

TITLE *News*

ANCILLARY SERVICES



In an increasingly competitive marketplace, downward pressure on costs and demand for electronic speed are widening the title/closing enterprise into a real estate information industry characterized by single location ordering and delivery of bundled services. Title insurance organizations are moving to the forefront in this battle for lender/broker business, combining their existing commitment to excellence in electronic commerce with characteristic expertise in managing data and meeting customer need.

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On the cover: The title industry is changing as rapidly as any enterprise of the turbulent 90s, ALTA Past President and First American Title President Parker Kennedy observes in the special report on ancillary services appearing in this issue. Kennedy and eight other title underwriter/agency executives are interviewed on how their companies are responding to the lender-driven demand for faster, better and less expensive electronic delivery of bundled title and real estate information services. Moving toward the new century, this ancillary services phenomenon can readily be described as The Millennium Dynamic.

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Special Report: Ancillary Services - - The Millennium Dynamic

By Gary L. Garrity

As competition in the marketplace intensifies, downward pressure on costs and demand for electronic speed are transforming the title/closing enterprise into a real estate information industry. Nine title executives describe the impact on their business operations--and take a hard look at what lies ahead. Besides Parker Kennedy, they are Richard Cecchetti, Old Republic Title; Duane Ellis, LandAmerica OneStop; Carrie Hoyer-Abbinante, Wisconsin Title Service; Mike Keller, Chicago Title; Greg Kosin, Greater Illinois Title; Stewart Morris, Jr., Stewart Title; John Stanley, Columbia Title, and Pat Stone, Fidelity National Title.

AND MORE...

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An ALTA-endorsed plan with American Buying Retirement Services features 401(k), profit sharing and executive retirement offerings serviced by a network of over 165 retirement specialists throughout the country.

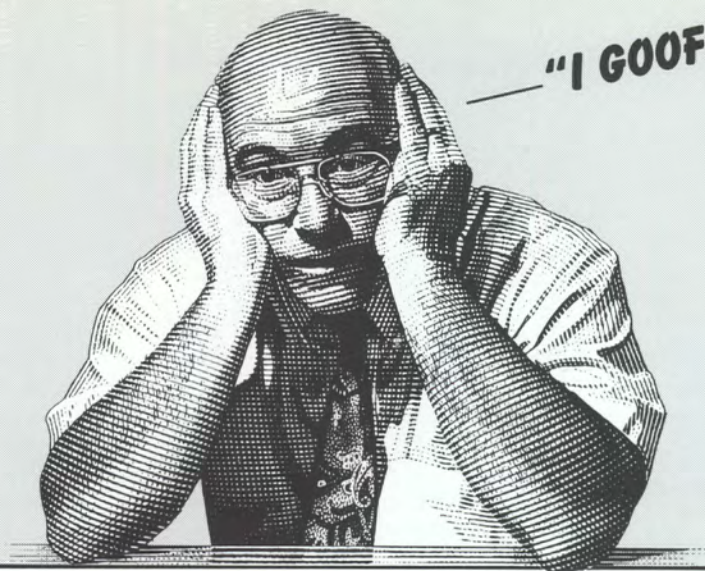
17 Canadian Title Insurance Article Brings Reply from Counsel

Kathleen Waters, legal counsel for TitlePLUS and Lawyers' Professional Indemnity Company, Toronto, sends along comments in response to the cover article, "American Title Insurance: An Emerging Presence in Canada," written by Bruce McKenna, Toronto attorney, for the January-February, 1998, *Title News*.

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A MESSAGE FROM THE UNDERWRITER CHAIRMAN



Reinventing, restructuring, reorganizing - - call it what you will, the result is the same. As we approach the 21st millennium, the title industry of 1998 bears little resemblance to its forerunner of the early '90s. For those of us who have invested a number of years in this business, the dynamic changes of the past decade have been almost more than we can grasp.

Our business is on the verge of a transformation in which technology is the major enabling force. We not only need to increase the speed and reliability of product delivery, but also must be in a position to have our systems interface with those of our customers.

Much of the title industry's recent metamorphosis has resulted from the demand of high-volume national lenders for quicker turnaround on title reports and a "bundled services" approach - - a one-stop center for other products and services such as flood certificates, appraisals, property tax services and document preparation services. This demand is transforming the title insurance industry into a high speed real estate information business.

This issue of *Title News* takes you into this arena for a look at how these components of our business function. You will learn about the breadth and scope of a new range of products and services accessed electronically via a single order. You will also learn about the technological advances that will determine how well we will compete in the future. As we strive to build a more powerful response in reducing the time and cost of the mortgage origination process and provide lenders with expanded products and services, we are also building a sound foundation for our own industry.

We appreciate the willingness of our members to discuss the ancillary services phenomenon and how they are responding to the challenge in this special report.

Sincerely,

Charles H. Foster, Jr.

Virtual Title Plants and Beyond

By Todd A. Hartle

Title managers who exploit Internet commerce fully can reap its benefits. This article evaluates the latest thoughts about making land title records available on the Internet, which many believe the title industry needs today in order to hedge against future competition and technological change. How do we make plants available? Is anyone doing it? What data to make available and to whom? What are county recorders and clerks doing about making land court records available over the Internet? Learn how these trends and Web applications affect title plants and how you can prepare to meet your customers' needs.

Electronic commerce today and what will be most important about it in the future is the extent to which it represents the state of change in the way business is conducted in the title community. Today, we can order almost anything over the Internet and the capability to place title orders and sell title information in the virtual realm is a current reality. It is a ubiquitous network business model for prospecting customers, order management, order fulfillment, and information dissemination.

The real impact of Internet commerce has to do with what does not happen in the course of a transaction: no office was visited, thus paper work is reduced; no cash changed hands, thus simplifying record keeping, cash management, etc. Whenever traditional methods of making purchase decisions and executing transactions are bypassed via an electronic network, electronic commerce is playing a role.

Although the implications of this

kind of change in transactions are staggering, it may be even more important to consider the ways in which the Internet will change how title companies gather, index, store, and retrieve information. The advent of the Internet and the mobility provided through technology mean less brick and mortar for title plants. Arising from this change is the concept of the Virtual Title Plant, a Web-based application.

