

ESCROW LAW ADVISORY COMMITTEE MEETING

March 17, 2026

10:00 a.m. to 11:30 a.m.

320 W. 4th Street, Suite 750, Los Angeles, CA 90013

Or via. Microsoft Teams

Department of Financial Protection and Innovation Represented by:

Adrian Diaz, Deputy Commissioner, External Affairs
Boryana Arsova, Assistant Chief Counsel, Enforcement
Brian Pendleton, Legal Counsel
Colleen Monahan, Deputy Commissioner, Legal
Greg Young, Senior Deputy Commissioner, Division of Corporations and Financial Institutions
Lara Verwer, Senior Counsel, Legal
Paul Liang, Assistant Deputy Commissioner, Escrow
Sheila Oliver, Deputy Commissioner, Escrow and Mortgage Lending Office
Sultanna Wan, Special Administrator-Licensing

Department of Real Estate Represented by:

Stephen Lerner, Assistant Commissioner, Legal Affairs

Committee Members Present:

In-person Attendees:

Barry Sender, Village Escrow Services / Other Business Ownership
Greg Young, DFPI, Escrow Law Advisory Committee Chair
Jason Watrous, Freedom Escrow / Chairperson EAFC**
Jennifer Felten, RELAW, APC
Kelly Wirchak, Cardinal Escrow, Inc. / Chairperson EIC *
Nancy Silberberg, Altus Escrow, Inc./Vice Chairperson EAFC**
Patricia J. (P.J.) Garcia, Beach Pacific Escrow, Inc./ Past Chairperson EIC *

Virtual Attendees:

Diane Boudreau-Tschetter, California Business Escrow, Inc. / Business Specialization
Jeffrey Behm, CPA, Landmark Certified Public Accountant
Stephanie Wolf, Pickford Escrow Company / Medium Sized Escrow Company
Tracy Elliott, Wine Country Escrow, Inc / Small Business

* Escrow Institute of California

** Escrow Agents' Fidelity Corporation

1. Call to Order and Roll Call

Paul Liang called the meeting to order at 10:00 a.m. The meeting was held in a hybrid format at the DFPI Los Angeles office and via Microsoft Teams. Liang reminded attendees that the meeting was open to the public and conducted in accordance with the Bagley-Keene Open Meeting Act.

Liang recognized DFPI staff in attendance, including Greg Young, Adrian Diaz, Sheila Oliver, Colleen Monahan, Laura Verwer, Brian Pendleton, Sultanna Wan, and Boryana Arsova. Roll call was conducted, and a quorum was established.

2. Welcome & Opening Remarks

Liang welcomed committee members, DFPI staff, and members of the public to the first quarterly meeting of 2026. He reminded virtual attendees to remain muted unless speaking and noted that public comments would be limited to two minutes.

3. Review and Approval of Minutes for 12/10/25 Meeting

Liang opened the floor for corrections to the December 10, 2025, meeting minutes. Garcia moved to approve the minutes. Barry Sender seconded. Chairperson Young confirmed approval, and the minutes were adopted.

4. DFPI Updates

• Bagley-Keene Open Meeting Act

Liang introduced Pendleton to provide an overview of the Bagley-Keene Open Meeting Act. Pendleton reviewed the constitutional basis for public access, what constitutes a meeting, serial meeting rules, and exceptions for social or educational gatherings. He explained teleconference requirements, including temporary exceptions for advisory bodies through January 1, 2030. He also discussed agenda posting, ADA-compliant materials, public recording rights, and consequences for violations.

Committee members asked questions regarding attendance requirements and remote participation. Pendleton clarified that members may choose their attendance mode and that in-person quorum requirements will not apply until 2030. Liang thanked Pendleton for his presentation.

• Enforcement Actions

Liang invited Arsova to present enforcement updates. Arsova reported:

- A final order barring Beverly James Stickler for misappropriating over \$500,000 in escrow funds and falsifying records.
- An accusation against Jerry Ward for unauthorized disbursements resulting in approximately \$90,000 trust fund shortage.
- An accusation seeking revocation of Melrose Escrow Inc. for failing to submit required audit reports and complete the surrender process.

Nancy Silberberg noted that the printed enforcement chart appeared incomplete. Liang acknowledged a formatting issue and stated that an updated version would be provided.

Regarding California Escrow Group, Liang reported no new updates beyond what is publicly available.

- **Licensing Statistics**

Liang invited Wan to present licensing updates. Wan reported that as of February 28, 2026, DFPI oversaw:

- 700 main licensees
- 333 branches
- 1,033 licensed locations

This reflects decreases of 14 main licensees, 13 branches, and 27 locations from the same period a year ago. Wan stated that DFPI has not observed a direct correlation between license surrenders and the new assessment rate. She noted 32 pending surrender applications and 15 pending new license applications, with processing times dependent on applicant responsiveness. Liang added that the licensing team is operating with only four staff members due to retirements, resignations, and leave, and that the April 15 annual audit reporting deadline will significantly increase licensing team's workload. Silberberg noted that some licensees are waiting for leases to expire before surrendering. Liang acknowledged the concern but stated that DFPI has not observed alarming trends.

