
THIRD READING

Bill No: SB 946
Author: Seyarto (R)
Introduced: 2/2/26
Vote: 21

SENATE BANKING & F.I. COMMITTEE: 6-0, 3/18/26
AYES: Grayson, Niello, Cervantes, Reyes, Richardson, Strickland
NO VOTE RECORDED: Hurtado

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Consumer Credit Reporting Agencies Act: escrow agent rating services and escrow agents

SOURCE: California Escrow Association

DIGEST: This bill removes a sunset that applies to provisions of the Consumer Credit Reporting Agencies Act related to escrow agent rating services, making the provisions operative indefinitely.

ANALYSIS:

Existing law:

- 1) Defines an escrow agent rating service as a person or entity that prepares a report, for compensation or in expectation of compensation, for use by a creditor in evaluating the capacity of an escrow agent to perform escrow services in connection with an extension of credit. (Civil Code Section 1785.28)
- 2) Defines an escrow agent, for purposes of Civil Code Section 1785.28, as a natural person who performs escrow services for an entity licensed under the Escrow Law (Financial Code Section 17000 et seq.); a natural person performing escrow services for a title insurer admitted under the Insurance Code (Insurance Code Section 699 et seq.) or for an underwritten title company

licensed under the Insurance Code (Insurance Code Section 12389 et seq.); a natural person performing escrow services for a controlled escrow company, as defined in Insurance Code Section 12340.6; or a natural person licensed under the Real Estate Law (Business and Professions Code Section 10000 et seq.), as specified.

- 3) Provides that the term “consumer,” for purposes of Civil Code Section 1785.28, also means “escrow agent.”
- 4) Requires an escrow agent rating service to comply with and be subject to the following sections of law applicable to consumer credit reporting agencies (Civil Code Section 1785.28):
 - a) Subdivision (a) of Civil Code Section 1785.10: requirement to allow a consumer who presents proper identification to visually inspect all files maintained by a credit reporting agency regarding that consumer at the time of the consumer’s request.
 - b) Subdivision (b) of Civil Code Section 1785.10, limited to the obligation to inform a consumer of his or her right to a decoded written version of a file: requirement to inform a consumer of their right to request a decoded written version of the file a consumer reporting agency has on that consumer.
 - c) Subdivision (d) of Civil Code Section 1785.10: requirement that a consumer credit reporting agency disclose the recipients of any consumer credit report on the consumer that it furnishes for employment purposes, within the two-year period preceding a consumer’s request for such information.
 - d) Paragraph (2) of subdivision (a) of Civil Code Section 1785.11: requirement that a consumer credit reporting agency furnish a consumer credit report only in accordance with the written instructions of the consumer to whom it relates.
 - e) Civil Code Section 1785.13: prohibits against including certain types of adverse information that exceed a certain age (seven years in some cases, ten years in other cases, e.g., bankruptcies, accounts sent to collection).
 - f) Civil Code Section 1785.14: requirement to maintain reasonable procedures to assure the maximum possible accuracy of the information about whom the report relates.
 - g) Paragraph (1) of subdivision (a) of Civil Code Section 1785.15, limited to the right to request and receive a decoded written version of the file:

requirement to allow a consumer to request and receive a decoded written version of their file, including all information in the file at the time of the request, with an explanation of any code used.

- h) Civil Code Section 1785.16: requirement to allow a consumer to dispute the completeness or accuracy of any item of information in their credit file, requirement that the consumer credit reporting agency reinvestigate disputed information, requirement to allow a consumer to include a note in their file disputing certain information, and requirement that the consumer credit reporting agency include a consumer's note in any consumer credit report it provides that includes information being disputed by that consumer.
 - i) Civil Code Section 1785.18: requirement to specify the source of any public record included in a credit report.
- 5) Provides that an escrow agent rating service is considered a reseller of credit information, if it assembles and merges information contained in the database or databases maintained by a consumer credit reporting agency (Civil Code Section 1785.28). Requires an escrow agent rating service that acts as a reseller of credit information to comply with and be subject to Civil Code Section 1785.22: requirement to disclose the ultimate end user and each permissible purpose for which the report is furnished to the end user and requirement to establish and comply with reasonable procedures designed to ensure that the consumer credit report is resold only for a purpose for which the report may be furnished under existing law.
 - 6) Requires an escrow agent rating service to establish policies and procedures reasonably intended to safeguard from theft or misuse any personally identifiable information it obtains from an escrow agent (Civil Code Section 1785.28).
 - 7) Provides that an escrow agent who suffers damages as the result of the failure of an escrow agent rating service to comply with the aforementioned requirements may bring an action in a court of competent jurisdiction pursuant to rules contained in Civil Code Section 1785.31. Civil Code Section 1785.31 provides for actual damages in the case of a negligent violation and both actual damages, punitive damages between \$100 and \$5,000 per violation, and any other relief the court deems proper in the case of a willful violation.
 - 8) Sunsets the aforementioned provisions on January 1, 2022. (Civil Code Section 1785.28.6)

This bill removes the sunset date that applies to the provisions described in the Existing Law section, making those provisions operative indefinitely.

