

Date of Hearing: June 21, 2010

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Mike Eng, Chair

SB 1363 (Runner) – As Amended: April 26, 2010

SENATE VOTE: 33-0

SUBJECT: Escrow Agents

SUMMARY: Requires new escrow licensees and employees, within 12 months of receiving their license, to complete a course in escrow management conducted by the Department of Corporations (DOC).

EXISTING LAW

- 1) Regulates the business of escrow under the Escrow Law and defines “escrow” as a transaction in which one person, for the purpose of effecting the sale, transfer, encumbering, or leasing of real or personal property to another person, delivers any written instrument, money, evidence of title to real or personal property to a third person to be held by that third person until the happening of a specified event or the performance of a prescribed condition, when it is then to be delivered by that third person to a specified person. [Financial Code Section 17000 et seq.]
- 2) Exempts a variety of entities from Escrow Law including depository institutions; a person licensed to practice law in California as specified; title insurance companies regulated by the Department of Insurance; and real estate brokers performing in the course of, or incidental to a real estate transaction in which the broker is an agent or a party to the transaction and is performing an act for which a real estate license is required [Financial Code Section 17006.]

FISCAL EFFECT: According to the Senate Appropriations committee, costs will be offset by the fee authorization in the bill.

COMMENTS:

According to the author, the California escrow law is among the most stringent in the nation for escrow agents. It is vitally important that new licensees fully understand the various requirements placed on them by the state's escrow law. The Escrow Institute strongly asserts that the long term success of a licensed escrow agent is enhanced by early efforts undertaken by DOC to monitor and therefore insure that the new licensee understands the rules and regulations required for handling escrowed trusts funds.

Prior Legislation

SB 204 (Benoit), Chapter 568, Statutes of 2009, capped the Escrow Law annual assessment at \$2,800 and removed the sunset requirement that had periodically required this amount to be revisited by the Legislature every four to five years; streamlined the procedures for Escrow Law licensees to surrender their licenses; and made changes intended to increase the availability of fidelity bonds and errors and omissions insurance for exchange facilitators. A provision in SB

204 that was nearly identical to the indoctrination/preliminary examination provisions of this bill was amended out, due to opposition from the DOC.

REGISTERED SUPPORT / OPPOSITION:

Support

Escrow Institute of California (Sponsor)

Opposition

None on file.

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