SENATE THIRD READING
SB 946 (Seyarto)
As Introduced February 2, 2026
Majority vote

SUMMARY

Existing law requires an escrow agent rating service to establish policies and procedures to safeguard personally identifiable information obtained from an escrow agent and provides that an escrow agent is a consumer for purposes of those provisions This bill will remove the sunset date of this requirement, extending the requirement indefinitely.

Specifically, *this bill:*

Repeals Section 1785.28.6 of the Civil Code.

Major Provisions
Repeal the sunset on the chapter which provides regulations for escrow rating services.

COMMENTS

1) Background

Escrow services may legally be performed in California under a variety of different laws, administered by a variety of different regulators. Escrow may be performed by persons licensed under the Escrow Law, administered by the Department of Financial Protection and Innovation; under the Real Estate Law, administered by the Department of Real Estate; under the Insurance Law, administered by the Department of Insurance; and may also be performed by attorneys and depository institutions. Escrow is also performed differently in different regions of the state. In northern California, title companies typically perform both title and escrow services; in southern California, it is more common for title companies to handle title services and for independent escrow companies to handle escrow. In all cases, however, the mortgage lenders involved in the transactions seek to ensure that the third parties they use to perform escrow services operate in full accordance with the law.

In 2012 the Consumer Financial Protection Bureau (CFPB) released guidance to supervised banks and nonbanks about overseeing their business relationships with service providers in a way that ensures compliance with federal consumer financial laws. To clarify its regulatory expectations, the CFPB has issued two bulletins on the topic.[1] The guidance stated that the CFPB expects supervised banks and nonbanks to have an effective process for managing the risk of service provider relationships. To limit the potential for statutory or regulatory violations and related consumer harms, supervised banks and nonbanks should take steps to ensure that their business arrangements with service providers do not present unwanted risks to consumers. The guidance provided the following minimum recommended steps:

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[1] Bulletin 2012–03 (https://files.consumerfinance.gov/f/documents/201204_cfpb_bulletin_service-providers.pdf) Last visited 6/15/2026 and Bulletin 2016-02 (https://files.consumerfinance.gov/f/documents/102016_cfpb_OfficialGuidanceServiceProviderBulletin.pdf) Last visited 6/15/2026.

1) Conducting thorough due diligence to verify that the service provider understands and is capable of complying with federal consumer financial law;

2) Requesting and reviewing the service provider's policies, procedures, internal controls, and training materials to ensure that the service provider conducts appropriate training and oversight of employees or agents that have consumer contact or compliance responsibilities;

3) Including in the contract with the service provider clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance-related responsibilities, including engaging in unfair, deceptive, or abusive acts or practices;

4) Establishing internal controls and on-going monitoring to determine whether the service provider is complying with federal consumer financial law; and

5) Taking prompt action to address fully any problems identified through the monitoring process, including terminating the relationship where appropriate.

As a result, third party risk management companies emerged to provide a screening service for supervised banks and nonbanks. At the end of 2012, the then named Department of Corporations provided a Commissioner's Bulletin No: 001-12, The bulletin notes that the Department had learned that some third party risk management companies were requiring potential service providers to pay a fee in order to be pre-screen by the companies, and to appear on a list of "approved" providers, in violation of several laws regarding "pay-to-play" or kickbacks.

2) Current 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 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 to request corrections of any inaccuracies.

Functionally, the implementation of this statute has deviated from its original intent. While envisioned as a mechanism for escrow professionals to inspect their records, the law has instead served to limit the volume of data gathered. During the 2021 extension of the sunset provision, the sponsor reported that agents frequently invoke these protections to decline providing sensitive identifiers, such as social security numbers, to rating entities.[2]

This bill makes permanent the current protections for escrow agents' data.

3) Prior and Related Legislation

a) AB 1169 (Daly) Chapter 380, Statutes of 2013 extended certain provisions of the California Consumer Credit Reporting Agencies Act to apply to escrow agent rating services with a sunset of January 1, 2017.

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

b) AB 2416 (Wilk) Chapter 135, Statutes of 2016 extended the sunset date of the law enacted by AB 1169 to January 1, 2022.

c) SB 360 (Wilk) Chapter 105, Statutes of 2021 extended the sunset date of the law enacted by AB 2416 to January 1, 2027.

According to the Author
SB 946 preserves important consumer-reporting protections for escrow agents by removing a sunset date that would otherwise repeal them on January 1, 2027. Current law protects escrow agents through the Consumer Credit Reporting Agencies Act (CCRAA). This includes the right to see their information, challenge errors, fix mistakes, and protect their personal data when they're being evaluated. These protections were created because lenders started using third-party rating services to decide which escrow companies they'd work with. Sometimes these services used wrong or old information. Escrow professionals were also being pressured to share very sensitive personal information just to keep working. Since these protections started, they've worked well with no problems. They're still needed today. SB 946 simply makes these protections permanent instead of temporary. Lenders can still check and approve escrow agents as before.

Arguments in Support
"Escrow agent rating services are used by lenders and other financial institutions to evaluate escrow companies, often using public and private information and scoring systems similar to consumer credit reports. Concerns have arisen that these services may rely on inaccurate or outdated information, potentially harming escrow professionals without giving them a meaningful opportunity to review or correct the information being reported."

"Existing law helps address these concerns by treating escrow agents similarly to consumers under the CCRAA, allowing them to access reports prepared about them, dispute and correct inaccuracies, and benefit from safeguards for personally identifiable information. These protections also help ensure that escrow professionals are not pressured to provide sensitive personal data without appropriate protections."

"However, the current law is scheduled to sunset on January 1, 2027. SB 946 simply repeals that sunset provision so that these important safeguards remain in place. By doing so, the 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" -- *California Escrow Association*

Arguments in Opposition
None received. Last verified 6/23/2026

FISCAL COMMENTS

The following is from the analysis of the Assembly Committee on Appropriations.

Minor and absorbable costs to the Department of Financial Protection and Innovation, which licenses escrow agents under the Escrow Law.

Ongoing cost pressures of an unknown amount, potentially in excess of $150,000, to the courts in additional workload by continuing certain Act provisions, including the provision allowing an escrow agent to bring an action for damages and other relief against an escrow rating service that fails to safeguard the agent's personally identifiable information (General Fund (GF) or Trial Court Trust Fund (TCTF)). It is unclear how many actions may be brought statewide and how much court time may be needed to resolve each case, but scams targeting escrow agents are not uncommon and it generally costs approximately $1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on staff and the TCTF may create a demand for increased court funding from the GF. The state budget provides annual GF backfills to the TCTF to offset revenue reductions, totaling approximately $117.3 million in fiscal year 2025-26.

VOTES

SENATE FLOOR: 33-0-7
YES: Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Allen, Alvarado-Gil, Becker, Hurtado, Niello, Padilla, Stern

ASM BANKING AND FINANCE: 8-0-1
YES: Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Soria
ABS, ABST OR NV: Schiavo

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

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