000.00, 2) The Seller provides a written certification that the property conveyed was their principal residence within the past 24 months, and 3) The funds from the transaction are to be disbursed to either a) a Seller with a last known address outside California, or b) a financial intermediary of the Seller, if the seller is a non-resident of the State of California. Seller herein shall provide a Certification for Buyer disclosing his status. In the event Seller is not exempt the withholding rate is three and one-third percent of the selling price. Seller may request a waiver by contacting the FRANCHISE TAX BOARD prior to the close of escrow. Buyer is hereby notified of withholding provisions of California Revenue and Taxation Code Sections 18805 and 26131, applicable to certain sales of California real estate by nonresident sellers. Buyer understands that in no event will escrow holder undertake to advise buyer and/or buyer's representative(s) on the possible application of the above code sections to this specific transaction. Unless expressly instructed by the seller and buyer herein, buyer understands that escrow holder will not assist in obtaining a waiver from withholding from the Franchise Tax Board in the event that withholding is otherwise required on this transaction, nor undertake to withhold funds and remit to the Franchise Tax Board in the event that no waiver is obtained. Should instructions by buyer and seller herein direct you to undertake any activities pursuant to the withholding provisions in California law, buyer agrees to cooperate fully in providing necessary information and to indemnify escrow holder and hold them harmless in the event of non-compliance resulting from information supplied by buyer. To obtain proper withholding or waiver forms and for additional information concerning the withholding provisions referenced above, please contact the Franchise Tax Board Withholding Source Unit, P.O. Box 651, Sacramento, CA. 95812-0651 or phone (800) 852-5711. You may also obtain the proper forms via facsimile by calling (800) 998-3676. (Form description: WAIVER or REDUCED WITHHOLDING FORM-Form 597A/REMITTANCE and REPORTING FORM-Form 597)

(CONTINUED)

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Seller's Initials \_\_\_\_\_

Buyer's Initials \_\_\_\_\_

Date: December 13, 1999

Escrow No: 84329-IIU

PAGE 6 of 6: Additional instructions made a part of previous pages as if fully incorporated therein.

27. In order to comply with the Tax Reform Act of 1986, SELLER herein agrees to deposit into escrow a 1099 tax report and instructs Escrow Holder to prepare a final return at the close of escrow and forward same on to the Internal Revenue Service. SELLER understands and agrees that escrow cannot close without said report.

28. THIS ESCROW COMPANY HOLDS DEPARTMENT OF CORPORATIONS ESCROW LICENSE NO. 963-1218.

**ADMINISTRATIVE/HOLD OPEN FEE:** In the event of non-completion of this escrow for any reason whatsoever, including without limitation the cancellation or purported cancellation of the escrow by either party and notwithstanding the concurrence or non-concurrence by the other party with such cancellation, and the resultant obligation or advisability of the escrow holder to continue to hold undistributed the funds then on deposit in escrow, such escrow holder may, at its option, withdraw from said funds so held and pay itself a holding fee of \$20.00 for each calendar month, or fraction thereof, that said funds are retained, in escrow, not exceeding, however the whole of such withheld funds. Said charge shall commence on the 30th day after the original closing/recordation date of the escrow or date of initiation of cancellation instructions and continue monthly thereafter until all funds have been disbursed from said file account. At the discretion of the escrow holder, this fee may also apply to escrows continuing for a period in excess of six months past date of opening of escrow, except in cases where mutually executed instructions have been handed escrow holder for the extension of said escrow period. In the event it becomes necessary for any of the officers or employees of Fortune Escrow Inc. to appear in court as a witness, such escrow holder shall receive a witness fee as an expert witness which shall be charge against the said escrow and as part of the costs thereof. If no funds are held at that time by escrow holder in connection with transaction in question, parties requesting appearance of escrow holder shall pay said fee direct to escrow holder prior to date of said court appearance.

Escrow companies are not authorized to give legal advice. If you desire legal advice, consult your attorney before signing.