The Internet provides a reliable means to disseminate land title information throughout the nation. The open nature of the Internet means that users can access title information from any computer, anywhere, anytime, using a

*...as county recorders
continue to make
records accessible via
the Internet, with univer-
sal access to searches
that can be run quickly
and efficiently from
anywhere in the coun-
try, it will spell the end
of title plants as we
know them today.*

standard Web browser with minimal effort and expense. The Internet will put your organization on an equal, competitive footing with firms locally, regionally, nationally and internationally. The Web will directly or indirectly impact your bottom line.

Of course, there is always the fear that if you do not do it, the other guy will. So, while a company's data is indeed precious, it is only after having been transformed into accessible information that it becomes a source of economic value. A resource such as the Internet can enhance your plant data's intrinsic worth. Thus, data is transformed into valuable information.

Threats to Title Plants

County recorders on the Internet? Yes, it is true, they are beginning to use the Internet to publish data. What does this shift mean for title plants in an age where information flow is the driving force of a global economy? Without question, the Web is dramatically changing the form and flow of the environment surrounding the title community – and will continue to do so.

As an increasing volume of public records migrates to the Web, title managers will encounter an intensified need to demonstrate that their title plant access systems are of major importance to the real estate market. While the thought of putting the company jewels on-line may make some executives feel faint, the trend is moving forward in Web site development for property records access. Those who lead title operations need to fully realize the great importance of utilizing Internet technology in strengthening the title industry.

However, many title managers do not consider the spreading of county data to the Internet a threat because county data is organized by grantor/grantee rather than legal description and is deemed not as accurate as plant data. *This is a great fallacy.* Pressures continue

to build for those in public offices to facilitate accessible inspection of public records. Thus state and county governments have begun efforts toward uniform property records access by leveraging the public data stored through their operations and migrating it to the World Wide Web.

As county clerks become more attentive to quality control and the type of indexes they keep and allow access to, the title industry will suffer. And, as county recorders continue to make records accessible via the Internet, with universal access to searches that can be run quickly and efficiently from anywhere in the country, it will spell the end of title plants as we know them today. They will be worth nothing.

Some plant managers are also very concerned about MERS. Could it become a national recorder's office in the future and therefore become the national title plant? This is indeed a possibility as technology rapidly advances and prices fall. Plant managers would be wise to hedge against future developments on this front.

How title managers respond to the technology forces affecting records access will dramatically impact the future management of title plants everywhere. If those in leadership positions view recent Internet innovations as an opportunity to redirect their companies toward enhanced strategies and processes that will make their organizations more effective and competitive, then private management of title information access will continue to be a critical attribute. If, however, management remains unconvinced regarding the value of Web access to real property data, county clerks and others will not be so resistant.

Offshore Indexing

Before your title data can be published on the Internet as a defense to these posing threats, it must be in electronic format. Many plants today have their indexes resident in a local legacy database. If so, you are ready to proceed with your Internet strategy. But, what if you do not have an existing data entry system and are not favored with getting electronic files from the county recorder. A back-file conversion may be in order. And offshore indexing portends lower costs and improved timeliness.

Gathering data for a Virtual Title Plant starts like any other plant where the title office procures documents from the county clerk's office. Documents may be still in paper format or microfilm but digitized images offer more flexibility.



*The author is the president and founder of Fountainhead Information Systems of Atlanta, an organization that develops Internet and imaging information systems for the title industry. An 18 year veteran of the computer systems and technology field, he previously spent eight years with the development of document imaging systems for county clerk and recorder offices throughout the Southeast - delivering over 100 systems, including the first windows-based imaging system and first local area networked imaging system. Focusing on Internet technology as a consultant for several years ultimately led to his formation of Fountainhead, the first company to put a title plant on the Internet and his fifth entrepreneurial technology company. For his previous articles in **Title News**, please see the March-April, 1997, issue ("When Public Records Move to the Web..." and "Designing Killer Web Sites.") He is a graduate of the Georgia Institute of Technology, holding a bachelors of science in information and computer science. He can be reached by e-mail at thartle@titlesearch.com or at 770-517-4750 x396.*

The difference begins after the documents are procured, when they are then sent to Manila in the Philippines, where they are posted utilizing offshore labor.

The offshore data entry facility, operated by HDEP International, is the only offshore facility which is actually trained to key title plants. Virendra Nath, HDEP president, and Doug Bello of

If those in leadership positions view recent Internet innovations as an opportunity to redirect their companies toward enhanced strategies and processes...then private management of title information access will continue to be a critical attribute.

D. Bello & Associates, Burbank, who manages the title postings, have put forth a tremendous amount of effort for almost 10 years to get their personnel trained. But they are trained and they know title documents so that quality control is maintained.

Documents that are digitized can be sent via the Internet to an overseas location. Because of the time difference when using offshore indexing, it is possible that the new data can be available the next morning if digitized documents are utilized. The existence of the industry is based on the ability to have timely and accurate information. Your company's plant can be up to date to the day as opposed to being many days behind.

Once documents have been posted, the associated indexes are then transferred back to a Internet-based plant hosting service, such as Atlanta-based Fountainhead Information Systems, which stores the data and also keeps track of client accounts and access security on behalf of the title company. Subsequently, the plant information is accessed for a fee over the World Wide Web to subscribers across the nation without using proprietary EDI software.

Marketing Plant Data

Information is the new gold standard. And access to critical data is key to any company's success, especially data which is current, accurate, and accessible. In this information age, title plants have an edge on real property transactions. Title companies can reach new markets with their various property records and conduct business on the Internet 24 hours a day without geographical and time zone restrictions. But what plant data should you make available?

All of it.

Title records, flood, tax, appraisal and even prior policies are valuable to many different entities. Attorneys want to access copies of specific book and page information without going to the courthouse; lenders want to know who else recorded mortgages; appraisers want to know the price of new sales; Realtors want to know what sales closed; and direct marketers want to know the names of new property owners. And they all can access title information for a fee over the Internet.

A number of government agencies such as the Department of Transportation, and other organizations such as property management companies, property investors, private investigators, and notice to owner businesses, will find use

in property records also. Many customers will want to access information across county boundaries and can do so through the Internet.

Web Presence Costs

Any title organization that may want to provide Internet access to its title data, will first research how much it will cost to set up a Web server and maintain it. Opening shop on the Internet, however, requires a major investment in the hundreds of thousands of dollars for computer hardware, software, and maintenance. While you can buy your own Web server and high-speed data link, you also need to add the cost of the services for an in-house UNIX or NT guru to maintain the system and provide the application programming that will be needed.

