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**CEA NEWSFLASH**

**End of the Year Issues**

To: CEA Members  
Via E-Mail – 2 pages

From: Mike Belote, Executive Director

Date: December 21, 2006

Subject: End of the Year Issues

**Department of Insurance Proposed Regulations:** On November 27, 2006 the Department of Insurance released revisions to proposed regulations relating to title insurance premiums and escrow fees. The revisions propose mandatory reductions in escrow fees which vary geographically by three categories: the Bay Area, Southern California, and “Rest of State”. The fee reduction percentage also differs between purchase and non-purchase escrows. The Department contends that no further hearings are necessary, and that only a 15-day comment period was necessary, because the changes are technical or sufficiently similar to the original proposal. CEA submitted comments during the 15-day period, arguing that the changes were very substantial, and should have been subject to new hearings and a full comment period. The bottom line: the issue remains alive and will require action in 2007, when a new Insurance Commissioner will be in office.

**New Withholding Law Set to Commence:** The provisions of AB 2962 (Benoit) relating to real estate withholding will go into effect on January 1, 2007. CEA members have been advised previously that the bill provides sellers with an election: they may either have 3-1/3 percent withheld on the total sales price in the transaction, or a higher percentage specified in the bill on the gain in the transaction. Forms provided by the Franchise Tax Board for sellers to make this election, and a form to assist sellers in calculating their gain, include a specified disclosure that title and escrow personnel are not authorized to perform legal or accounting services to determine gain subject to withholding. **It is critical that escrow personnel not attempt to counsel sellers on which withholding choice to make.**

**Members of the  
American  
Escrow Association**

While the types of transactions subject to withholding have not changed, the new election for sellers applies to all applicable transactions closing after January 1, so escrow personnel must be ready. The Franchise Tax Board has posted new forms, which can be accessed on the CEA website, under “Quick Links”, “New 2007 FTB Forms”. Of course, questions concerning the new withholding provisions should be directed to company management, advisory team, or counsel.

**Notary Requirements Under Gramm-Leach-Bliley:** CEA continues to receive inquiries from escrow personnel who possess notarial commissions about the requirements of federal law relating to background checks. There have been suggestions that federal law, known as “Gramm-Leach-Bliley”, requires background checks on all notaries. This is not the case. In fact, the law has not changed in a number of years. What “GLB” has always required is that all financial institutions take steps to safeguard the security of their customers’ personal information. Some lenders and the title companies they work with are electing to require background checks of notaries in order to satisfy this GLB requirement. Working with some of the title companies, the National Notary Association has developed a background check program intended to act as a “one-stop shop”, to prevent notaries from having to obtain multiple background checks.

**A Sad Note at the Holidays:** CEA is saddened to report the passing of Bonnie Griffin, CSEO, past President of the San Bernardino Escrow Association, CEA director, and owner of Redlands Escrow. Bonnie was beloved in the industry, and will be greatly missed. Our thoughts go out to her family during this difficult time.

**Happy holidays to all...let’s all wish for a peaceful and prosperous 2007!**