EACH PARTY SIGNING THESE INSTRUCTIONS HAS READ THE ADDITIONAL ESCROW CONDITIONS AND INSTRUCTIONS CONTAINED HEREIN AND APPROVES, ACCEPTS AND AGREES TO BE BOUND THEREBY AS THOUGH SAME APPEARED OVER THEIR SIGNATURES. ALL PARTIES SIGNING THIS AGREEMENT HEREBY ACKNOWLEDGE RECEIPT OF A COPY OF THESE INSTRUCTIONS.

The undersigned purchaser(s) agree to pay all normal closing costs chargeable to purchaser except as may be noted above. All funds due upon demand and to be deposited with escrow holder in the form of certified funds or by wire transfer.

I will hand you necessary documents called for on my part to cause title to be shown as above which you are authorized to deliver when you hold for my account the sum of \$ 87,100.00 deducting escrow fees, recording fees, charges for evidence of title as called for, payment of bonds, assessments, taxes and any liens of record to show title as called for, Internal Revenue Stamps on deed and any other customary fees chargeable to seller, except those the buyer agrees to pay.

**SELLERS:**

\_\_\_\_\_  
The Secretary of Housing and Urban  
Development of Washington D.C., His  
successors or assigns

**CURRENT ADDRESS:**

2500 Michelson, Suite 100, Irvine, CA 92612  
Telephone:

**BUYERS:**

\_\_\_\_\_  
Sergio Jimenez

\_\_\_\_\_  
Maria C. Esquivel

**CURRENT ADDRESS:**

2665 North Ventura Road, Port Hueneme, CA  
93041  
Telephone:



LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE COUNTY OF VENTURA, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

A CONDOMINIUM COMPRISED OF:

PARCEL 1:

AN UNDIVIDED 1/80<sup>TH</sup> INTEREST IN AND TO LOTS 1 AND 2, TRACT 2804, IN THE CITY OF OXNARD, AS PER MAP RECORDED IN BOOK 78 PAGES 41 AND 42, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THE FOLLOWING (A) AND (B):

- (A) UNITS 1 TO 80 INCLUSIVE AS SHOWN AND DEFINED ON THE CONDOMINIUM PLAN RECORDED IN BOOK 5379 PAGE 668 OF OFFICIAL RECORDS.
- (B) ALL OIL, GAS MINERALS AND OTHER HYDROCARBON RIGHTS IN AND UNDER SAID LAND, WITHOUT, HOWEVER, THE RIGHT OF ENTRY ABOVE 500 FEET MEASURED VERTICALLY FROM THE SURFACE OF SAID LAND.

PARCEL 2:

UNIT 25 AS SHOWN AND DEFINED ON THE CONDOMINIUM PLAN REFERRED TO.

SUBJECT TO ANY AND ALL MATTERS OF RECORD, INCLUDING TAXES, ASSESSMENTS, EASEMENTS, OIL AND MINERAL RESERVATIONS AND LEASES, IF ANY, RIGHTS, RIGHTS OF WAY, COVENANTS AND AGREEMENTS AND CONDITIONS, COVENANTS AND RESTRICTIONS, INCLUDING THAT CERTAIN "DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS ESTABLISHING A PLAN OF CONDOMINIUM OWNERSHIP", RECORDED MAY 8, 1979 AS INSTRUMENT NO. 79-47036 IN BOOK 5385 PAGE 329 OF OFFICIAL RECORDS OF SAID COUNTY (THE "DECLARATION").

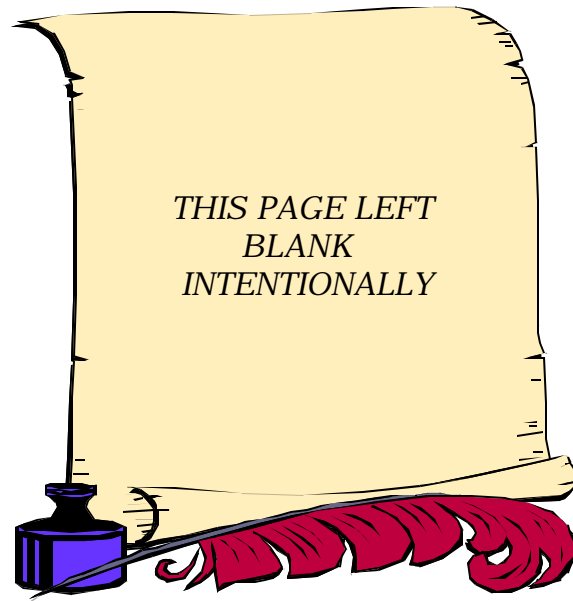
SERVICE: ESCROW CLOSING AGENT  
 VERSION: July 2, 1997