Background

Escrow agents play an important and trusted role in some of the most complex and high value financial transactions in consumers' lives, such as real estate transactions. Escrow agents serve as neutral third parties who manage legal documents and funds that change hands between buyers, sellers, lenders, and borrowers once all conditions of a contract have been satisfied. Providers of escrow services include specialized firms that focus on activities related to the settlement of real estate transactions, as well as banks and attorneys who engage in a broader range of activities.

Given the large sums of money involved, scammers and fraudsters target escrow agents and parties to the escrow process. Last year, the Department of Financial Protection and Innovation (DFPI), the state financial regulator, issued a bulletin warning of the social engineering scams targeting licensed escrow companies.¹ An excerpt from that bulletin provides an example of the threat:

In the past five years, the DFPI has investigated many cases where licensed escrow companies fell prey to social engineering scams. For example, in 2023, a licensed escrow company received a call from a fraudster who claimed to be an IT employee of the bank. The fraudster instructed the escrow company to log into its online trust bank account for data migration. Within 15 minutes of receiving the phone call, the company's internet service was disconnected. Shortly after the internet service was restored, the company found multiple outgoing wires were initiated to divert close to \$2 million trust and general account funds to various bank accounts. The escrow company was unable to halt all the outgoing wires or replace the trust shortage caused by the outgoing wires. As a result, the company was taken over by the DFPI under conservatorship.

The parties to a real estate transaction – the buyer and seller, their respective agents, and the mortgage lender – must be able to trust that the escrow provider safeguards the funds and transmits the funds and legal documents correctly. Additionally, as regulated financial institutions, mortgage lenders have a legal obligation to vet third-party service providers that they work with. In recent decades, an industry of escrow agent rating services has emerged to help mortgage lenders protect against fraud and to fulfill their due diligence responsibilities over service providers. These rating services investigate escrow companies and their

¹ <https://dfpi.ca.gov/wp-content/uploads/2025/02/EscrowBulletin0225.pdf>

employees to verify compliance with licensure, insurance and bonding requirements. According to a leading provider of escrow agent ratings, Secure Insight provides the following description of how it evaluates and monitors escrow agents:

Secure Insight conducts an initial hands-on deep dive investigation, assigns trained risk analysts to review and interpret the data, interacts with the agents directly to verify derogatory or ambiguous information, arrives at a risk rating for the agent and then monitors agent personal and professional data to monitor for any changes in risk, updating its profile reports as new information becomes available.²

Protections for escrow agents. In 2013, California enacted a law intended to protect escrow agents from misuse of the data collected by escrow agent rating services. The law was sponsored by escrow agents who wanted to protect their personally identifiable information, particularly to the extent that rating services evaluated the credit reports of escrow agents as part of their vetting process. As the California Escrow Association argued in 2013, the rating services “carry some of the indicia of credit reporting agencies,” which inspired the law that this bill seeks to make operative indefinitely.³ The underlying rationale of the law is that escrow agents should have similar rights as consumers in reviewing the information collected about them and the ability request corrections of any inaccuracies.

In practice, this law seems to have a slightly different effect than initially expected. Rather than providing a pathway for escrow agents to review the information collected about them, the law may lead to less data being collected on them in the first place. According to feedback from this bill sponsor when the sunset was last extended in 2021, some escrow agents have cited this law when pushing back on requests from ratings services for an employee’s social security number.⁴

This bill proposes making permanent the above-discussed protections for escrow agents’ data. The three previously enacted bills on this subject have advanced unopposed with no “no” vote. Committee staff is unaware of any stakeholders in the escrow process who have concerns with making this law operative indefinitely.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

According to the Senate Appropriations Committee, unknown, potentially significant court workload cost pressures to the extent any actions are brought against an escrow rating service due to that service’s theft or misuse of any

² <https://secureinsight.com/about/why-secure-insight/>: accessed on March 9, 2026.

³ See analysis of the Senate Judiciary Committee of AB 1169, as heard on July 2, 2013.

⁴ See analysis of the Senate Banking and Financial Institutions Committee of SB 360, as heard on March 10, 2021.

personally identifiable information. The number of cases that would be brought as a result of this bill is unknown. It generally costs about \$1,000 to operate a courtroom for one hour. If cases brought as a result of this bill take an additional 50 hours of court time in the aggregate in a given year, the cost pressures to the courts would surpass the Suspense File threshold. Although courts are not funded on the basis of workload, increased staff time and resources may create a need for increased funding for courts from the General Fund to perform existing duties. (Trial Court Trust Fund, General Fund).

SUPPORT: (Verified 5/14/26)

California Escrow Association (sponsor)
Escrow Institute of California

OPPOSITION: (Verified 5/14/26)

None received

ARGUMENTS IN SUPPORT: The California Escrow Association, as sponsor, writes: “[this] bill maintains a balanced framework that allows lenders to continue conducting appropriate due diligence on escrow providers while ensuring fairness, accuracy, and privacy protections for escrow professionals.”

Prepared by: Michael Burdick / B. & F.I. /
5/14/26 16:32:39

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