

The Escrow Commission met on July 13, 2004 at HiLine Community College for a morning open session. Commissioners in attendance were Robert Golden, Phil Dryden, Dennis Daus, La Rae Young, Sharon Holman and Stan Pilon. 4 industry guests were present. Members of the DFI in attendance were Michael Stevenson, Director, Greg Toms, Licensing Program Manager, Martin Cordell, Enforcement Program Manager, and Andrew Ledbetter, Registration Attorney.

Department Management change: Deborah Bortner has moved over to the Consumer Division of DFI and Mike Stevenson is now the new Director of the Securities Division. Mike assured the commission that he would continue on with the policies and procedures started by Deborah.

Proposed Rule Changes: CR-102's as yet, have not been filed for proposed rule changes. The Department has decided to focus on a few of the changes at a time. Starting with the Quarterly report and the changes to WAC 208-680A-040 Definitions, specifically the definition for securities and WAC 208-680F-020 Errors and omissions policy—Securities alternative.

A Small Business Economic Impact Study is in the process of being conducted *before* the CR 102 is filed to propose the charging of examination and investigation fees and expenses.

Traditionally (a required) Small Business Economic Impact Study is done within a specific group of licensed businesses. The purpose is to measure the impact on same type business, small versus large, to make sure the smaller companies do not bear a higher cost of doing business as a result of a regulation/rule change. The majority of independent escrow companies that fall under 18.44 are small (less than 15 employee's), and an impact statement would not be required by law. However, DFI choose to listen to the concerns of the licensee's regarding the proposed rule change, and have chosen to go ahead with the study.

37 licensees responded to the survey that went out to all licensees to gather information needed for the Impact Statement.

A great deal of discussion was held regarding the proposed change, and the question was asked by an attendee, what is happening to the fees we pay? Why do we have to pay even more? Members of the commission brought everyone up to date on the history of what brought this all up.

Fees paid for licenses do not begin to cover the costs of running the Escrow Program. The program has been in the red since it moved from DOL. Other areas of the DFI program bring in more revenue and are covering the shortages which currently are \$1.3 mil. Under Mark Thomson, DFI proposed raising the licensing fees, and at the same time there were a number of major defalcations, which were a big cause of the debt. At that time a great deal of discussion was had, and a task force was put in place to come up with some other way to fund the program.

The conclusion was, the audit's were the biggest expenditure and therefore the target should be audit's and therefore the biggest burden put on those

who do not keep a good set of books. The proposal at that time was to charge an hourly fee.

At this meeting, DFI presented all of the numbers/costs for running the program. They broke out the cost of doing an audit and it came to \$62.50 and hour. They also proposed having a cap set of \$1,500.00 as the maximum amount a licensee would be charged. They are looking at risk based audits, which means if you keep good books and your quarterly reports are in order, you would only see an auditor once every 3 years.

Once again a lot of discussion and it was decided to have an Executive Commission Meeting on August 9, to see if the Commission could bring to the table some sound proposal(s) from the escrow community. After that meeting, the proposed rule change still has to go through a public hearing and public input. If you have any good suggestions please pass them on to one of the commissioners or to DFI directly.

**Quarterly Report Update:** The report was finalized and sent out to all registered agents. It is also posted to DFI Securities Division web site. [http://www.dfi.wa.gov/sd/escrow\\_act\\_info.htm](http://www.dfi.wa.gov/sd/escrow_act_info.htm)

**Enforcement:** There are 20 open investigations, with many being consumer complaints about their closers. All outstanding orders are posted to the DFI website. Use search word escrow at this link. [http://www.dfi.wa.gov/sd/current\\_orders.htm](http://www.dfi.wa.gov/sd/current_orders.htm) There have been no new major problems. Things found in audits are; companies are moving and not reporting the move, and going out of business and not reporting it. Remember any changes to your business needs reported to DFI.

**New Business:** Discussion was held regarding unauthorized debits to trust accounts. Do you have an In Bound ACH block on your Trust Account to prevent unauthorized debits? If you don't you should.

**Available for Meetings:** Members of the Securities Division are available for speaking engagements.

**RENEW your escrow license on the WEB:** To renew your license within minutes, access DFI website <http://www.dfi.wa.gov> and use your Credit card to renew, then immediately print out your new license at your desk. Commissioner Daugs used the web site to renew his license and reported it worked great.

**The Next Commission Meeting is on October 12, 2004.**

**Sharon Holman Commissioner**