CONTRACT #: C-DEM-78722

SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT (Continued)

NOTE: Currently, HUD neither has nor anticipates having rental properties.

8. Explain all closing papers and documents to purchaser, including the signing of loan documents unless otherwise requested by the lender. Contractor shall provide to the purchaser a copy of the Lead-Based Paint Notice.
9. Notify the real estate sales broker, in writing, ten (10) days prior to scheduled closing date of the actual closing date of escrow.
10. Administer requests by the GTR for extensions of the sales closing date. The Request for Extension of Closing Date and Fee Certification, Modification No. 2, must be in writing and accompanied by the full non-refundable fee (cashier's or certified check, postal money order or broker's trust account check which has been certified by a bank or trust account) as required by HUD. Upon receipt of an extension request:
  - a. Complete Part II of the Request for Extension of Closing Date and Fee Certification according to HUD's decision and advise sales broker accordingly.
  - b. If request is denied by HUD, return extension fee to mortgage broker within one (1) business day of HUD's denial, with instructions that sale must close by previously scheduled date.
  - c. At closing, the extension fee is not to be applied to the amount due from purchaser unless sale closes prior to expiration of the extension. In such cases, purchaser is to be credited with any unused portion of the fee, computed on a daily basis.
  - d. Include the full amount of the extension fee on lines 104 and 404 of the HUD-1. If the purchaser is credited with any portion of the extension fee, include the credited amount on lines 206 and 506 of the HUD-1.
11. Upon receipt of notification by HUD that a purchaser has not performed in closing a contract, act upon the disposition of earnest money deposits within one (1) business day.
12. At Closing:
  - a. Complete all documents necessary to provide a complete closing including:
    - (1) HUD-1 and Addendum;
    - (2) SAMS 1103; and
    - (3) Deed, Note and Mortgage, or Deed of Trust, if applicable.
  - b. Unpaid property taxes shall be prorated to the date of closing. If HUD has prepaid taxes, collect appropriate amount from purchaser. If HUD owes money for its prorated portion of the taxes, credit purchaser with appropriate amount.
  - c. Unless payable by HUD, collect recording fees from purchaser and schedule the recording of the deed. Under no circumstances shall the recording of the deed be left to the purchaser or lender.
  - d. Accept only cashier's or certified check, postal money order or broker's trust account check which has been certified by a bank or trust account made payable to contractor;
  - e. From HUD's sales proceeds, pay any allowable expenses identified in Section C which are due and payable at the time of closing. Unpaid property taxes must be prorated and paid at the time of closing. The GTR must be kept informed of these transactions.