Consider the following expenses associated with internal Web site management that are needed to start (costs do not include the security devices to protect corporate data).

Now, add the cost of setting up a site for electronic commerce transactions on

Cost of Internal Web Site Management

Hardware and Software	\$27,000
Internet Connectivity	\$31,000
Tape Storage	\$3,000
Labor*	\$160,000
=====	
Total	\$221,000

*Two full-time staff plus benefits and overhead

Source: Forrester Research

the Web, which is recognizably difficult and time-consuming because most solutions require several steps and extensive programming knowledge.

It is these software programming expenses that represent the majority of an electronic commerce projects investment. International Data Corporation (IDC) reports that companies building Web commerce sites can expect hardware and software to consume 20 percent of a site's overall budget; the remaining 80 percent goes to software development and integration. To build a gateway that links the Web page to the database requires custom development.

Businesses are already investing hefty sums in their Web commerce projects.

Definition: Web Application

A Web application is a serious business application that runs on the Internet. It usually involves extracting information from a corporate database, performing an action against that information and displaying the results. The idea of Web applications is that of building serious client/server applications that run inside a browser. Or, more accurately, that display inside a browser, since most of the processing is actually done on the server.

Web browsers talk to servers. Most of the processing is done on the server, which may be a combination of Web servers, file servers, application servers and database servers. Web applications promise to save corporations big money, because they do not require high-end PCs on every desk. They run on any device that can host a browser - - a low-end PC, a laptop, an NC(network computer), or even a hand-held. Web applications offer flexibility, scalability, security, and stability because they are based on open standards.

According to the Gartner Group, transaction-enabled Web sites cost from \$1.5 to \$3 million. And many companies spend more than that up to \$5 million. The cost of the Web server is just the tip of the iceberg. Companies incur their major expenses building real-time links to back office SQL databases with costs of \$500,000 or more. Operating costs can run close to \$3 million spent over the first year with staffs ranging from a few to 40, with an average of 19 people.

Title Plant Hosting

Title companies have stored tremendous volumes of records in databases. Is it possible to achieve a low-maintenance environment that will not overwhelm an internal IS staff? How can this be done when data resides on multiple hardware platforms in several different databases? How can all these technical imperatives be met and revenue still generated? A title plant hosting service is the answer.

Businesses are looking for help in finding critical skills and in meeting the business unit's objectives for time to market, business growth, and increased market share. Taking information out of a plant database and delivering it over the Web requires more acumen than one would imagine. Lacking funds for additional staff and bound by unrealistic deadlines, managers are looking for alternatives. Title plant hosting allows companies to out-source creation, management, and support of their Virtual Title Plants, gaining a low cost, low risk, high performance way to use the power of the Web. For managers, such trends promise less worry over day-to-day operations and a greater role in strategic decisions.

Fountainhead Information Systems, as an example, TitleSearch On-Line™ (www.titlesearch.com) plant hosting Internet service technology offers managers the ability to sell title information on the Internet. Title plants are hosted utilizing Fountainhead's proven technology for a monthly fee based on certain features, storage requirements, and number of transactions. The TitleSearch On-Line™ back-end application is a Web server that acts as an intermediary between the user and the database.

A title plant simply provides data to Fountainhead. Fountainhead's hosting service includes all technical support, administration, and converts your flat file data into a customized relational database that is highly optimized for plant access and control. The system is designed to make providing and accessing title information easy for both data providers and customers. The advantage is that companies do not need to increase their own infrastructure and chase the technology curve.

By outsourcing the on-line application tasks, the complicated server setup, and the site management without the heavy investment in hardware, software, communications, and labor, companies can concentrate on the data gathering and their line business activities. As a result, existing data is not only more usable, but more valuable -- Mission-critical information, centrally administered and universally accessed.

Web Security: Perception vs. Reality

Most surveys regarding electronic commerce on the Internet highlight the

continued on page 24

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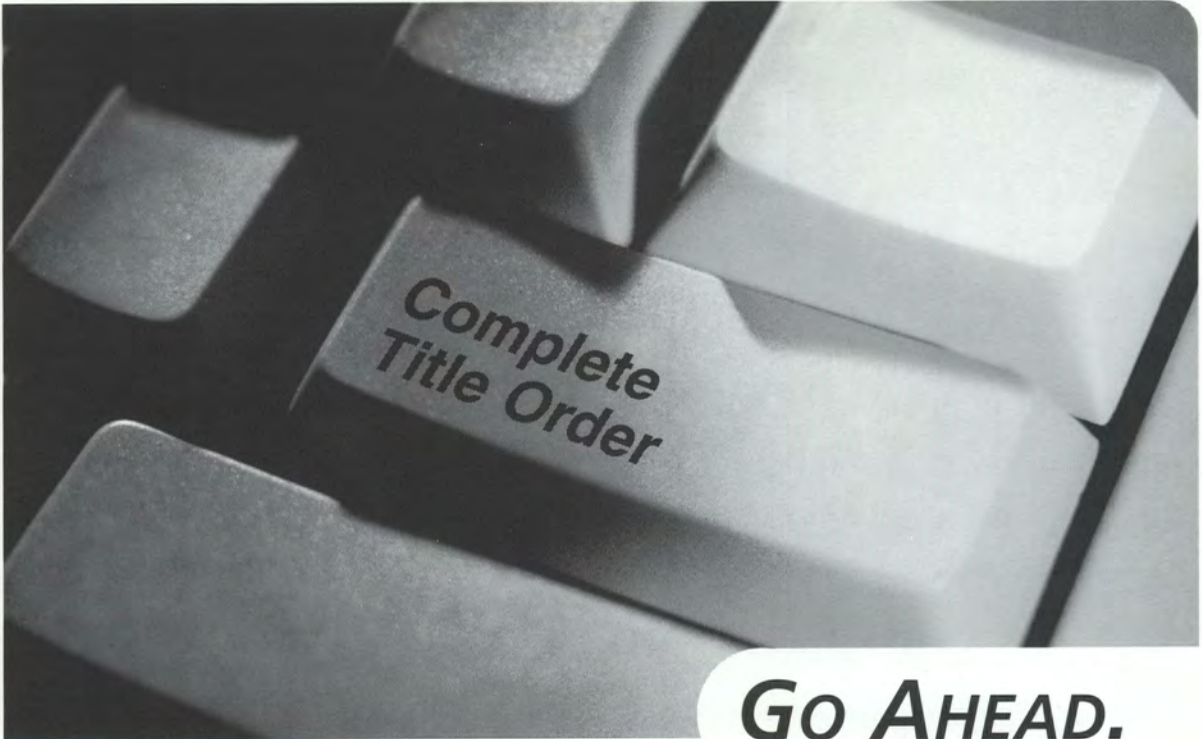
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Preparing Your Staff for Change

By Tim O'Brien

The objective is not to get staff to support change, but to give them the responsibility for engineering change." Gary Hammel, Harvard Business Review

Gary Hammel's quote embodies the key to success in preparing your staff and business for change: involve everyone in the process and confront change head on or risk experiencing the futile frustration of resisting it.

