

Evolution of ALTA's Best Practices

**Maturity Model Provides Another Tool to Measure
Compliance as CFPB Promotes Scalability**



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Today's Speakers

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Lori Dorman

director of risk management for Agents National Title Insurance



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Today's Topics

1. Industry History
2. Gaining Perspective
3. CFPB
4. Best Practices Changes
5. Maturity Model



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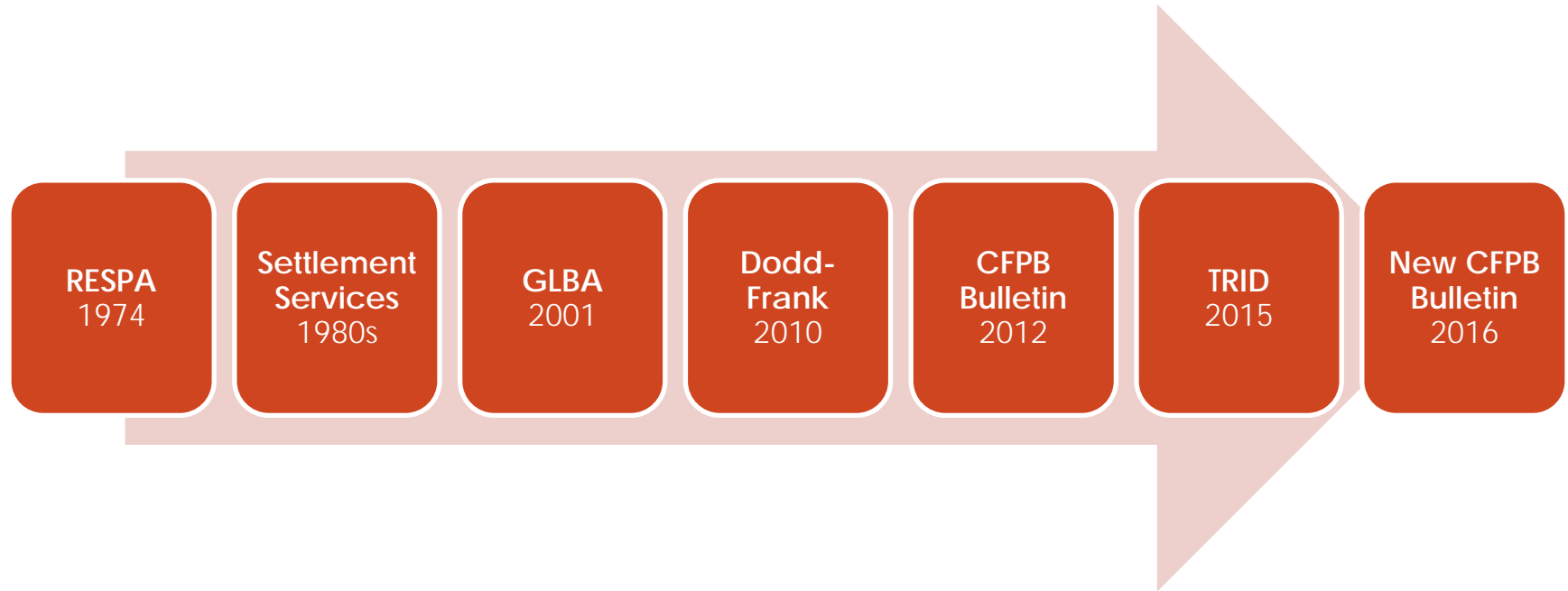
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STORY
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HISTORY
OF THE
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PATH

Industry History



Freaking
Out?



Gaining Perspective





cfplb



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CFPB: Consumer Focus

- CFPB to hold financial institutions and their service providers accountable
- Two points
 - Number 1
 - 5,250,000 existing homes were sold in 2015
 - 510,000 new constructed homes were sold in 2015
 - Average sales price for new houses sold as of 12/31/15= \$358,100

CFPB: Consumer Focus

- Number 2

- <https://www.fireeye.com/cyber-map/threat-map.html>



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CFPB: Third-party Oversight

- **ALTA Presses CFPB for More Guidance**
- **Bureau Issues Bulletin in Federal Register**
 - First time bureau formally addresses issue of scalability
 - Says lender's risk-management program for service providers may be scalable depending upon several factors
 - Size, scope, complexity, importance and potential for consumer harm



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CFPB: Third-party Oversight

- **What Will Most Lenders Focus On?**
 - One-size-fits all approach not the expectation
 - More lender knows about a vendor, the better
 - Nobody expects perfection
 - Consumer choice important



CFPB: Third-party Oversight

- **ALTA's Best Practices**

- provide a blueprint to help lenders satisfy their responsibility to manage third-party service providers
- Expect more lenders to incorporate Best Practices during 2017

ALTA's Best Practices





Best Practices

- What Changed?

