

ESCROW ADVISORY COMMITTEE MEETING

September 9, 2025

10:00 AM – 11:30 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:

Adrian Diaz, Deputy Commissioner, External Affairs

Colleen Monahan, Deputy Commissioner, Legal

Greg Young, Senior Deputy Commissioner, Division of Corporations and Financial Institutions

Mary Ann Smith, Deputy Commissioner, Enforcement

Myriam Valdez-Singh, Deputy Commissioner, Legislation

Paul Liang, Assistant Deputy Commissioner, Escrow Law

Sheila Oliver, Deputy Commissioner, Escrow and Mortgage Lending Office

Committee Members:

Barry Sender, Village Escrow Services / Other Business Ownership

Diane Boudreau-Tschetter, California Business Escrow, Inc. / Business Specialization

Jason Watrous, Freedom Escrow / Chairperson EAFC**

Jeffrey Behm, CPA, Landmark Certified Public Accountant

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 **

Stephanie Wolf, Pickford Escrow Company / Medium Sized Escrow Company

* Escrow Institute of California

** Escrow Agents' Fidelity Corporation

1. Welcome and Opening Remarks

Paul Liang opened the meeting by welcoming participants, confirming quorum, and reminding members of participation protocols. He noted that materials were available online and in print and emphasized the meeting would adjourn promptly at 11:30. Basic housekeeping guidance was given for both in-person and virtual attendees.

Introductions followed, beginning with Greg Young as Escrow Advisory Committee chairperson and Senior Deputy Commissioner, along with Adrian Diaz, Colleen Monahan, Mary Ann Smith, Myriam Valdez-Singh, and Sheila Oliver, each briefly outlining their roles within DFPI. Advisory members then introduced themselves, including Barry Sender, Diane Boudreau-Tschetter, Jason Watrous, Jeff Behm, Nancy Silberberg, PJ Garcia, Pat Garcia, and Stephanie Wolf, who shared their professional backgrounds and areas of representation.

2. Review and Approval of June 10, 2025, Minutes

Liang stated that the draft minutes had been circulated in advance. They were also posted on the DFPI website. Printed copies were available at the front desk for in-person attendees. He then opened the floor for any corrections or clarifications.

Silberberg moved to approve the minutes, and Sender seconded the motion. With no objections raised, the June 10, 2025 minutes were approved.

3. DFPI Updates

a. Governor's RTO Executive Order

Liang provided an update on the governor's March 2025 executive order requiring state employees to return to the office at least four days per week starting July 1. The goal of the order was to strengthen collaboration, improve innovation, and ensure state government operates effectively with more in-person interaction.

Negotiations with SEIU Local 1000, representing a significant number of state employees, resulted in a change to the timeline. The four-day in-office requirement has been postponed for a full year, with the earliest implementation now set for July 2026. Liang noted that the DFPI will continue its current hybrid model, with staff available via phone, email, virtual meetings, and in-person appointments as needed. This delay allows for better planning and ensures no disruption to services. The committee will be updated on any new developments.

During the discussion, Silberberg asked about current in-office attendance. Liang explained that most licensing team members are currently in the office two to three days per week on a rotating schedule, ensuring in-person services are available throughout the week. Licensees are encouraged to schedule appointments in advance for record inspections, form submissions, or payments to minimize wait times.

b. Cybersecurity Incident Report form

Young presented an update on the new Cybersecurity Incident Report Form, now available on the department's website. He explained that the form is designed to help licensees quickly and easily report known or suspected cybersecurity incidents. The intent is to provide early notification, enabling the department to work with licensees on containment and mitigation. The reporting is voluntary but strongly encouraged, ideally within 48 hours of discovery. Young emphasized that the form is for awareness, not punishment, and will help track incident patterns, improve examination procedures, and strengthen protections for consumers and licensees.

PJ Garcia questioned whether reporting was voluntary or mandatory and inquired about follow-up use of the data. Young confirmed the process is voluntary and clarified that the information will be used internally to identify trends and inform future IT examinations. Garcia also sought clarification on whether the department would share broader industry trends; Young responded that the form is internal, the department may use aggregate data to guide examination focus.

Silberberg asked about the differences between reporting monetary and non-monetary incidents, how this interacts with state breach notification laws, and whether reporting could trigger examinations. Young clarified that reports are intended primarily for awareness. If no funds or sensitive data are compromised, the department may take no further action. Silberberg expressed concern that fear of repercussions could discourage reporting; Young and Oliver stressed that the intent is not punitive but to ensure awareness and protection.

Sender supported the initiative, noting that even unsuccessful incidents should be documented as they aid in remediation and risk management. He recommended the form as a valuable tool and underscored the importance of licensees demonstrating reasonable cybersecurity safeguards. Behm inquired about the response process after submitting a form, to which Young confirmed that an examiner would reach out to assess severity and determine next steps.

