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**Members of the
American
Escrow Association**

URGENT-IMMEDIATE ACTION REQUESTED

To: CEA Members
Via E-Mail – 3 Pages

From: Mike Belote, Executive Director

Date: August 3, 2006

Subject: Proposed Department of Insurance Regulations

As you are aware, Insurance Commissioner John Garamendi has proposed far-reaching new regulations relating to title insurance premiums and escrow fees. The proposals mandate interim **escrow fee reductions of 27% from year 2000 fees**, while the Department assembles the data necessary to impose permanent fee regulations. The permanent regulations would specify maximum fees for escrow and sub-escrow services based upon a very complicated formula.

CEA is **strongly opposed** to the proposed regulations, which will be the subject of a Department of Insurance public hearing on August 30, 2006 in San Francisco. The Department will also accept and consider public comments submitted before that date. Under the law, the Department must respond to comments submitted by the public.

It is **absolutely critical** that all CEA members submit comments to the Department of Insurance in opposition to the proposals. Although the primary impact of the regulations will be on escrow employees within title companies, all escrow providers will be harmed by mandated fee reductions. Moreover, the regulations fail to recognize the service provided by escrow officers in a highly competitive marketplace, no matter where the employees work.

Comments may be submitted by mail or e-mail. Comments submitted by regular mail should be addressed as follows:

Bryant Henley, Staff Counsel
Department of Insurance
45 Fremont Street, 21st Floor
San Francisco, CA 94105

E-mail comments should be sent to the following address:

henleyb@insurance.ca.gov

Appearing below are talking points which you may wish to incorporate into your comments. But it is very important that letters be in your **own words**, as form letters simply do not have the same impact on policymakers. We strongly encourage you to personalize your comments with observations about such topics as the degree of competition in your marketplace, and the impact of a drastic fee reduction on you and your family. Commissioner Garamendi may not realize the degree to which he has disrespected the hard work and service provided by thousands of predominantly female escrow employees, many of whom are primary “bread-winners” in their households!

Letters need not, and really should not, be written in “legalese”. It is far more valuable if you simply indicate in your own words why the proposed regulations are misguided and will be bad for consumers, the industry, and you. But the most important thing is to act—please do not delay, or procrastinate, as the issues are simply too important!

We would also strongly encourage you to share this information with non-CEA members in your offices, and with your Realtor contacts. These regulations will harm all escrow providers, **who should be joining and supporting CEA**; but even if they do not join, they are encouraged to submit comments. And for Realtors, the regulations are premised on the **outrageous and insulting** notion that real estate agent referrals are motivated solely by kickbacks; Realtors should be encouraged to contact their local boards, and CAR, to join the opposition.

One cautionary note: CEA does not wish to cause conflicts between our members and their employers. Many of the title companies are in discussions with the Department of Insurance themselves. If you have any questions about your discretion to submit comments on your own to the Department, particularly if you plan to identify your employer by name, you may wish to consult with your management.

TALKING POINTS

The entire premise behind the proposed regulations is wrong. The Commissioner is relying upon a study indicating that escrow and closing services are characterized by a lack of competition. In fact, escrow is a **fiercely competitive** market. Escrow officers compete on the basis of **service**, i.e. the ability to close transactions quickly, accurately and efficiently. Escrow officers compete in a tremendously stressful environment, responding to the needs of buyers, sellers, lenders, real estate agents, and others. It is offensive to suggest that Realtors make referrals merely on the basis of kickbacks. Busy real estate agents rely on escrow officers to **get transactions closed**, for the benefit of their buyers and sellers.

Escrow is one of the most **cost-effective** components of the real estate transaction. For the single largest purchase in most consumers’ lives, and with median home prices exceeding \$500,000, escrow provides the protection of a neutral third party, for fees

much smaller than others in the transaction. In many states the functions performed by California escrow officers are performed by lawyers, at much higher cost.

Reducing fees 27% below their 2000 levels will make it impossible to provide consumers with quality escrow services. Such fee reductions also fail to recognize **added responsibilities** assumed by escrow in recent years, including more services relating to loan documents, natural hazards, and others.

The Department does not understand the full value of escrow services, which include clearing title to real estate in the public record, and making sure that liens and judgments are paid, many of which are owed **to government!**

The escrow fee reductions will result in lost jobs in the predominately female escrow work force. Many escrow officers are sole providers in their families.

The regulations will depress the escrow industry, with devastating effects on small business providers of escrow services.

PLEASE ACT TODAY—LET’S MAKE OUR VOICES HEARD!!

THANK YOU FOR YOUR TIME AND PARTICIPATION.