- Pillar 2

- Utilize Positive Pay or Reverse Positive Pay, if available in the marketplace, and have policies and procedures in place that prohibit or control the use of Automated Clearing House blocks and international wire transfers to protect against unauthorized transactions.



Best Practices

- What Changed?

- Pillar 3

- Companies must securely maintain and dispose of records containing Non-public Personal Information pursuant to an established timeframe for retaining records, as documented in the Company's information security program that takes into consideration the appropriate legal, regulatory, and business requirements.



Best Practices

- What Changed?

- Pillar 4:

- Maintain written procedures to help ensure that any third-party signing professional—including Notaries Public—engaged by a title or settlement company possess the appropriate qualifications, professionalism and knowledge ... determined by a mix of legal and contractual obligations.

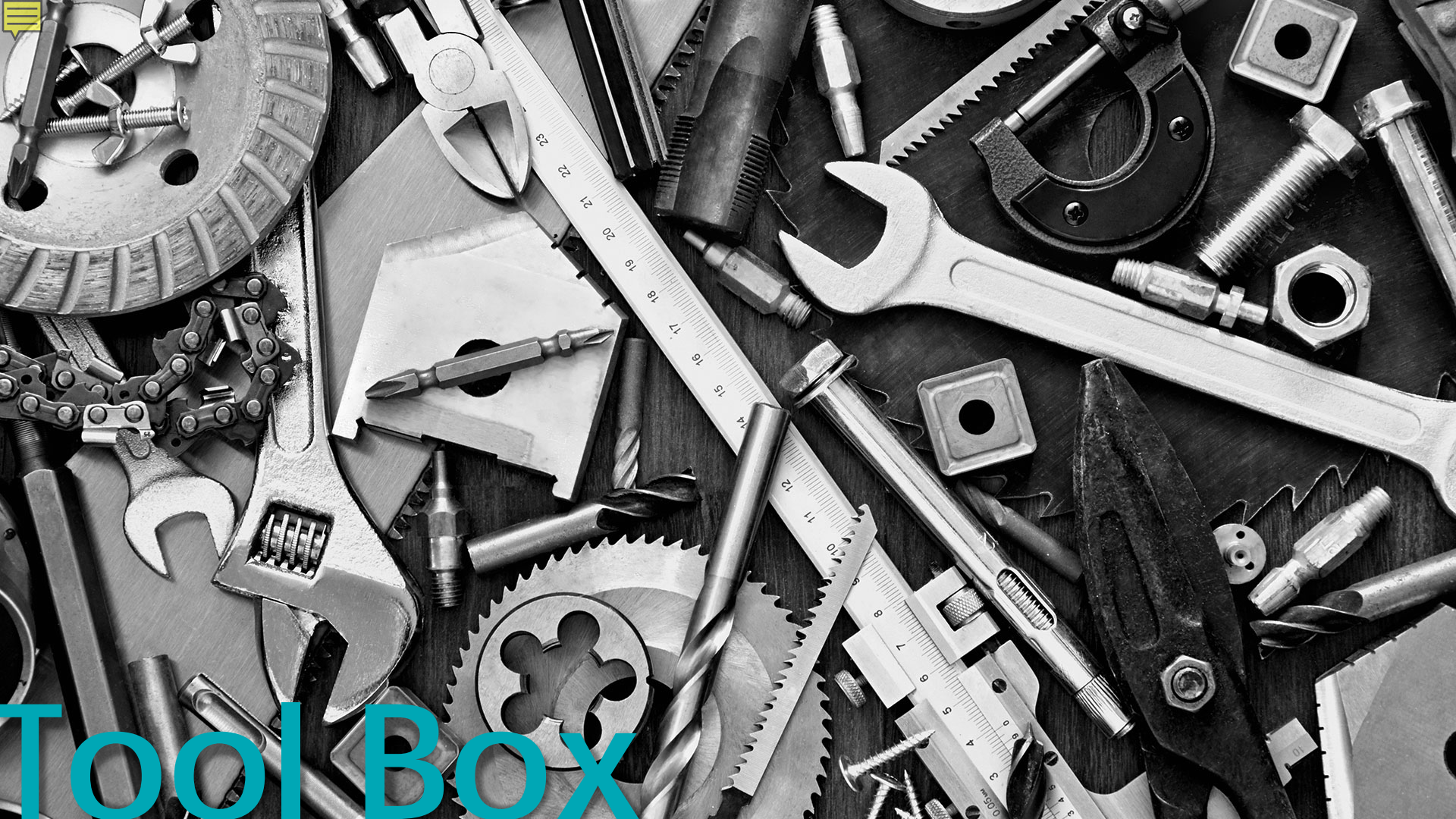


Best Practices

- What Changed?

- Pillar 5

- Title insurance policies are reported to the underwriter (including a copy of the policy, if required by the underwriter) to meet applicable statutory, regulatory and contractual obligations, but not to exceed 45 days following the (i) date of Settlement, or (ii) date the terms and conditions of the title insurance commitment are satisfied.
 - Title insurance premiums are remitted to the underwriter to meet applicable statutory, regulatory and contractual obligations.



Tool Box

Maturity Model

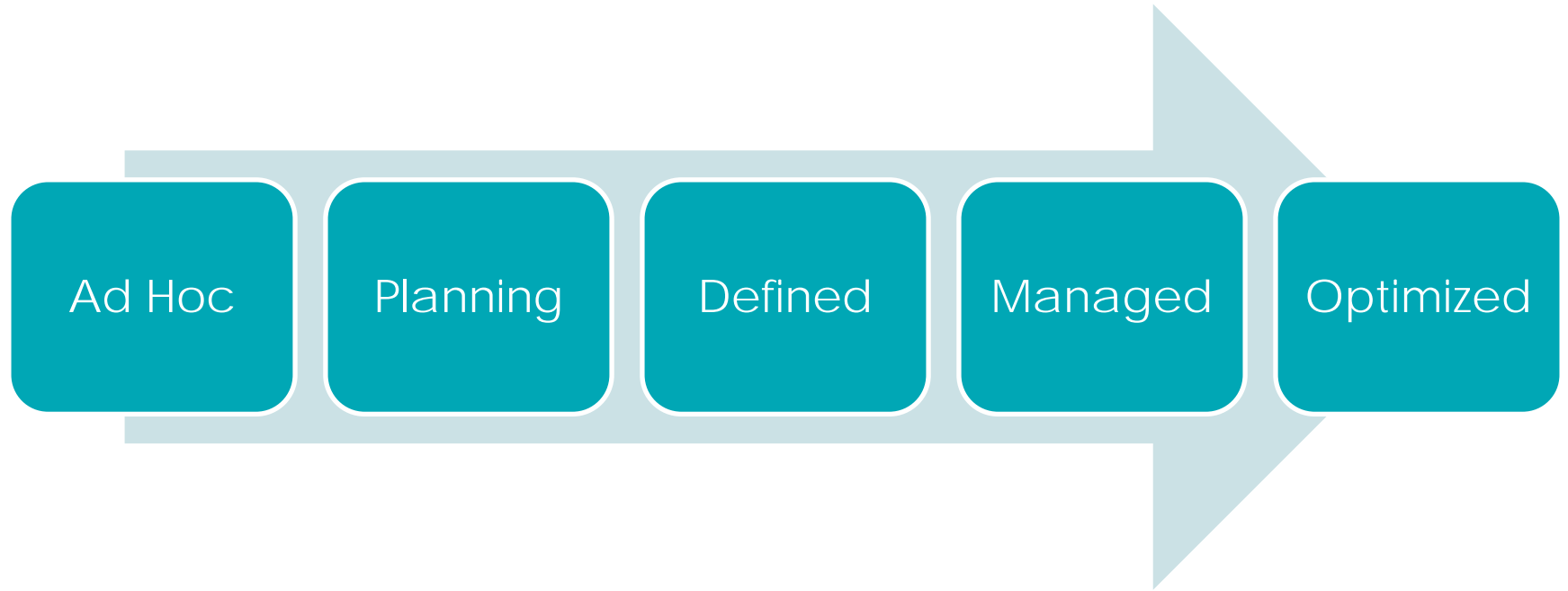
- **Business Tool**

- Measures company's procedures against an established standard
- Maturity refers to strength of a company's procedures and if they are followed consistently
- Benchmark levels