Liang emphasized that trust account shortages must still be reported immediately as required by law. Monahan reinforced that cybersecurity incidents pose serious risks to the licensed community and urged licensees to view reporting as a collective safety mechanism rather than a compliance threat.

c. Escrow Advisory Committee Vacancies

Liang reported that all advisory committee vacancies have now been filled. A current list of members, including their information and term dates, will be published on the department's website for reference.

He clarified that, with the exception of EIC and EAFC representatives, whose terms are renewed annually, committee members serve two-year terms. As a result, no positions are open for the remainder of this year. Looking ahead, Sender's term as the business representative will expire in August 2026, and recruitment efforts will begin prior to that date to ensure a smooth transition. All other members' terms are scheduled to conclude in 2027.

Liang also expressed appreciation to all applicants and those who supported outreach efforts, noting that such engagement is vital to maintaining a strong, effective, and diverse advisory committee.

d. DFPI/DRE Joint Bulletin

Monahan provided an update on the recent joint bulletin issued by DFPI and DRE regarding escrow fund disbursements, particularly concerning broker fees and commissions. The bulletin's goals were to improve transparency, ensure compliance, and prevent unlicensed activity or kickbacks. Monahan acknowledged that the release has generated many questions and some confusion. Both agencies are coordinating to clarify areas of uncertainty, and additional guidance will be provided in the future potentially through FAQs or other resources. Stakeholders were encouraged to submit questions directly to Liang or Monahan for inclusion in this process.

PJ Garcia raised several detailed questions on behalf of licensees, including: whether client approval directly on a CDA form, rather than a revised commission disbursement instruction, is acceptable; whether commissions may be paid to broker-formed entities (LLCs or corporations) without a DRE license number; and the permissibility of referral fee payments to licensed in-state or out-of-state agents not directly part of a transaction. Monahan confirmed these questions are under review, that the DFPI is coordinating with DRE, and additional guidance will be forthcoming.

Silberberg noted that some companies have already encountered audit findings related to the new bulletin. She stressed that inconsistent examiner interpretations create confusion and requested clearer enforcement timelines. Liang advised that exam-specific issues should be raised directly with exam managers but assured that the department aims to keep interpretations consistent across examinations.

e. Fin Code 17420 Referral Violations

Liang provided an update on referral fee practices under Section 17420. He explained that the Department has prepared a referral fee bulletin to clarify prohibited practices, which is currently under legal review. Once finalized, the bulletin will be communicated directly to licensees. Liang emphasized that referral fee arrangements can create conflicts of interest, undermine transparency, and pose risks to consumers. While enforcement has been difficult in the past due to limited documentation and staffing, the Department's recent reorganization has established three dedicated examination teams, allowing for closer coordination and stronger oversight. Liang encouraged members to share evidence of concerning practices and to help identify emerging trends in the industry.

Several members offered observations. Silberberg noted that cash continues to be exchanged in connection with escrow services. PJ Garcia described cases in which escrow companies provide access to media rooms for real estate agents, effectively subsidizing their business expenses and raising compliance concerns. Boudreau-Tschetter reported that some escrow companies have offered \$100 cash incentives for opening accounts but that brokers are reluctant to provide written confirmation, which limits the DFPI's ability to take enforcement action. Both PJ Garcia and Boudreau-Tschetter stressed the importance of addressing both demand and supply, warning that violations will persist if only one side is targeted. They also pointed out that cash transactions often escape detection in audits, further complicating enforcement.

Members discussed the need to encourage reporting, even in the absence of formal documentation. PJ Garcia observed that many in the industry feel discouraged from reporting because they perceive it as ineffective or burdensome. Boudreau-Tschetter reiterated the importance of documentation but acknowledged the difficulty of obtaining it. Silberberg suggested that the Department issue regular reminders and guidance to reinforce awareness, noting that even consistent messaging can influence industry behavior. Liang confirmed that the Department acknowledges every submission with a confirmation email, ensuring that reports are not disregarded. Monahan added that while ongoing investigations cannot be shared with complainants, acknowledgment is always provided, and Valdez-Singh emphasized that complaints submitted through the Consumer Services Office reliably receive responses.

Sender urged the Department to coordinate with other regulatory agencies, such as the Department of Real Estate and the Department of Insurance, stating that joint guidance has proven to be effective. He suggested that coordinated action would send a stronger deterrent message.

PJ Garcia suggested expanding EAFC's whistleblower programs to provide an additional channel for reporting. Watrous explained that the EAFC contracts with WeTip for whistleblower reports, though most calls received are related to financial losses rather than referral practices. PJ Garcia noted that extending this option to cover other violations could be useful for customers concerned about their transactions.

f. SB 470 – Bagley Keen Amendment

Liang provided an update on Senate Bill 470, which amends the Bagley-Keene Open Meeting Act. He explained that the bill extends the rules permitting state advisory bodies to meet via teleconference, provided that a physical location is designated for public

access and members remain visible during the meeting. For advisory members, the key change is that any location from which a member participates must also be open to the public. This means private homes, vehicles, or other non-public locations may not be used unless the public can physically attend at that location. Liang stated that the Department will need to confirm in advance where each member intends to participate, so that the proper addresses can be listed in the agenda. SB 470 is expected to be enacted, with new requirements likely affecting meeting planning beginning next calendar year. Guidance will be issued once the bill is finalized to ensure compliance.

