

ESCROW ADVISORY COMMITTEE MEETING

September 23, 2021

10:00 AM – 12:00 PM

Meeting was held telephonically

Department of Financial Protection and Innovation Represented by:

Sheila Oliver, Deputy Commissioner
Paul Liang, Special Administrator – Licensing
Gary Suzuki, Special Administrator - Regulatory

Committee Members Via Call-In to the Conference Line:

Benjamin Griffin, Griffin, P.C. / Attorney
Bill Nelson, Chairperson – EAFC**
Claire Bartos, Las Brisas Escrow, Inc. / Immediate Past Chairperson EIC *
Heather Siracusa, Orchard Hills Escrow, Inc. / Small Business
Heidi Cassel, Solaris Escrow, Inc. / Medium Sized Escrow Company
Jennifer Woodard, Vice Chairperson-EAFC**
Jeff Behm, Baldwin Moffitt Behm LLP, Certified Public Accountant
Juliana Tu, Viva Escrow! Inc. / Business Specialization
Patricia J. (P.J.) Garcia, Beach Pacific Escrow, Inc./Chairperson EIC
Timothy Brigham, Resorts West Escrow, Inc. / Other Business Ownership

* Escrow Institute of California

** Escrow Agents' Fidelity Corporation

1. Welcome and opening remarks.

Paul Liang welcome everyone to the third quarterly advisory meeting. Liang did a roll call for advisory members. All advisory members present.

2. Review and approval of minutes for 6/8/21 meeting

Liang asked if any committee members had any comments or corrections for the previous meeting minutes. There was none. Jeff Behm made a motion to approve the minutes. PJ Garcia seconded the motion. The minutes was approved.

3. DFPI Updates

Liang announced that Benjamin Griffin, Heidi Cassel, and Juliana Tu were reappointed by the commissioner for another two-year term to their current advisory positions. Liang thank all candidates who applied and encouraged all qualified persons to apply for future advisory openings.

Liang also announced that the name of the office under which the escrow law program reports has been changed from Mortgage Lending Office to Escrow and Mortgage Lending Office (EMLO). This name change reflects an organizational realignment to move the escrow law program from Financial Services Division to Mortgage Lending Office in February 2021. Liang added that the name change was at a much smaller scale comparing to the department name change from Business Oversight to Financial Protection and Innovation. Liang stated the escrow program will update relevant forms, website contents to reflect the new name.

Liang provided an update on the latest efforts to move escrow licensing process to paperless. Liang shared escrow licensing's general email Escrow.Licensing@dfpi.ca.gov Escrow licensees, applications filers, or the general public are welcome to use this email to submit general inquiries relating to licensing process, application status, or to submit electronic applications.

Liang also provided an update about DFPI's rulemaking (PRO 13/13). The DFPI counsel leading the rulemaking has reviewed all public comments submitted during previous comment periods. DFPI received a request for another public hearing. Details of the next hearing hasn't been finalized, but Liang believed the next hearing will be held in similar manner as the previous hearing which was held via a zoom meeting. Once a hearing date has been set, a notice will go out to the public.

Last, Liang shared that the DFPI planned to do an escrow special assessment for up to \$1,000 for each licensed location. Under current escrow statute, there is a cap for the amount of annual assessment. The DFPI assessed the maximum amount allowed by statute for the past years, but the escrow program continued to operate in deficit in previous years because the cost of doing business went up over the years. The escrow law program is working with DFPI budget and accounting office regarding this special assessment. More details about the special assessment will be shared during the next advisory meeting. Liang encouraged licensees to plan ahead so the special assessment will not affect licensee's ability to maintain certain level of liquid and tangible assets to meet company's financial requirements. The escrow program will work with the industry to find long term solutions to avoid future deficit.

4. Unauthorized change of ownership

The escrow program saw some recent cases where new owners were added to a company, but the change of ownership occurred without the consent of the commissioner. Liang reminded licensees that stock transfers required the consent of the commissioner. If a licensee is not familiar with the process and the statutory requirements, the company should consult with an attorney.

Heather Siracusa shared her observations that some real estate agents or brokers asserted that they had some ownership interests in an escrow company to legitimize being paid a referral fee but in fact these agents or brokers were not approved owners by the DFPI. Liang stated this had been a concern to the department. Paying a referral fee is prohibited under Financial Code section 17420. Liang also stated the escrow law does not prohibit any real estate agents or brokers to become owners of a licensed escrow company.

A member of the public added that he also had similar observations. He is an attorney handles many escrow licensing applications. The problem is there are many lawyers as well as owners that are not familiar with the process. He has seen someone trying to do a bulk sale of an escrow company and entered into a purchase agreement without understanding that the stock is restricted. The member suggested DFPI to streamline the licensing process to make it easy for people or entities to become shareholder of a licensed escrow company.

Liang acknowledged that not all escrow licensees are familiar with all escrow licensing applications processes. Some of the unauthorized change of ownership could be avoided through providing education and outreach to licensees. Behm stated communication from the department would be great. During the course of an audit, Behm discovered a client who did a stock transfer the incorrect way and it was just purely naïve and this client didn't know stock transfer requires commissioner's consent. Tim Brigham commented that for licensees to do things the right way, communication is definitely the key. A member of the public added that in the past, the department communicated with the industry by issuing escrow bulletins and newsletters. Those bulletins and newsletters provided

guidance to the industry and conveyed the department positions on various issues. Liang stated the escrow program stopped issues program specific bulletins or newsletters. Any escrow topic will be included in the DFPI's monthly bulletin. The escrow program has utilized DFPI monthly bulletin to published announcements for advisory openings, reminder for annual audit reports due, and other topics. Any advisory member, or member of the public, who would like to suggest an escrow topic on the DFPI monthly bulletin, may send their suggestions to Liang.

5. Enforcement actions and licensing update

Liang briefly summarized enforcement actions taken since the last advisory meeting. Liang stated these actions were posted by DFPI Enforcement staff to DFPI website for public viewing. Liang also reviewed licensing statistics. Comparing to a year ago, the number of licensed companies and the number of licensed locations both increased.

6. Public comments

Several members of the public voiced their concerns regarding the latest rulemaking. Liang encouraged interested parties to attend the public hearing once the hearing date and time has been finalized. Members of the public may voice their concerns during the hearing.

Cassel brought up the topic of working from home during the pandemic. She shared a practice where employees worked remotely but certain functions such as daily banking, check issuance and wiring were done from the office.

7. Closing remarks

Liang thanked everyone for calling-in and their participation. The next meeting is scheduled for December 7, 2021 from 10:00 a.m. to noon. Meeting announcement will be posted on the department's website. At about 12 noon, the meeting adjourned.