

ESCROW ADVISORY COMMITTEE MEETING

June 10, 2025

10:00 AM – 11:00 AM

300 S. Spring St., 15th floor conference room, Los Angeles, CA 90013

Or via. Microsoft Teams

Department of Financial Protection and Innovation Represented by:

Greg Young, Senior Deputy Commissioner
Sheila Oliver, Deputy Commissioner, Escrow and Mortgage Lending
Adrian Diaz, Deputy Commissioner, External Affairs
Paul Liang, Assistant Deputy Commissioner
Gary Suzuki, Special Administrator – Regulatory

Committee Members:

Barry Sender, Village Escrow Services / Other Business Ownership
Heidi Cassel, Command Escrow, Inc. / Medium Sized Escrow Company
Jason Watrous, Freedom Escrow / Chairperson EAFC**
Juliana Tu, Viva Escrow! Inc. / Business Specialization
Matthew Davis, Esq., Davis & Davis Law Group, APC
Nancy Silberberg, Altus Escrow, Inc./Past Chairperson EIC*
Patricia J. (P.J.) Garcia, Beach Pacific Escrow, Inc./ Chairperson EIC *
Pat Garcia, Beach Pacific Escrow, Inc. / Vice Chairperson EAFC **

* Escrow Institute of California

** Escrow Agents' Fidelity Corporation

1. Welcome and Opening Remarks

Paul Liang welcomed attendees, acknowledging those participating in person and remotely. He reminded virtual participants to mute their microphones to minimize background noise. Liang noted that the agenda and prior meeting minutes are posted on DFPI's website at least 10 days before each meeting.

A roll call was conducted, confirming quorum. Liang followed up on a previous inquiry from Pat Garcia regarding ACH payment receipts, confirming that licensees may request receipts directly from DFPI's accounting team via email.

2. Review and Approval of February 19, 2025, Minutes

Members discussed the February 19 minutes. P.J. Garcia and Matthew Davis had not completed their review and requested earlier notification when minutes are posted. Juliana Tu questioned a statement regarding follow-up calls after post-examination surveys. Liang clarified that such calls are made only upon request, not automatically.

Barry Sender moved to approve the minutes; Tu seconded. The motion carried. Liang reminded members that additional comments may be submitted after the meeting.

3. DFPI Updates

Liang announced that the Commissioner appointed Jeff Behm as the new CPA representative. Although absent from this meeting, Behm has previously served seven terms since 2002 and brings over 35 years of experience auditing independent escrow companies. The small business representative seat remains vacant, and three additional seats will open in August:

- Medium-sized escrow company representative
- Business specialization representative
- Attorney representative

Liang thanked outgoing members Davis, Heidi Cassel, and Tu, encouraging qualified candidates to submit a resume and letter of qualification. Candidate evaluation will prioritize relevant expertise and advocacy capability rather than employer size.

Liang outlined DFPI's return-to-office plan effective July 1, noting that increased staffing in the Los Angeles office will enhance in-person services, including record inspections, payment submissions, and other direct interactions.

Liang also announced development of a voluntary compliance training course for non-managerial escrow staff, separate from management training. Members were invited to submit suggested topics directly to him.

PJ Garcia inquired about potential changes to the small business qualification criteria. Liang stated that no official changes have been made; however, less weight will be placed on employer size, with greater emphasis on an applicant's ability to effectively represent the interests of small or medium-sized escrow companies.

Nancy Silberberg inquired about the course scope and suggested forming a subcommittee to assist in course development. Liang indicated that subcommittee involvement could be considered at a later stage as the department is currently gathering topic suggestions and other inputs.

Davis expressed concerns that course content could inadvertently create enforceable legal standards and requested that a syllabus be reviewed prior to implementation. Liang emphasized that the training will be voluntary and introductory in nature, intended to provide foundational compliance awareness, and confirmed that its legal accuracy will be reviewed by DFPI legal counsel.

Davis and other members referenced an existing community college course, Escrow One at a Community College, which could serve as a potential model and may shorten the experience requirement for managers under statutory provisions. Liang encouraged members to share such resources with the industry. PJ asked where to send training topic suggestions; Liang requested they be sent directly to him.

4. License Abandonment

Deputy Commissioner Oliver highlighted a growing concern over the past 12 months: several escrow licensees have abruptly ceased operations, abandoned their licenses and taken client trust funds. This trend poses serious risks to consumers and undermines public trust in the industry. Since the DFPI does not conduct annual examinations of licensees, early detection is challenging. Deputy Commissioner Oliver urged industry members to promptly report suspected license abandonment or inactivity while still holding client funds, directing reports to Exam Manager Gary Suzuki.

PJ Garcia questioned whether these cases involve entities closing without following proper surrender procedures, effectively “walking away” with trust funds. Davis asked whether these entities appear on DFPI’s administrative action list. Liang stated that only one entity is currently listed, with others under investigation.