Liang then provided a brief overview of Assembly Bill 493. The law requires mortgage lenders to pay interest on insurance proceeds held in escrow following property damage or loss, ensuring homeowners receive compensation while their property is repaired or rebuilt. Liang noted that this law does not appear to directly impact independent escrow licensees but flagged it in case any indirect issues arise. Silberberg observed that the legislation stemmed from cases in which homeowners affected by wildfires were unable to access the benefits of insurance payouts while lenders retained the funds. Boudreau-Tschetter clarified that while lenders or their escrow divisions may hold the proceeds, the funds are not typically handled by independent escrow companies.

Valdez-Singh provided further clarification, explaining that the bill requires post-loss insurance proceeds to be placed in FDIC-insured impound accounts that accrue interest for the borrower. She noted this corrected a gap in the law, as previously some lenders or servicers were not providing interest while holding the funds. She emphasized that the measure arose in response to the Los Angeles wildfires and was intended to protect homeowners in such situations.

PJ Garcia added that, following the fires, she had received more inquiries from homeowners struggling with checks issued jointly to themselves and their mortgage companies. She described the practical difficulties around negotiating such checks, with both parties concerned about who should endorse first, which often led to delays. Valdez-Singh encouraged that, in such cases, consumers may file complaints with the Department if mortgage lenders or servicers were creating unnecessary barriers or confusion. PJ Garcia acknowledged this and agreed to provide that option to her clients.

4. Enforcement Actions and Licensing Update

Liang stated that a copy of the enforcement and licensing updates had been emailed to all members in advance. He highlighted that during the past quarter, the Department had taken 7 enforcement actions, with orders and related information posted publicly on the Department's website.

Liang stated that the number of licensed companies and licensed locations remained steady, showing an increase of two from the previous year. As of August 2025, there were 24 licenses pending surrender, nine new main license applications under review, and nine pending branch applications. Overall, the data showed no significant fluctuation in the

number of licensed companies or locations, which Liang noted as an indication of the industry's resilience despite changes in the business environment and interest rates.

Looking at a broader five to ten-year period, Liang observed that the number of licensed escrow companies has remained consistently stable, with gradual increases over time. Silberberg commented that the upcoming assessment cycle may influence licensee behavior, particularly for companies weighing the costs of maintaining their licenses. She suggested that some license holders may reconsider whether to continue if they do not wish to pay the new assessment fee. Liang responded that the Department is closely monitoring licensing data on a monthly basis and, to date, has seen no notable changes.

5. Public Comments

A member of the public raised several questions and concerns. He asked whether submitting the new cybersecurity incident form would result in the Department conducting a full IT examination of a licensee's systems, including sending IT staff to review company computers.

Young clarified that the cybersecurity incident form is intended as an assessment tool, not as an automatic trigger for a full-scale examination. The form enables the Department to evaluate the severity of an incident and determine whether consumer or financial information was compromised. While additional inquiries may follow, an IT review is not automatically part of every examination.

Liang further confirmed that IT-related elements may be included only if warranted by the circumstances, but licensees should not expect specialized IT examiners to appear automatically. Young emphasized that the Department's approach is not punitive but aims to ensure vigilance in protecting consumer information.

The same member then raised a second issue regarding the joint bulletin with the DRE. He asked whether the agencies intend to issue a supplemental or clarified bulletin, particularly regarding case law, contractual obligations, and sections 10137 and 10138 of the Business and Professions Code. He cautioned that, without addressing these areas, the bulletin risks being challenged as an underground regulation. Monahan responded that next steps for clarification are still under evaluation, and that case law and contractual implications are being reviewed as part of the process. This member urged the Department to facilitate open discussion within the committee rather than relying solely on private communications, noting concerns that examiners may be enforcing unclear or potentially unenforceable guidance.

The member then expressed concern over delays in enforcement actions against individuals known to have committed embezzlement. He stated that some individuals remain active in the industry despite evidence of misconduct and membership suspension by the EAFC. He asked why disciplinary actions have taken longer than in past years, sometimes exceeding six to nine months. Liang responded that he could not comment on specific cases without further details, but he invited this member to provide names

privately for follow-up. Smith acknowledged the concerns and confirmed that the Department would take them under consideration.

6. Closing Remarks

Liang thanked everyone for their attendance and participation. The next quarterly advisory meeting was tentatively scheduled for December 16, 2025 at 10 a.m. At 11:40 a.m., Liang adjourned the meeting.