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Pillar 1

Best Practice	Related Assessment Procedures	Benchmark Compliance Levels				
		Ad Hoc	Planning	Defined	Managed	Optimized
Establish and maintain current license(s) as required to conduct the business of title insurance and settlement Services	1.01, 1.02	Licenses and corporate registrations are not available and active for all states and jurisdictions in which the company operates on the assessment date				Licenses and corporate registrations are available and active for all states and jurisdictions in which the company operates on the assessment date
Establish and maintain appropriate compliance with ALTA’s Policy Forms Licensing requirement	1.03	Company does not maintain active ALTA Policy Forms License				Company maintains an active ALTA Policy Forms License

Pillar 2

Best Practice	Related Assessment Procedures	Benchmark Compliance Levels				
		Ad Hoc	Planning	Defined	Managed	Optimized
Written procedures and controls exist for Escrow Trust Accounts	2.01	Neither written procedures nor controls exist	Controls and procedures exist but are not documented <u>or</u> controls and procedures are documented but are not completely implemented	Some controls and procedures exist and are documented, but are not completely being followed	Controls and procedures exist and are documented, but are not being followed consistently	Controls and procedures exist, are documented, and are being followed consistently
Escrow funds and operating accounts are separately maintained	2.03n	Escrow and fiduciary funds are comingled with operating accounts		Underwriter premiums and/or recording fees are comingled with operating accounts		No escrow or fiduciary funds are comingled with operating accounts
Escrow Trust Accounts are prepared with Trial Balances, listing all open file/escrow balances	2.03e, 2.03h, 2.03l, 2.03m	No escrow accounts and fiduciary accounts are prepared with a Trial Balance	Some escrow accounts and fiduciary accounts are prepared with a Trial Balance	Most Escrow accounts and fiduciary accounts are prepared with a Trial Balance; however, underwriter premium and/or recording account may or may not be prepared with a Trial Balance	All escrow accounts and fiduciary accounts are prepared with a Trial Balance, including recording account, but not underwriter premium account or underwriter account but not the recording account; however, compensating controls are in place	All escrow accounts or fiduciary accounts are prepared with Trial Balances



Tool Box Comparison

Assessment Procedure Number	ALTA Best Practices Framework: Assessment Procedures
	ALTA Best Practice 1:
	Establish and maintain current License(s) as required to conduct the business of title insurance and settlement services.
1.01	Obtain an understanding of the Company's process for monitoring and tracking the current License(s) as required to conduct the business of title insurance and settlement services.
1.02	Confirm the active status of the Company and/or individual Licenses/registrations for each state in which the Company conducts business. In states where underwriter appointments are required, ensure that companies and/or individual producers are appointed by each underwriter as applicable.
1.03	View Company's active ALTA Policy Forms License or verify compliance on ALTA website

Pillar 1						
Best Practice	Related Assessment Procedures	Benchmark Compliance Levels				
		Ad Hoc	Planning	Defined	Managed	Optimized
Establish and maintain current license(s) as required to conduct the business of title insurance and settlement Services	1.01, 1.02	Licenses and corporate registrations are not available for all states and jurisdictions in which the company operates on the assessment date				Licenses and corporate registrations are available and active for all states and jurisdictions in which the company operates on the assessment date
Establish and maintain appropriate compliance with ALTA's Policy Forms Licensing requirement	1.03	Company does not maintain active ALTA Policy Forms License				Company maintains an active ALTA Policy Forms License

Maturity Model Summary

ALTA Best Practices	Benchmark Compliance Levels					Progress Plan
	Ad Hoc	Planning	Defined	Managed	Optimized	
	Pillar 1					
Establish and Maintain current license(s) as required to conduct the business of title insurance and settlement services					X	
Establish and maintain appropriate compliance with ALTA's Policy Forms Licensing requirement						
Pillar 2						
Written procedures and controls exist for escrow trust accounts						
Escrow funds and operating accounts are separately maintained						
Escrow Trust Accounts are prepared with Trial Balances listing all file/escrow balances						

Maturity Model

- Identifies the strength of a company's Policies and Procedures
- Identifies progress- can be measured
- Identifies a plan to move toward Optimized
- Provides an alternative way of determining how a company's procedures measure up against the Best Practices



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Business Decision on your part

- Evaluate your market
- Ask questions
- Educate
- What tool is best for you to use
- Proactively communicate

QUESTIONS?



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[ALTA.ORG/BEST-PRACTICES](https://alta.org/best-practices)



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