That change is inevitable, ongoing and accelerating becomes more obvious each day. Many of us cope with change by trying to make it fit into our old ways of thinking. We like how things were, we don't want to keep growing, it takes time, energy and effort. We resist through anger, frustration and denial. However, this type of behavior is worthless. Resistance only leaves us farther behind.

Successful change management involves a flexible, organic approach to the continual challenges we face as business people and employers. Technology has permanently changed the way we transact business. And, the future promises faster, more powerful computers, modems, FAX machines, voice mail and e-mail capabilities.

Identifying the obvious about change is the easy part. So how do you actually get yourself, and your staff, up to "warp speed" to handle change effectively and efficiently. Here are some specific guidelines to help you develop and customize a program for your staff.

Guidelines Presented

- (1) Define change; there are many

types that will call for different strategies.

- (2) Keep your staff informed; educate all affected to what you expect and also the uncertainty that exists.

- (3) Involve your staff in the process of preparing for and dealing with change.

- (a) Have an initial general discussion of "how should we approach change?"
- (b) Actively solicit suggestions; ask "how would you handle this?"
- (c) Encourage a proactive,

anticipate and adapt approach.

- (4) Understand the psychology and physiology of change.

- (a) Change/control—more change=feel less in control.
- (b) Change=possible uncertainty=diminished feeling of "being in control."
- (c) "Fear of change" (change disturbs comfort level and lowers predictability).

- (5) Question your assumptions.

- (a) Why do you believe what you do about change (rate, frequency, impact)?

- (b) Practice "out of the box" thinking—look from a different perspective.

- (c) Ask people outside your profession to help you see change coming.

- (d) Read widely and subscribe to trend letters or you won't see it coming.

- (6) Do worst case scenario planning, then:

- (a) Work out the details in case the worst happens.

- (b) Realize it seldom does.

- (c) Work intelligently to insure the worst case scenario can't



The author is the director of the Institute for Stress Management, Tallahassee, FL, and is a fellow in the American Institute of Stress.

A syndicated columnist for Knight Ridder Tribune News Service, he has published more than 200 articles in national newspapers and magazines. In addition, he has written seven continuing education courses for ARC Mesa North America, in this country and abroad. For a previous article including his observations on stress in the title business, please see the September-October, 1997, Title News. The author may be reached at 800-344-2429, timobr@aol.com.

happen.

(d) Be guided by positive goals and not fear of change.

(7) Be honest with your staff about the possible outcomes.

(a) Don't encourage false optimism when practical realism is needed.

(b) If there are going to be cuts in staff, hours, pay, be up front about it.

(8) Differentiate between change within your control and change beyond your control.

(a) For change within your control,

(i) Have a master plan, for

Success in helping your staff adjust to change will rest in how you present it to them, how effectively you encourage their involvement, and your consistent support and follow through.

yourself, for your business, and your staff.

(ii) Set priorities, goals and allocate time effectively.

(b) For change beyond your control (weather, trends, technology).

(i) QTIP—quit taking it personally.

(ii) Recognize and accept that it exists and that you can't micro plan for every contingency.

(iii) "Do your best and await the result in peace." (Lubbock)

(9) Develop a working model of how

you and your staff plan to adjust to/handle change as it occurs—either in outline or prose form.

(a) Give everyone a copy, especially new hires.

(b) Review it quarterly and adjust/revise as required.

(c) This is an assumed future, with predictions on how people, the market, etc., respond to the changes you've planned for. Forecast the future and then compare to the reality that unfolds—helps with future forecasting.

(10) To help your staff with change, you will need:

(a) A leader with vision who can explain the future—give a pre view of why change is good and how life will be better after the time of uncertainty.

(b) An oasis and a lighthouse—

(i) An oasis of stability for comfort and security during uncertainty—a refuge from the storm of change (a break room where you don't discuss work).

(ii) A light house with a beacon siren and a rope that gives guidance and hope to the three types of people: audio, visual and kinesthetic.

(c) To promote the positive side of change—

(i) Ask what good has come without change.

(ii) Explain that you can't correct problems without change.

(iii) For the strong, change is the opportunity to grow and expand.

(iv) Law of Entropy: "That which is not growing is dying."

(d) Differentiate between real and imaginative fears regarding

change.


(i) Role play.

(ii) Verbalize fears and concerns.

(iii) Prioritize change, not all change is of equal importance or impact.

(iv) Remember the strong role education/knowledge can play in dispelling fears and empowering a person with new confidence.

When it's negative, no one likes change. When it's positive, like an increase in salary or a bigger office, few resist it. Success in helping your staff adjust to change will rest in how you present it to them, how effectively you encourage their involvement, and your consistent support and follow through.

You can do it. Just keep a clear vision, a flexible plan and a sense of humor. Remember, "change is inevitable, except from a vending machine." 

Wisconsin Company Acquired by Evans

Evans Title Companies, Inc., Appleton, WI, has announced the acquisition of Independent Title and Abstract, a firm with offices in the Wisconsin cities of Green Bay and Oconto. The Green Bay office has been combined with an existing office of Evans Title located there, and the Oconto office operates as a satellite of the combined offices.

Carolyn Toigo, formerly president of Independent, now is in the position of vice president, manager of the commercial and industrial market, for Evans Title. Bonnie Krause now manages the combined operation.

Hawaiian Interest For First American

First American Title Insurance Company has announced the purchase of an 80 percent interest in Long and Melone, Ltd., Honolulu, which now operates as First American Long & Melone Title Company, Ltd.

Tailored Member Retirement Plan Now Available through ALTA

As a business owner, growing your business and ensuring maximum returns on your investments are of prime concern. Value is top of mind and the bottom line is your measure of success. ALTA has always sought to provide programs and services that will assist you in your business. It's in this spirit that we proudly offer a retirement member benefit structured to help your business grow and help you secure your own financial future.