Silberberg sought clarification on whether this is tied to missing closing audits. Deputy Commissioner Oliver confirmed that closing audits are not received because businesses simply walk away. Silberberg proposed DFPI issue or update guidance on the surrender process for broader industry distribution. Liang noted an existing 2007 Escrow Bulletin with surrender procedures is still valid, and DFPI is preparing a related FAQ for its website. Cassel supported issuing a new, highly visible notice.

Pat Garcia inquired whether the loss of trust funds had been confirmed, to which Deputy Commissioner Oliver responded that in all confirmed cases, the losses were verified. Sender emphasized the need to report any credible signs of potential losses quickly, noting that while dishonest actors may ignore official guidance, timely reporting can still help protect consumers and the industry. PJ Garcia questioned whether trust account balances are indeed depleted in these cases and committed to encouraging vigilance among EIC members. Silberberg added that proper surrender procedures could deter some licensees from improper exits.

Tu requested DFPI disclose company names and details to aid industry alerts and offered to publish surrender guidance in the EIC newsletter. A public attendee recommended making abandoned company contact information easier to locate on DFPI’s website.

Building on concerns regarding consumer protection and industry integrity, PJ Garcia requested that the DFPI become involved in federal legislative efforts to require banks, credit unions, and other financial institutions to verify that incoming wire transfers match the account holder’s name. Deputy Commissioner Oliver noted that the DFPI does not have authority over federally chartered or out-of-state institutions. She suggested that the EIC collaborate with the American Escrow Association to explore potential federal legislative solutions to address this issue.

Davis added that the underlying challenge stems from federal banking laws enacted in the 1980s, which do not impose any obligation on banks to verify the names of wire transfer beneficiaries. While some financial institutions have implemented internal verification policies, revising the law would require action at the federal level. PJ Garcia and Davis

agreed that the current lack of verification contributes to wire fraud and noted that previous attempts to address this issue through legislative channels have stalled in Washington, D.C.

5. Exam Issues

Suzuki described the critical role escrow agents play as neutral parties in significant financial transactions. He reminded licensees that because escrow agents handle both money and property, they are prime targets for fraud. Suzuki stressed the importance of diligence, internal controls, reviewing escrow reports, auditing files, and training staff to recognize phishing attempts and red flags to prevent fraudulent activity.

Suzuki then discussed a recent case involving Statewide Escrow Inc. During a regulatory examination, the licensee was uncooperative, and repeated requests for books and records went unanswered. Examination revealed a trust account shortage of approximately \$320,000 caused by 128 unauthorized transfers to the general account. The licensee failed to maintain a surety bond and did not file the annual audit report, leading the DFPI to issue an order to discontinue escrow activities and accusation to bar the owner from employment, management, or control of any escrow agents.

PJ Garcia noted that while education on wire fraud risks have improved for owners and practitioners, real estate agents and consumers remain weak points due to poor email security and lack of cooperation with security protocols. Silberberg added that some diversions occur before funds reach escrow, highlighting the need for public education to help buyers recognize and prevent fraud.

Davis discussed recurring issues with escrow ownership, particularly former brokers starting independent escrow companies without understanding regulatory responsibilities. This lack of knowledge often leads to abandoned escrow companies or regulatory violations. Davis emphasized the need to train owners, not just employees, because employees often have to defer to owner decisions, which can put them in ethical or legal conflicts. PJ Garcia agreed, noting that some employees leave to protect themselves, and real estate brokers sometimes switch licenses to bypass compliance obligations.

Suzuki then described several ongoing cases emphasizing proper ID verification. One case involved an employee who created a fake escrow and issued unauthorized trust checks totaling approximately \$540,500. The issue was discovered, reported to police, and the funds were replenished. Other cases involved fraudulent refinancing and real estate transactions, where fraudsters used stolen identities or falsified ownership documents to attempt large withdrawals. In each case, licensees acted to identify the fraud, recover funds, and mitigate losses, which underscored the need for strong internal controls and vigilant verification procedures.

6. Enforcement Actions and Licensing Update

Liang reviewed licensing statistics and enforcement actions for the second quarter of 2025, noting that over the last quarter, the department took more than ten actions, including issuing

accusation, orders discontinuing violations, and revoking licenses. He highlighted the California Escrow Group case, where an accusation was issued to revoke the escrow agent's license for referral fee violations, misrepresentation, and unlicensed branch activity. He mentioned that the enforcement division is posting the accusation on the department's website, which should be available to the public, and offered to provide advisory members with a copy if it's not yet accessible.

As of May 31st, there are 710 licensed companies and 1,058 licensed locations, reflecting a slight decrease from the previous year. Liang noted that these numbers have remained relatively stable over five to ten years. The department currently has 25 licenses pending surrender, and 13 main and branch license applications are pending. He emphasized that licensing trends have remained consistent quarter-to-quarter.

7. Public Comments

None

8. Closing Remarks

Liang thanked everyone for their attendance and participation. The next quarterly advisory meeting was tentatively scheduled for September 9, 2025 at 10 a.m. At 11:45 a.m., Liang adjourned the meeting.