

# ***ESCROW ADVISORY COMMITTEE MEETING***

**September 12, 2023**

**10:00 AM – 12:00 PM**

**300 S. Spring St., 15<sup>th</sup> 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, Assistant Deputy Commissioner

Gary Suzuki, Special Administrator – Regulatory

Sultanna Wan, Special Administrator - Licensing

## **Committee Members:**

Benjamin Griffin, Griffin, P.C. / Attorney

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

Heidi Cassel, Solaris Escrow, Inc. / Medium Sized Escrow Company

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 \*

Patrick Felde, Certified Public Accountant

\* Escrow Institute of California

\*\* Escrow Agents' Fidelity Corporation

## **1. Welcome, Opening Remarks**

Paul Liang welcomed advisory committee members who attended the meeting either in person or virtually.

## **2. Review and Approval of Minutes for 6/13/23 meeting**

Advisory members were provided with the last meeting minutes prior to the current meeting. Advisory members do not have any corrections or comments for the minutes. PJ Garcia made a motion to approve the minutes. Heidi Cassel seconded the motion. The minute was approved.

## **3. Current DFPI Budget**

Liang shared that escrow program has been operating in deficit in the past five years. Program has levied two special assessments and will levy another special assessment at the maximum \$1,000 per location as allowed by statute. Despite levying annual and special assessments at the maximum amount allowed by statute in the past few years, escrow program had an ongoing operating deficit. The upcoming annual and special assessments will be unlikely to bring program's budget position to near the break-even point.

There are several factors contributing to the deficit. The cost of doing business has gone up throughout the years. Licensees are still paying an assessment rate from 13 years ago. The escrow program cannot continue to effectively operate when the assessments and examination billings cannot sustain the operation. Although the program may conduct examinations in shorter exam cycle to generate more examination billings, program will continue to conduct examinations on a risk-based

model. The primary objective of escrow examination should be conducting risk-based examinations to protect consumer funds, not generating examination fees.

Garcia commented that escrow program's budget lacks transparency. Liang responded that Garcia or any member of the public may submit a public record act request to obtain a copy of escrow program's revenue and expenditures report from DFPI's budget office. If anyone has questions about any items in the report, DFPI budget may provide clarifications upon request. Garcia stated EIC tried to understand the deficit and find out how it can help to fix it. EIC and its members value the regulation which keeps the industry clean. \$2,800 might not seem like a lot of money but for a very small business in a slow market, it is a lot of money.

Liang acknowledged this concern. Liang stated the escrow program's deficit started in 2018 and at one point it reached over \$2 million. Raising the assessment cap and keeping on doing special assessments are temporary band aid solutions. Liang encouraged advisory members and members of public to submit suggestions to DFPI on how to resolve escrow program's operating deficits on a somewhat permanent basis. Liang stated the escrow program is considering a roundtable open to all licensees about issues, concerns in the industry. DFPI welcomes licensees to talk to the escrow program management team. Advisory members would like to meet the commissioner in roundtable meetings if commissioner's scheduling allows.

#### **4. Escrow Advisory Committee Openings**

Liang stated openings for advisory members have been posted on DFPI's website. Liang asked advisory members to help to amplify these openings and encourage those who qualify to apply. Larry Black questioned whether advisory members are subject to term limits. Liang responded that each advisory member serves a 2-year term and may reapply after the term ends. There is no limit on how many terms a person can serve on the advisory committee. Currently there are four openings for the following:

- 1) An attorney who has escrow clients
- 2) A representative for medium sized escrow companies
- 3) A representative for companies with other business ownership
- 4) A representative for companies with business specialization

Black questioned whether an attorney needs to have general knowledge of the real estate industry or specific to the escrow industry. Liang responded that the committee is looking for an attorney who has escrow clients. An attorney without any experience in the settlement industry will be unlikely to add value to advisory discussions. More importantly, these positions are unpaid voluntary positions. The DFPI is looking for people who are passionate about this industry and willing to contribute their own time and efforts to advise the DFPI. People who are interested in these positions are encouraged to email a resume with a cover letter to Liang. All applications will be reviewed by the commissioner before appointments are made.

#### **5. Ad Hoc Committee progress**

Liang requested a progress update from Garcia for the ad hoc committees. Garcia stated SB 484 became a two-year bill. Certain languages in the bills are being worked on. The Ad Hoc committee for audit procedures would need another in-person work group meeting to finalize its findings and recommendations.

## **6. Enforcement Actions and Licensing Update**

Liang stated that since the last advisory meeting, the DFPI has taken three enforcement actions to bar two individuals for making unauthorized disbursements and falsifying documents, and to deny a person's petition for reinstatement. Both Liang and Sultanna Wan provided an update of the licensing stats. As of August 2023, the number of licensed escrow companies increased by 6 from a year ago, and the number of licensed locations increased by 23 from a year ago. Since the last advisory meeting, DFPI received 21 surrender requests.

## **7. Public comments**

Members of the public commented that the industry is going through consolidation. There has not been a wave of layoff in the settlement services industry like the one in real estate industry. High interest rates continue to impact both real estate and settlement services industries. Certain licensees downsized their operation. There is a general consensus among advisory members that it is difficult to recruit talents.

## **8. Closing remarks**

Liang thanked everyone for their attendance and participation. The next meeting is scheduled for December 5, 2023, from 10:00 a.m. to noon at DFPI Los Angeles office. Meeting announcement will be posted on the department's website. At about 12:15 p.m., the meeting adjourned.