The ALTA-endorsed plan with American Buying Retirement Services (ABRS) features 401(k), profit sharing and executive retirement plans; collectively branded as the "Prime Years" program. The plans stem from nationally accomplished providers and are serviced by a network of over 165 retirement specialists throughout the country. ABRS' specialists have a focus on life insurance, financial planning and retirement planning. Most are either CLU, ChFC, CFP and are distinguished for both accomplishments and work ethics.

Reduced Fees

The start-up and administrative fees are especially important considerations for smaller companies. With other retirement programs, typical start-up costs for companies with over 15 employees might be \$1,000 to \$5,000. Annual fixed administrative costs can run from \$1,000-\$3,000 and annual per-participant charges can range from \$25 to \$40. The American Buying plans, however, charge *no* start-up, *no* administrative and *no* per-participant fees.

Furthermore, for a company with 50 participants, these reduced fees can save your company from \$105,500 to \$133,000 over 25 years. Asset management fees have also been reduced by 20 percent to 33 percent per year. This means increased yields, because of lower costs, for each participant. For larger cases (over \$1M in assets) pricing is even more aggressive.

Part of the cost reduction is due to the volume discounts that ABRS negotiated with the insurance companies that administer the plans.

Superior 401(k) Plans

ALTA offers members a choice of 401(k) plans provided by two highly rated industry leaders. Both provide quality program education and plan member services.

Each one provides some unique features. One of them, for example, offers 20+ investment options that include both institutional managers and mutual funds. Your choices include an impressive collection of funds with names like Janus, Delaware and Fidelity. The lineup of options also provides for the diversity requirement of IRS section 404 (c) for employee investment direction. And, if your employees want a no-risk investment option, they also offer a guaranteed account option which is backed by \$26.1 billion in fixed maturities.

The other provider offers participants a choice of six well-known investment choices: Aetna, Alger, Fidelity, Janus, Scudder, and Twentieth Century. This provider specializes in high-quality employee education and communications before, during and after sign-up. Three plans and pricing opportunities are available depending upon company asset size: MAPV -- for plans up to one million in assets; Jumbo MAPV and Adapter -- for assets in excess of one million.

Qualified Profit Sharing Benefits

New government regulations have come to the rescue of the small business. Traditional employer contributions of a profit sharing plan allocated the same percentage of salary to every employee. No particular employee could be

avored because of salary level, age, length of service, or contribution to the profits of the business. Recent changes in federal law now allow business owners to contribute based on needs rather than a single fixed percentage.

One particular plan is called "New Comparability." It offers small to medium-size companies a great deal of flexibility. For the first time, employees may be divided into classifications and each class may receive an allocation different from the others. Employees can be grouped according to salary, length of service, job classification or a combination of several. The possibilities are extensive...and administration of your plan is free! Also, all installation charges and all administrative charges have been waived because of your ALTA membership.

Executive Retirement Plans

Recent legislation limiting covered compensation for higher-paid executives in traditional qualified plans has created a climate of shrinking options. Compensation caps for 1998 are below what they were in 1993, leaving highly compensated executives with a form of reverse discrimination when it comes to building retirement income. ABRS is able to provide several solutions.

A value-added non-qualified executive plan can be designed with a range of options while allowing your company to select who will participate, set the vesting requirements and decide how the plan will be designed and funded. There are three main categories: non-qualified deferred compensation plans; executive bonus plans; and split dollar plans. Each design offers advantages and disadvantages which an ABRS retirement specialist can help you explore.

Whether you're an executive of a small business or medium-size company, ABRS' executive compensation plans can help ALTA members avoid the high-income anomalies with a substantial cost-savings.

Most association members who are participating in the program say the plans

The plans stem from nationally accomplished providers and are serviced by a network of over 165 retirement specialists throughout the country.