5. AI Risk Landscape

Liang introduced Jennifer Felten to present on emerging AI risks in the escrow and settlement industry. Felten explained that AI is embedded in nearly all digital tools and is already influencing escrow operations. She described how AI can summarize contracts, flag risks, assist with drafting, and support workflow management, but can also introduce errors if not properly supervised.

Felten discussed optical character recognition, predictive analytics, and email-sorting tools such as SandBox. She emphasized that AI chatbots rely on pre-programmed databases and cannot independently reason. She reviewed regulatory guidance from the California State Bar, New York Department of Financial Services, New Jersey judiciary, and Wisconsin Office of Commissioner of Insurance, highlighting concerns about confidentiality, competency, and reliance on unverified AI output.

Felten outlined common AI misuse trends, including missing data, unreviewed communications, improper disclosure of confidential information, and increasingly sophisticated phishing attempts. She warned that AI-generated voice impersonation is becoming highly convincing. She advised regulators to focus on the accuracy and compliance of final work products rather than the tools used to create them.

Committee members discussed the impact of AI on training, consumer expectations, fraud risks, and market pressures. Young described AI as "the new intern," requiring oversight. Garcia emphasized the importance of human relationships in escrow work. Wirchak warned

that large lender-affiliated vendors are using AI to offer extremely low-cost escrow services, potentially misleading consumers. A member of the public expressed concern that younger staff rely heavily on technology without understanding foundational concepts. Another member of the public described AI-generated voice impersonation technology and emphasized the need for fraud-prevention tools.

Barry Sender suggested that the committee should revisit the idea of establishing a formal licensing requirement for escrow officers, similar to the licensing framework used for real estate agents. Sender emphasized that as AI becomes more integrated into escrow workflows, the industry needs a mechanism to ensure that individuals responsible for critical escrow functions possess a verified level of competency and can be held accountable through a licensure system.

Wirchak responded by cautioning that any licensing requirement must apply uniformly across the entire escrow ecosystem. She noted that imposing licensing only on independent escrow companies, while exempting title companies or large lender-affiliated entities, would create a significant competitive imbalance. Wirchak stressed that independent escrow companies are already under pressure from large firms offering low-cost or AI-driven escrow services, and a licensing requirement applied unevenly would further disadvantage them.

Liang intervened to clarify that licensing was not listed as an agenda item for this meeting. Because the committee is required to follow the Bagley-Keene Open Meeting Act, Liang explained that the group could not continue an in-depth discussion on a topic that had not been publicly noticed. He proposed tabling the licensing issue for a future meeting where it could be properly agendaized, allowing members to prepare comments and enabling DFPI staff to evaluate the regulatory implications. Liang encouraged members to submit written input ahead of the next meeting so the topic could be addressed formally.

6. Regulatory Viewpoint: AML RRE Rule

Liang introduced the agenda item on the FinCEN Real Estate Reporting Rule (RRE Rule) and summarized Sender's question from the prior meeting regarding how certain reporting arrangements might be viewed from a regulatory and enforcement standpoint. Sender had raised concerns about scenarios in which title companies offer to handle the FinCEN reporting obligations on behalf of an escrow holder, sometimes charging a fee, and in other cases offering the service at no cost if the escrow holder uses that title company for multiple transactions. Liang noted that these arrangements raise questions about whether such practices could constitute inducements, implicate RESPA, or otherwise create compliance concerns under Financial Code section 17420. Sender confirmed that Liang had accurately summarized his concerns.

Liang noted that DFPI's focus in reviewing such arrangements would be on whether an escrow licensee's acceptance of a bundled or discounted reporting service could improperly influence the selection of service providers, create a conflict of interest, or result in a benefit that should not be accepted under the Escrow Law. Liang emphasized that DFPI would also

consider whether the arrangement affects the escrow holder's independence or creates an expectation that the escrow company steer business to a particular title provider.

Lara Verwer provided additional regulatory context. Verwer reiterated that DFPI does not pre-approve or endorse specific business models and would evaluate any concerns on a case-by-case basis. She cautioned that licensees should be mindful of both state law and federal requirements.

7. DFPI/DRE Joint Bulletin

Monahan introduced Stephen Lerner from the Department of Real Estate to provide an update on the DFPI/DRE Joint Bulletin and the broader regulatory landscape surrounding commission-related disbursements through escrow.

Lerner began by explaining that escrow regulation is uniquely complex because three separate agencies share jurisdiction:

- the Department of Financial Protection and Innovation (DFPI), which regulates independent escrow companies under the Escrow Law;
- the Department of Insurance (DOI), which regulates title insurers and underwritten title companies that conduct escrow related activities; and
- the Department of Real Estate (DRE), which regulates broker-controlled escrows conducted under statutory exemptions.

Each agency operates under its own statutory framework, and historically there has been limited cross agency guidance on the permissible scope of commission related payouts through escrow.

