

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 8, 2009  
POSITION: Neutral  
SPONSOR: Escrow Institute of California

BILL NUMBER: SB 204  
AUTHOR: J. Benoit

**BILL SUMMARY: Financial Transactions: Escrow Agents**

This bill would make various changes to the Escrow Law relating to annual licensee fees and assessments, examination frequency requirements, and the surrender of a license.

**FISCAL SUMMARY**

The Department of Corporations (DOC) indicates its costs would be minor and absorbable.

**COMMENTS**

Finance notes the following regarding this bill:

- This bill would eliminate the requirement that the DOC shift from a fixed-cost regulatory fee model to a pro-rata based regulatory fee model for escrow agents effective January 1, 2010. It also would require more frequent examinations of escrow licensees.
- According to the DOC, the requirement that it conduct preliminary examinations of escrow licensees within one year of their licensure, and full examinations within two years of their licensure, will result in additional absorbable costs.

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Analyst/Principal (0761) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

J. Benoit

June 8, 2009

SB 204

**ANALYSIS**

## A. Programmatic Analysis

Under current law, the DOC is responsible for licensure and regulation of escrow agents.

**Current law** provides for an annual licensee fee of up to \$2,800 for escrow agents, per location, and requires these fees to be set at a level necessary to cover the DOC's costs to administer the Escrow law. Additionally, the DOC is also authorized to levy a special assessment on each escrow agent of up to \$500 per location if it determines administrative costs will exceed the amount collected from the annual assessments. Current law requires licensees to pay this special assessment within 30 days of notification.

Beginning January 1, 2010, current law will eliminate this fee structure and instead require each escrow agent to pay the DOC their pro-rata share of the Department's annual administrative costs and expenses.

**This bill** would eliminate the impending requirement that escrow agents pay their pro-rata share of the DOC's regulatory costs, and would instead make permanent the annual license fee of up to \$2,800 for each office or location. The bill also would increase from \$500 to \$1,000 the special assessment that DOC is authorized to charge escrow licensees, and would increase the time period for payment from 30 days to 60 days.

**Under current law**, the DOC is required to conduct an examination of each licensee as often as the DOC deems necessary and appropriate, but not less than once every four years. Current law authorizes the DOC to conduct a preliminary examination of any new licensee within one year of issuing a license to that licensee, and authorizes but does not require an examination of a new licensee within two years of issuing a license.

**This bill** would require the DOC to conduct a preliminary examination of any new escrow agent licensee within one year of issuance of a license, and extends this same requirement where there is a change in ownership. This bill would require the DOC to conduct an examination of new escrow agent licensees within two years of issuing a license, and would extend this requirement when there is a change in ownership.

**Under current law**, an escrow agent's license is not surrendered until the DOC has reviewed and accepted the closing audit report, made a determination that there has been no violation of the law, and accepted tender of the license in writing.

**This bill** would authorize the DOC to accept surrender of a license upon a finding that the surrender is in the public interest.

## B. Fiscal Analysis

The DOC indicates its costs would be minor and absorbable.

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

**AMENDMENT DATE**

**BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
2180/Corporations	SO	No		-----	No/Minor	Fiscal Impact	-----		0067
<u>Fund Code</u>	<u>Title</u>								
0067	Corporations Fund, State								