continued on page 25



EXPRESSNET

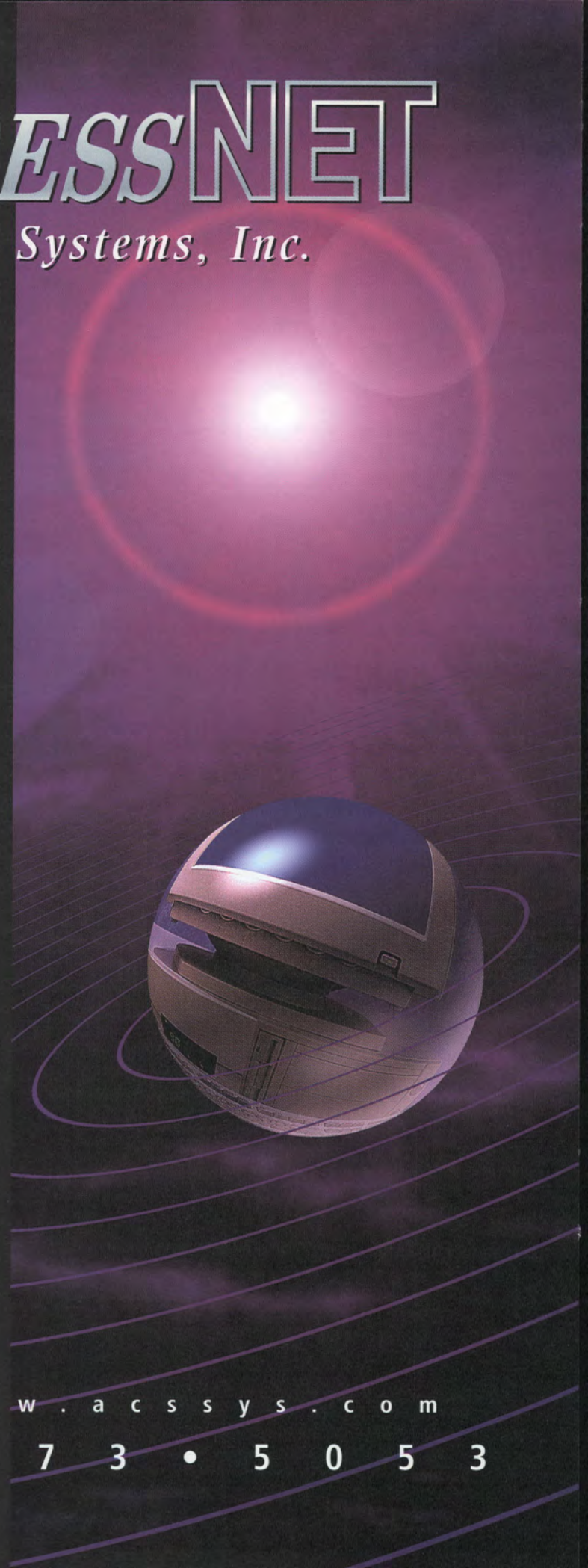
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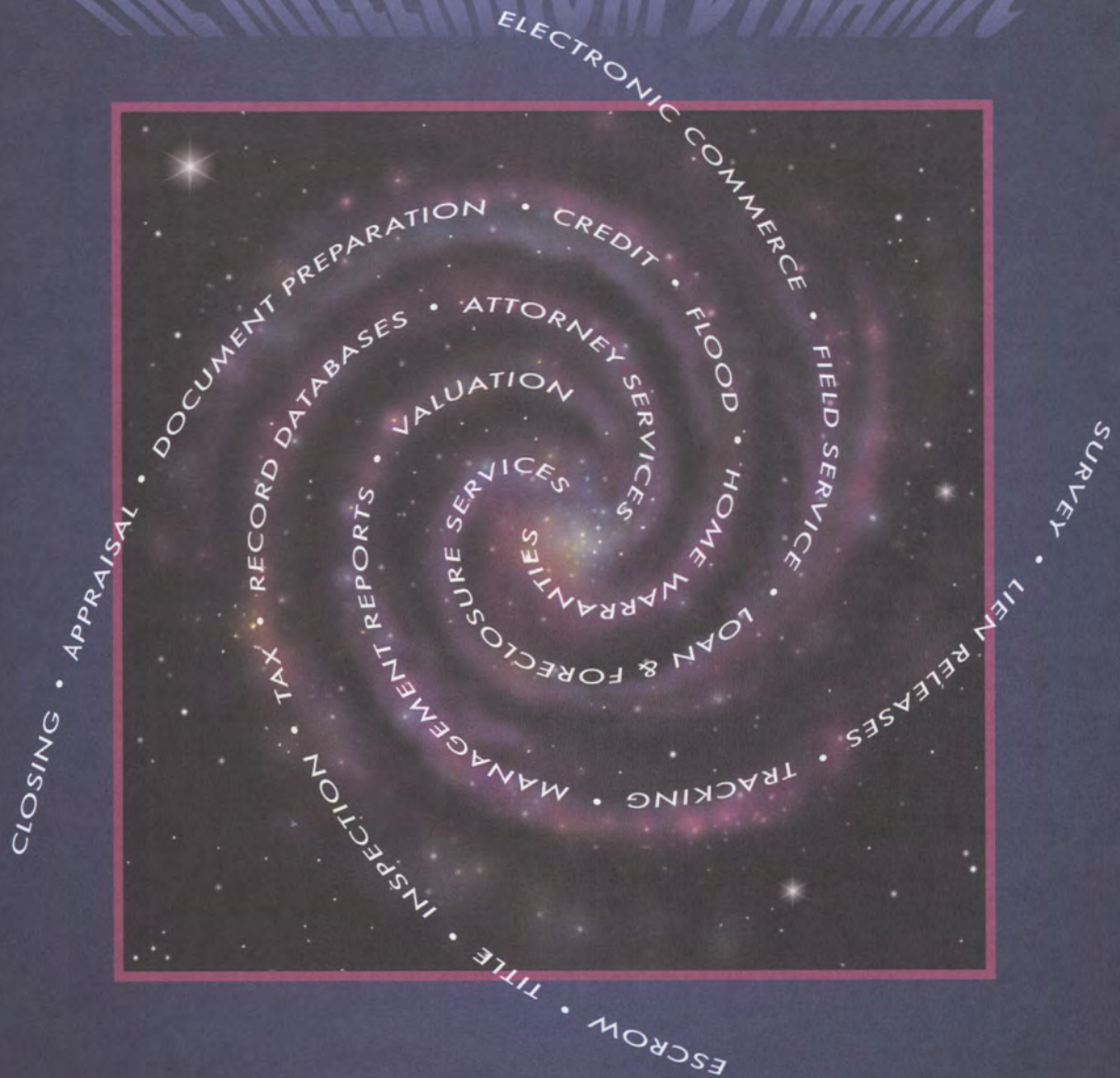
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ANCILLARY SERVICES



In an increasingly competitive marketplace, downward pressure on costs and demand for electronic speed are widening the title/closing enterprise into a real estate information industry characterized by single location ordering and delivery of bundled services.

ANCILLARY SERVICES

By Gary L. Garrity

SOME are driving toward a new electronic capability that will allow large lenders to multiple order and receive different closing services through a single connection.

OTHERS, with a wary eye on the heavy up-front capital required for electronic commerce innovation and the volatile real estate cycle, are opting for brokered services and strategic alliances to remain competitive.

Smaller operations with relatively secure markets are closely watching the technology-driven new dimension emerge, remaining carefully attuned to presently satisfied customers for indications that the sweeping changes are headed for their doorstep.

Viewed collectively, title industry players with residential lenders and brokers as priority customers typically have no difficulty reaching the general conclusion that bundling of so called ancillary closing services is the key to successful marketing of title insurance and settlement capability in a growing number of locales. Looking to the horizon, it is clear that ancillary services are the harbinger of change for home buying transactions – the millennium dynamic transforming this segment of the title insurance business into a higher speed, lower cost real estate information enterprise.

In the view of many who are involved, the genesis came when Fannie Mae and Freddie Mac announced the pro-consumer objectives of reducing time needed for a residential closing completion by one month, and cutting

the closing costs by \$1,000. National lenders began to feel the squeeze, and looked to faster delivery and lower costs as a solution, along with entry into the settlement service business, in some instances, as a way of improving profits.

As the downward pressure on closing costs and the drive toward faster turnaround reached the title industry, faster-better-less expensive became the operative phrase for locking in the title/closing business of large customers

around one source delivery of varied closing services. Additional stimulus for nationally focused title insurers came with an awareness that large lenders in particular were moving toward relationships with fewer settlement service providers who could deliver everything ordered from a single source, at the desired uniform quality level.

MOVING INTO 1998, title insurers and title agents continue to size up the ancillary services whirlwind in terms of their own individual destinies – their initiatives ranging from acquisitions by larger underwriters to attentive monitoring of the situation by affected agents.