Lerner reviewed prior DRE guidance issued in 2000 and 2012, which acknowledged that commission disbursements could be made not only to brokers but also to their affiliated licensees and to wholly owned corporations of those licensees. Over time, industry practice expanded around these interpretations. When DFPI and DRE jointly issued the June 30 bulletin, the intent was to address egregious and clearly improper payouts identified during DFPI audits, examples included escrow disbursements for a broker's child's tuition, medical expenses, and unrelated office costs. Lerner acknowledged that the bulletin caused significant confusion across the industry and apologized for the disruption, noting that the agencies did not anticipate how deeply the bulletin would affect long standing operational practices.

Lerner explained that DRE has been conducting extensive outreach since the bulletin's release, hearing from independent escrow companies, title and broker-controlled escrows, attorneys, Realtor associations, brokers of all sizes, individual licensees, compliance officers, and transaction coordinators. Based on this input, DRE identified three potential regulatory pathways:

I. Strict approach:

Limit escrow payouts only to brokers, as stated in Business and Professions Code section 10138. Under this model, brokers would be solely responsible for all downstream payments to agents, teams, corporations, or coordinators outside of escrow.

II. Middle approach:

Allow payouts to brokers, their affiliated licensees, and wholly owned corporations in good standing, and in limited circumstances to licensed transaction coordinators affiliated with the broker of record. Lerner noted that this option would require regulatory work to define “wholly owned,” address community property issues, and determine whether escrow officers may rely on broker representations regarding ownership and corporate status.

III. Broad approach (“constructive receipt” model):

Allow payouts to any party designated by the broker, based on the theory that the broker constructively receives the funds. Lerner cautioned that this approach raises significant concerns and could recreate the “wild west” conditions that regulators are trying to avoid.

Lerner emphasized several guiding principles that DRE and DFPI must consider:

- protecting consumers;
- creating a clear, easily understood rule;
- ensuring compliance with existing law;
- maintaining broker supervision over affiliated licensees;
- recognizing long standing industry practices;
- avoiding undue burdens on escrow officers; and
- preventing the types of egregious payouts that prompted the bulletin.

Committee members engaged in a detailed discussion of the implications of each option. Garcia stated that many in the industry had lived through the “wild west” era and opposed returning to a system where escrow officers were expected to disburse funds to a wide array of individuals and entities. She explained that her company currently pays only licensed individuals and avoids payouts to wholly owned corporations because verifying ownership is burdensome and often unclear.

Wirchak emphasized that responsibility for commission disbursements has gradually and improperly shifted onto escrow companies over many years. She described situations where agents submitted fraudulent commission disbursement authorizations (CDAs), leading to disputes with brokers who later denied authorizing the payouts. Wirchak stressed that escrow officers face strict deadlines and cannot be expected to manage brokers’ internal bookkeeping or resolve disputes between brokers and their agents.

Silberberg noted that escrow officers are frequently asked to perform tasks unrelated to the transaction itself, including wiring funds to corporate entities that may increase fraud risk.

She stated that requiring payouts only to brokers would reduce confusion, save time, and help prevent fraud.

Diane Boudreau-Tschetter expressed support for the strictest option, stating that escrow officers are not bookkeepers and should not be responsible for sorting through multiple entities or individuals listed on CDAs. She emphasized that paying only the broker is more transparent to consumers and reduces liability for escrow companies.

A member of the public argued that the Business and Professions Code already provide clear direction and that agencies should enforce existing law rather than accommodate practices that have drifted away from statutory requirements. He warned that allowing CDAs to dictate multiple payouts creates incentives for agents to steer business to escrow companies willing to bend the rules, disadvantaging those who follow the law.

Wirchak added that escrow companies are often caught in the middle. Brokers may threaten to move business if escrow refuses to make questionable payouts, and some DRE staff have reportedly advised brokers to “pick another escrow company” when disputes arise. She urged regulators to support escrow companies rather than leave them exposed to pressure from brokers.

Garcia noted that option one would also resolve timing issues. CDAs often arrive at the last minute, making it impossible to disclose disbursements properly under TRID and Dodd Frank requirements. She explained that late CDAs create complications for lenders and settlement statements, and that paying only the broker would eliminate these conflicts.

Lerner thanked the committee for the extensive feedback and stated that DRE will continue coordinating with DFPI and DOI before finalizing any approach.

8. Public Comments

Members of the public provided comments throughout the meeting during designated opportunities. No additional comments were raised during this agenda item.

9. Closing Remarks

Young thanked committee members for their participation and highlighted the commissioner’s priorities for 2026, including cybersecurity and anti-fraud initiatives. He noted DFPI’s new anti-scam website and ongoing collaboration with the governor’s office on statewide fraud-prevention efforts. He encouraged companies developing AI-related tools to contact DFPI’s Office of Financial Technology and Innovation.

Liang confirmed the next meeting date: Tuesday, June 9, 2026, with location details to follow.

10. Adjournment

Liang thanked committee members, DFPI staff, and the public for their participation. The meeting adjourned at 11:49 a.m.