

Testimony in Support of HB 2608
Barbara Fox
Before the House Business and Labor Committee
March 15, 2013

My name is Barbara Fox and I live in Kirkland, Washington. Although I'm currently retired I began a career in the real estate lending and escrow industry in Washington in 1959. I held an Escrow Officer license with the Washington State Department of Financial Institutions and currently hold a Limited Practice Officer license with the Washington Supreme Court. Over the years I've sat on many boards and committees that assure the integrity of the industry. These include but are not limited to the Washington State Bar Character and Fitness Committee and the Limited Practice Board where I was the Chair of the Exam and Education Committees. I was also the Treasurer and Secretary for the Legal Foundation of Washington so understand the needs of civil legal aid services. Lastly, I was instrumental in writing Rule 12 of the Admission to Practice Rules which govern the professional responsibility of Limited Practice Officers in Washington.

I'm providing this testimony in support of HB 2608. This bill will require escrow accounts to be interest bearing, and for interest earned from certain accounts to be dedicated to supporting civil legal services to persons of lesser means.

The state of Washington has a similar system regarding escrow accounts being IOLTA accounts as proposed by HB 2608. Most escrow agents in Washington are also Limited Practice Officers (LPO), and are regulated by both the Washington State Escrow Commission and the Washington State Supreme Court. LPO's are required to have their pooled escrow accounts set up as IOLTA accounts with interest payable to the Legal Foundation of Washington. They are audited by the Washington State Escrow Commission. This includes the escrow company sending reports to the Escrow Commission on a quarterly basis.

The only funds allowed to be placed in the IOLTA accounts in Washington are those funds that cannot earn a positive net return back to the client. This is also the intention under HB 2608. I understand that there is some concern expressed that it will be an administrative burden for Oregon escrow agents to determine whether a client's funds can earn a positive net return. My experience in Washington is that LPO's have rarely found that calculation to be a burden. Most of the time, funds are in and out of these escrow account so quickly that the amount of interest accrued is extremely minimal, especially in this low interest rate environment.

Determining whether escrow agents are correctly distinguishing which funds in the pooled account can earn a positive net return back to the client has not been difficult for the Commission. Although exact dollar figures would vary from agent to agent, they are able to determine guidelines that help them quickly and easily know if a deposit of a certain size and duration is likely to be appropriate for deposit in an IOLTA account. This system works well in Washington and provides much needed revenue to the Legal Foundation of Washington which is an organization that provides funding to Washington legal aid programs.

Washington has had pooled escrow accounts as IOLTA accounts since 1996. This system works very well and is not a burden for the LPOs to administer. The banks set up the account as an IOLTA account with interest going to the Legal Foundation of Washington. Other than that the escrow account operates essentially as it did before it became an IOLTA account but now provides vital revenue for Washington legal aid programs.