In recent *Title News* interviews, nine title underwriter and agency executives were asked to discuss the ancillary services phenomenon, and how their respective organizations are responding to the challenge. Their comments provide the basis for this special report. Participating in the assessment were the management leaders on the following roster.



RICHARD A. CECCHETTINI

President and Chief Executive Officer
Old Republic National Title Insurance Company
Minneapolis, MN

MICHAEL KELLER

Executive Vice President
Chicago Title and Trust Company
Chicago, IL

STEWART MORRIS, JR.

Chairman of the Board
Stewart Title Guaranty Company
Houston, TX

E. DUANE ELLIS

Executive Vice President
LandAmerica OneStop
Richmond, VA

PARKER S. KENNEDY

President
First American Title Insurance Company
Santa Ana, CA

JOHN C. STANLEY

President
Columbia Title Company
White Salmon, WA

CAROLYN HOYER-ABBINANTE

Secretary-Treasurer
Wisconsin Title Service Company, Inc.
Waukesha, WI

GREGORY M. KOSIN

President
Greater Illinois Title Company
Chicago, IL

PATRICK F. STONE

President
Fidelity National Title Insurance Company
Santa Barbara, CA

FIDELITY

LENDER INERTIA WILL DISAPPEAR

Although lender pressure to reduce costs and speed the closing process is expected to continue driving the ancillary service business, Fidelity National finds a curious lack of momentum among those who make the decisions at individual financial institutions.

Fidelity President Pat Stone currently finds himself bemused by a lender market where theory is moving at least three times faster than reality. Although he has observed that senior managers at lender customer organizations understand and want to use electronic, one source ordering of ancillary services, most are hindered by fragmented internal decision-making structures.

As Stone puts it, the present lender inertia is mostly a matter of prior operational approaches interfering with future efficiencies. Major organizational changes are needed at lending institutions and the Fidelity president sees them coming. Once lenders in the vanguard begin electronic interface in the area of ancillary services and those at other financial institutions see the advantages, he expects the movement to snowball.

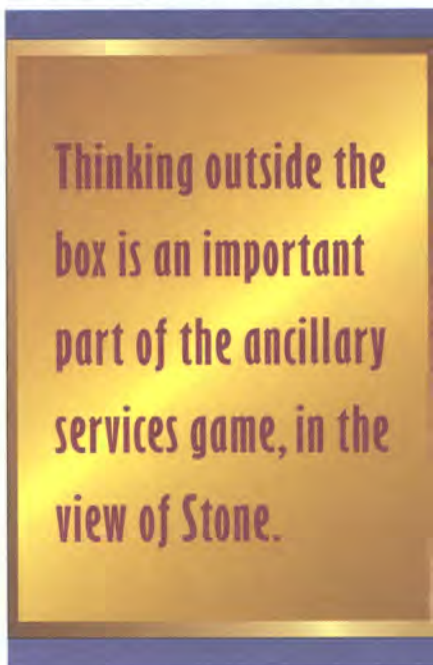
Stone cites as an example a large lender, where management agrees there would be a major benefit from changing to electronic ancillary service operations. But progress is blocked by rigid corporate policy prohibiting any modem interface within the lender's existing operating system. This policy was well thought out because of earlier security concerns, and changes demanded by one office have not been accepted by another.

Building the Fidelity electronic lender information network for offering multiple ancillary services has helped the company gain high level access in the lender market, which has been important in structuring long term business relationships, Stone adds. Marketing all of the company's ancillary services under the name, Fidelity National, has helped position the organization as a nationwide provider of real estate related transactional services.

Fidelity places emphasis on keeping each of its ancillary services among the national leaders, mindful that — unless this is achieved — it will not be possible to remain a viable alternative for major customers.

Thinking outside the box is an important part of the ancillary services game, in the view of Stone. As an example, he points to a new Fidelity equity express product now on line. With this product, it is possible to — within 90 seconds — verify who is actually vested in up to three liens against the property, provide a merged credit report, and show if the real estate taxes are paid. This product emerged, Stone says, because two large clients were receiving similar products simultaneously — both of which had to be produced manually. With the equity express innovation, Fidelity was able to cut its charges by a third and improve its margins at the same time.

One of the tough problems being addressed by Fidelity across the country is in responding to lender interest for title problems found in a search to be electronically brought to the lender's



attention from the examiner's desk on a real time basis. This can now be done in some markets, and probably never will be possible in others, according to Stone. Much of it relates to the quality of local public records and the availability of automated title plants, the Fidelity president notes. It can be difficult for customers to appreciate the differences and variations from place to place.

Another major benefit of the title industry move into electronic commerce is stronger risk elimination capability, Stone observes. As systems modernization continues, look for greater speed and accuracy, he says. The ongoing improvement of databases, and the auto-

mated re-examination of titles, can be expected to reduce errors and dependency on the manual cost method of risk elimination.

Despite all the observations about residential lending in an evolutionary trend toward becoming a commodity, Stone expects a large percentage of the title and closing services market to remain relationship based. Typical anxiety calling for personal attention will remain among homebuyers and sellers, and the function of a trusted escrow or closing officer and the back office supporting that individual will continue to have value, he says.

GREATER ILLINOIS

ANTICIPATE CUSTOMER NEED

Looking beyond the horizon toward what lenders might begin requesting in terms of ancillary services, then positioning the organization accordingly. That competitive strategy means a great deal to Greater Illinois Title, in a highly diverse market crowded with new players.

Although customers in Chicago and the northwest Illinois market have yet to show a serious interest in bundled ancillary services, GIT President Greg Kosin engages in a continuous dialogue with them with an eye toward the first signs of change. At the same time, he is alert for opportunities to fold company capabilities into strategic alliances, underwriter liaison, and any other promising affiliation should the market suddenly call for it.

Previously defined by its mission statement as a real estate information company, GIT is ready to rely on existing core capabilities in quickly moving to provide any additional bundled services needed by customers. With electronic commerce already an integral part of operations, the company has launched a major evaluation to make sure all aspects are Internet ready, in line with expectations that the web will take on an increasingly critical role in the title and service business.

As ancillary services become more widespread, President Kosin expects opportunities to arise in less sophisticated markets, where a demand can be created for bundled services as opposed to filling an already existing need or reacting to bundling by a competitor. He

feels that title agents should develop strategies for emerging markets that are along these lines — activity that should start with market research.