# Distribution

Secretary's Representative, 6AS  
 Comptroller, 6AF  
 Director, Accounting, 6AAF  
 Director, Single Family Homeownership Center, 9JHH  
 Saul N. Ramirez, Jr., Deputy Secretary, SD (Room 10100)  
 Kevin Simpson, Deputy General Counsel, CB (Room 10214)  
 Jon Cowan, Chief of Staff, S (Room 10000)  
 B. J. Thornberry, Special Asst. to the Deputy Secretary for Project Management, SD (Rm 10100)  
 Joseph Smith, Acting Assistant Secretary for Administration, A (Room 10110)  
 Hal C. DeCell III, A/S for Congressional and Intergovernmental Relations, J (Room 10120)  
 Ginny Terzano, Sr. Advisor to the Secretary, Office of Public Affairs, S (Room 10132)  
 Roger Chiang, Director of Scheduling and Advance, AL (Room 10158)  
 Howard Glaser, Counselor to the Secretary, S (Room 10218)  
 Rhoda Glickman, Deputy Chief of Staff, S (Room 10226)  
 Todd Howe, Deputy Chief of Staff for Operations, S (Room 10226)  
 Jacquie Lawing, Deputy Chief of Staff for Programs & Policy, S (Room 10226)  
 Patricia Enright, Deputy A/S for Public Affairs, W (Room 10222)  
 Joseph Hacala, Special Asst for Inter-Faith Community Outreach, S (Room 10222)  
 Marcella Belt, Executive Officer for Admin Operations and Management, S (Room 10220)  
 Karen Hinton, Sr. Advisor to the Secretary for Pine Ridge Project (Room 10216)  
 Gail W. Laster, General Counsel, C (Room 10214)  
 Armando Falcon, Office of Federal Housing Enterprise Oversight (Room 9100)  
 William Apgar, Assistant Secretary for Housing/FHA, H (Room 9100)  
 Susan Wachter, Office of Policy Development and Research (Room 8100)  
 Cardell Cooper, Assistant Secretary for CPD, D (Room 7100)  
 George S. Anderson, Office of Ginnie Mae, T (Room 6100)  
 Eva Plaza, Assistant Secretary for FHEO, E (Room 5100)  
 V. Stephen Carberry, Chief Procurement Officer, N (Room 5184)  
 Harold Lucas, Assistant Secretary for Public & Indian Housing, P (Room 4100)  
 Gloria R. Parker, Chief Information Officer, Q (Room 8206, L'Enfant Plaza)  
 Frank L. Davis, Director, Office of Dept Operations and Coordination, I (Room 2124)  
 Office of the Chief Financial Officer, F (Room 2202)  
 Edward Kraus, Director, Enforcement Center, V, 200 Portals Bldg., Wash. D.C. 20024  
 Donald J. LaVoy, Acting Director, REAC, X, 800 Portals Bldg., Wash. D.C. 20024  
 Ira Peppercorn, Director, Office of MF Asst Restructuring, Y, 4000 Portals Bldg., D.C. 20024  
 Mary Madden, Assistant Deputy Secretary for Field Policy & Mgmt, SDF (Room 7108) (2)  
 Deputy Chief Financial Officer for Operations, FF (Room 2202)  
 David Gibbons, Director, Office of Budget, FO (Room 3270)  
 Rebecca J. Holtz, Housing Program Officer, HUCI (Room 9146)  
 FTW ALO, 6AF (2)  
 San Francisco ALO, 9AF



**DISTRIBUTION (Cont'd)**

Housing ALO, HF (Room 9116) (2)  
Dept. ALO, FM (Room 2206) (2)  
Acquisitions Librarian, Library, AS (Room 8141)  
Director, Hsg. & Comm. Devel. Issues, **US GAO**, 441 G St. NW, Room 2474  
Washington, DC 20548 **Attn: Judy England-Joseph**  
Henry A. Waxman, Ranking Member, Committee on Govt Reform,  
House of Rep., Washington, D.C. 20515  
The Honorable Fred Thompson, Chairman, Committee on Govt Affairs,  
U.S. Senate, Washington, D.C. 20510  
The Honorable Joseph Lieberman, Ranking Member, Committee on Govt Affairs,  
U.S. Senate, Washington, D.C. 20510  
Cindy Fogleman, Subcomm. on Gen. Oversight & Invest., Room 212,  
O'Neill House Ofc. Bldg., Washington, D.C. 20515  
The Honorable Dan Burton, Chairman, Committee on Govt Reform,  
House of Representatives, Washington, D.C. 20515  
Deputy Staff Director, Counsel, Subcommittee on Criminal Justice, Drug Policy & Human  
Resources, B373 Rayburn House Ofc. Bldg., Washington, D.C. 20515  
Steve Redburn, Chief, Housing Branch, Office of Management and Budget  
725 17<sup>th</sup> Street, NW, Room 9226, New Exec. Ofc. Bldg., Washington, D.C. 20503  
Inspector General, G  
Fortune Escrow, Inc.