

**STATEMENT OF ESCROW INSTITUTE OF CALIFORNIA
FOR DEPARTMENT OF INSURANCE HEARING**

August 30, 2006

My name is P.J. Garcia, and I am the Chairwoman of the Escrow Institute of California, which represents hundreds of independent licensed escrow companies throughout the state. Joining me is Tim Egan, EIC President & C.E.O., to respond to any questions you may have on the issues we raise here today.

On August 8, 2006, EIC sent a letter to Commissioner Garamendi requesting that he postpone this August 30th hearing on the proposed title and escrow regulations in order to consider the severe and devastating economic impact his regulations would have on licensed independent escrow companies, which are predominately owned and operated by a female workforce in California.

The Commissioner's own *Notice of Proposed Action*, dated July 3, 2006, admits that the proposed regulation being discussed today would, and I quote, "have a significant statewide adverse economic impact directly affecting business..."

Despite the Commissioner's own dire prediction, EIC's request for a postponement was dismissed out of hand with no concern for the thousands of individuals who work in the escrow industry and their families who would be impacted by an arbitrary rate reduction.

Commissioner Garamendi's callous disregard for the livelihood of hundreds of woman- and family-owned escrow businesses in California demonstrates he cares more about his political career than protecting small businesses, which are the backbone of our economy.

Justification for his arbitrary 27 percent rate reduction on the escrow industry is absurd and without merit. Competition for escrow services has never been greater, and the escrow industry in California is very price competitive. EIC members compete fiercely all across Southern California with escrow shops controlled by title companies (which would be subject to the 27 percent mandatory rate reduction mandated by the Commissioner).

In the city of Huntington Beach, where I own and operate my own escrow company, there are more than 35 other competitors within five miles of where I do business. You cannot tell me competition doesn't exist. I compete for business each and every day.

If title companies are forced to arbitrarily lower their escrow rates by 27 percent, then independent licensed escrow companies like my own will be forced to compete with that rate reduction in the marketplace. However, most independent escrow companies are small operations that simply cannot afford to absorb the financial loss of a draconian and arbitrary fee reduction scheme and therefore will be forced to lay off workers or close their doors. Independent escrow companies only provide escrow services, so we cannot shift costs across multiple operating units or product offerings.

Consumers receive a quality service from independent escrow officers. And in fact, we offer more services for consumers today at a competitive rate than ever.

I am proud of the business I have built from the ground up, and I am proud of an industry that has done so much to provide economic independence to so many women and families.

However, I feel deeply betrayed today by what appears to be a political stunt at the expense of real people whose livelihoods – and integrity – are under attack by the very people who should be protecting them.

Commissioner Garamendi's rush to judgment, without all the facts, and without the input of the escrow industry or the Department of Corporations, which regulates the industry, is reckless and irresponsible, all for the sake of gratuitous headlines during a political year.

I ask you once again to postpone submitting your proposed regulations to the Office of Administrative Law until you have taken the time to fully understand how the independent licensed escrow industry operates in California and the economic impact of your proposed regulations.

Thank you.