

ESCROW ADVISORY COMMITTEE MEETING

December 20, 2022

10:00 AM – 12:00 PM

300 S. Spring Street, 15th Floor Conference Room, Los Angeles, CA 90013

Or via. Microsoft Team

Department of Financial Protection and Innovation Represented by:

Sheila Oliver, Deputy Commissioner

Paul Liang, Special Administrator – Licensing

Gary Suzuki, Special Administrator – Regulatory

Committee Members:

Claire Bartos, Las Brisas Escrow, Inc. / Immediate Past Chairperson EIC *

Jennifer Woodard, Oak Escrow Inc. / Vice Chairperson – EAFC

Juliana Tu, Viva Escrow! Inc. / Business Specialization

Larry Black via phone, Diamond Country Escrow, Inc. / Small Business

Patricia J. (P.J.) Garcia, Beach Pacific Escrow, Inc./Chairperson EIC *

* Escrow Institute of California

** Escrow Agents' Fidelity Corporation

1. Welcome, Opening Remarks, and Introductions.

Paul Liang welcome advisory committee members who attend the meeting either in person or virtually. Liang stated advisory meeting format for future meetings will likely remain hybrid. DFPI will open a venue for public to attend in person, and also provide a virtual option for remote attendees. Liang stated the venue will likely be switched between Northern and Southern California to provide equal access to all interested parties throughout the state.

2. Review and Approval of Minutes for 9/7/22 meeting

Advisory members were provided the last meeting minutes prior to the current meeting. Advisory members do not have any corrections or comments for the minutes. Larry Black made a motion to approve the minutes. Juliana Tu seconded the motion. The minutes was approved.

3. Ad Hoc Committee

Sheila Oliver stated two Ad Hoc advisory teams were established in November to research remote work and audit regulation issues. The ad hoc teams will research subject matters and report back to the advisory group to assist DFPI understand these matters and how they impact the industry.

Tu provided an update about the ad hoc team for remote work. Tu stated a survey was done to escrow licensees. There were only about 40 companies responded to the survey. The ad hoc team will try to extend the survey for more participants to reply. The ad hoc team invited a software vendor to the team's meeting to talk about how companies can protect themselves while working remotely. The ad hoc team meets biweekly.

PJ Garcia provided an update for the ad hoc team for audit regulation. The ad hoc team is working to identify provisions in the law that are not applicable or enforceable by the DFPI. Garcia gave an example about adding machine. The requirement to use an adding machine tape is no longer applicable because most licensees use computer to calculate escrow balances. A CPA member of the public offered assistance to the ad hoc team for audit regulation, if needed.

Oliver thanked all persons who provided updates.

4. Advisory Committee – vacancy, agenda, etc.

Liang stated an advisory position became vacant due to the advisory member's retirement. This advisory position will represent other business ownership. DFPI legal counsel provided guidance that the advisory committee can recruit a new member to serve remainder of the previous member's two-year term. Liang stated recruitment announcement will be posted on DFPI's website after this announcement during the advisory meeting. Liang encouraged all interested person to consider applying.

Liang provided a clarification how advisory meeting agenda items are prepared because there seems to be some confusion from advisory members when their suggested agenda items were not added to the meeting agenda.

Liang stated the escrow program solicit agenda items from advisory members when needed. When suggested agenda items are received, escrow program management team will evaluate each suggested agenda item and determine whether they should be placed on the agenda for discussion. Since the advisory meeting is only two hours, program would prioritize agenda items to fit those most important and relevant to pressing matters into the two-hour timeframe.

5. Enforcement Actions and Licensing Update

There is no update about enforcement actions taken since the last advisory meeting. Liang provided a brief licensing stats update. The number of licensed companies and the number of licensed locations is both increased from a year ago. The licensing trend still shows a trend of increasing. This trend is consistent during the four quarters of 2022.

Larry Black asked if the DFPI has seen applications being submitted during economic boom times but withdrawn when the economy cools off. Liang stated the licensing trend seems to be unpredictable. Liang shared that in early 2020 when the pandemic started, the escrow program was expecting that a harsh impact in the business environment would cause license surrender or a slowdown in new main or branch license applications. The industry did incredibly well during that time, and the number of new licensed companies and branches increased consistently.

It appears the activities in the escrow industry somewhat tied to the mortgage interest rate. When the Federal Reserve continuously increases the interest rate to control inflation and cool the economy, it will have impact on the escrow industry. It is difficult to predict a licensing trend when there are many variables.

A CPA member of the public offered his insight for the economy. He doesn't expect the number of licensed companies or locations dropped suddenly. There may be some adjustments in the first quarter of 2023 but the overall economy remains strong.

6. Public comments

A member of the public shared his thoughts about updating regulations in response to Garcia's remark. He feels the existing regulatory framework governing the escrow industry does not need to be changed. The department and industry can work together to update it.

Another member of the public shared his experience addressing remote work issues for his clients from the past. He feels the challenge has been vetting employees who will work remotely, for example, out of the country in India.

Garcia stated the ad hoc team for remote work will reach out to EAFC to study how working remotely would affect EAFC member's coverage.

7. Closing remarks

Oliver stated the 2023 second quarterly advisory meeting may be planned to invite commissioner to attend in DFPI's San Francisco office. Garcia requested the meeting be on a Monday so advisory members can travel on the Sunday to reduce time away from the office. Liang stated he will work with commissioner's assistant to arrange for the second quarterly meeting in June 2023.

Liang thanked everyone for their attendance and participation. The next meeting is scheduled for March 14, 2023, from 10:00 a.m. to noon. Meeting announcement will be posted on the department's website. At about 12:00 p.m., the meeting adjourned.