

**Introduced by Senator Runner**

February 19, 2010

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An act to amend Section 17405 of, and to add Section 17405.5 to, the Financial Code, relating to escrow agents.

LEGISLATIVE COUNSEL'S DIGEST

SB 1363, as introduced, Runner. Escrow agents.

Existing law, the Escrow Law, provides for the licensure and regulation of escrow agents by the Commissioner of Corporations. Under that law, the commissioner is authorized to conduct an indoctrination or preliminary examination, or both, of any new licensee within one year of the issuance of the license, and an inspection and examination within 2 years of the issuance of the license.

This bill would require the commissioner to conduct these examinations with respect to new licensees and would also apply these provisions to a change of ownership of a licensee. The bill would also require a licensee, or the licensee's managers and shareholders, to complete a course in escrow management designated by the commissioner, within 12 months following the issuance of a new license or a change of ownership.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17405 of the Financial Code is amended
- 2 to read:
- 3 17405. (a) The business, accounts and records of every person
- 4 performing as an escrow agent, whether required to be licensed

1 under this division or not, are subject to inspection and examination  
2 by the commissioner at any time without prior notice. The  
3 provisions of this section shall not apply to persons specified in  
4 Section 17006.

5 (b) Any person subject to this division shall, upon request,  
6 exhibit and allow inspection and copying of any books and records  
7 by the commissioner or his or her authorized representative.

8 (c) (1) The commissioner shall conduct an examination of each  
9 licensed escrow agent as described in subdivision (a) as often as  
10 the commissioner deems necessary and appropriate, but not less  
11 than once every 48 months.

12 (2) The examination shall be conducted for the 12-month period  
13 immediately preceding the date that the examination is commenced  
14 unless the commissioner finds, based on information uncovered  
15 in the examination or in the most recent independent audit report,  
16 that the examination should be extended beyond the 12-month  
17 period.

18 (3) In determining how often an examination shall be conducted,  
19 the commissioner may consider each licensed escrow agent's  
20 compliance with the requirements set forth in this division and  
21 other factors the commissioner may by rule or order designate.

22 (4) This subdivision shall apply only to examinations  
23 commenced after the effective date established by the rule or order  
24 of the commissioner for the factors described in paragraph (3).

25 (d) Notwithstanding subdivision (c), the commissioner ~~may~~  
26 *shall* conduct an indoctrination or preliminary examination, or  
27 both, under this section of any new licensee *or of a licensee that*  
28 *has a change in ownership* within one year of the issuance of the  
29 license *or of the change of ownership* under this division, and an  
30 examination described in subdivision (a) within two years of the  
31 issuance of the license *or of the change of ownership* under this  
32 division.

33 SEC. 2. Section 17405.5 is added to the Financial Code, to  
34 read:

35 17405.5. A licensee, or the licensee's managers and  
36 shareholders, shall, within 12 months following the issuance of a  
37 new license or a change of ownership, complete a course in escrow  
38 management designated by the commissioner.

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