President Kosin expects to see agents begin soliciting business from underwriters, based on national accounts. In order to compete, he feels that agents must demonstrate the capability to provide the service needed at the price sought—in terms of insurance, closing or any other services ordered—or at least provide a local market conduit that can be used.

FIRST AMERICAN

REDEFINING THE HORIZON

In 1992, First American was progressing well after more than a century in the title business—when management decided it was time for a change. As the company rolled out a secondary public offering of stock that year, the organization redefined itself as a real estate information company and began accumulating ancillary businesses in quick order. Two acquisitions were added to a tax service started in 1985 and others followed, shaping the title

industry's first real estate information services company providing multiple products from one source under a parental umbrella.

First American management had been convinced since the early 90s that lenders would take on a more influential role as a source of title business. So it came as no surprise internally when the new information company initially emphasized large national real estate financial institutions as a market target.

As Parker Kennedy, company president, recalls, the process of adding information service businesses to the bedrock title operation came easily, and was spread across two categories: loan origination and servicing. Looking at tax service, any informational product related to servicing fit in readily. Mortgage credit reporting, for example, went nicely with appraisal, title, flood certification, and any other loan origination product.

With lenders expressing a preference for purchasing ancillary services from one vendor, First American management found adding to the business mix was a logical step. At last count, the company's information services subsidiary consisted of 12 different ancillary service entities — and the surge still may not be completed. Acquisitions may continue, President Kennedy says, until customers

can buy any title/service product they ever would want from First American or one of its agents — up to and including anything called for by the HUD Form 1 closing statement.

Since the information service acquisitions began in earnest, President Kennedy has seen electronic commerce processing time become almost instantaneous and prices lessen dramatically. All consistent with his firm belief that surviving title companies in the high stakes world of ancillary services will be those with high enough volume to sustain lower unit prices.

Stretching out the fast pace of information service acquisitions over the past five years to twice that long might have been more comfortable, he says. But the rate of consolidations and other changes in the title industry generally have meant that an opportunity would be presented only once.

The preference of lender customers for dealing with one source has enhanced cross marketing for both information services and title insurance, President Kennedy adds. To enhance this opportunity further, First American is readying a system that will allow lenders to order and receive products as a group. The company also has electronic systems for ordering and

O U T L O O K

PARKER KENNEDY

As time goes by, we see the differences between the title business and the information service business starting to blur. It really is just one big business, called real estate information.

By and large, most customers want to buy all of their products from a single vendor because it's more efficient. The title products are handy to include in this mix because they are produced locally and rarely from a centralized data base.

STEWART MORRIS, JR.

In addition to the national lenders, we need to remain in close touch with the activities of national real estate companies and franchises, and the alliance groups of independents who pool their resources. It's important for title underwriters to see what joint ventures might be made with each of these, what underwriting they might do with them so it can be managed and the process retains integrity and the consumer still is served and the underwriter is not devastated by title losses because of a truncated process.

DUANE ELLIS

What we have done, and will continue to do, is change from an organization providing just title insurance to a service company offering financial transaction support. I think the additional services we offer are enabling us to respond better and quicker — because the market wants the overall cost of the transaction to come down.

Besides helping lenders with ancillary services, the title industry is going to need more risk based products as a fundamental change on the insurance side.

RICHARD CECCHETTINI

To be competitive, companies will have to be in a position to deliver new products, but we don't feel there is a need to own the companies that provide ancillary services at this point in time. Our approach is to provide these services either through strategic alliances or private labels, and to tailor the package to suit the needs of the customer by utilizing vendors the customers might prefer—rather than force them to use a locked-in package that we own.

MIKE KELLER

In order to be competitive with large, national lenders and really all lenders, we're going to have to be electronically connected to those customers, and they will want as many services through as few electronic connections as possible. So we need to leverage those electronic connections by delivering multiple services. Anyone who is going into electronic commerce, which we think more and more people are going to do in the bigger segment of the market, will find it easier, more efficient, and therefore more profitable to deliver multiple services as opposed to one product.

delivering products one at a time, for the bulk transfer of information, and for linking its title and escrow operations around the country.

Looking into the new century, the First American president expects both the title and non-title operations of the company to continue growing. He is pleased with the ancillary service acquisitions and their performance to date—for reasons including the enhancement of First American stock as an investment.

In the midst of the action, President Kennedy can find no justification for a sometimes expressed public perception that the title business is overly traditional and even stodgy. This is highly inaccurate, he points out, because the industry is changing as rapidly as any enterprise of the turbulent 90s.

STEWART TITLE

DUAL PROFITABILITY

It started back when Stewart Morris, Jr., and his cousin, (ALTA President) Malcolm Morris were in high school, working part time in Houston as Stewart Title title searchers and examiners. According to Stewart, Jr., now chairman of the company,

Lenders wanted to know who was financing how much on what, total volume in the county and market share.

he and Malcolm, currently Stewart Title Guaranty president, were impressed with the number of customers who wanted information beyond a title commitment and title policy. For example, customers were asking for copies of maps and instruments. They wanted to know property owner identity, what was selling in specific locations, and they wanted drafting for adjoining properties

so they could be viewed together. Conversions from legal descriptions to street addresses were requested, along with information on what types of real estate were conveyed and in what volume. Lenders wanted to know who was financing how much on what, total volume in the county and market share. And so on.

With their growing realization that different things could be done with the same technology and information in the same market, for sale in a different form, the seeds were sown for bringing title and real estate information under the same roof with technology at Stewart Title—which took place when the opportunity arose in 1970. As the evolution progressed, Stewart's Landata subsidiary was founded in 1975 as a response to a lack of availability in off the shelf electronic solutions for the title industry. Next came the formation of Land Data Group to provide real estate information databases, followed by the organization in 1994 of Stewart Mortgage Information Services, which under the leadership of Stewart, Jr., offers the company's ancillary services.

In the view of its chairman, the success of Stewart Title rests with how well the company continues to develop, use and market electronic commerce—and how well the company becomes a technology

PAT STONE

What we are doing for lenders will be much more detailed and long lasting, and probably will drive the market more than what we're doing for brokers.

There are some joint ventures, but very few real ones. For the most part, it's a vehicle for participating in what they see as excessive fees going to the title insurance industry. It's a product of the long, favorable economic cycle. When we have the next major economic downturn, most of these so-called joint ventures probably will disappear.

GREG KOSIN

As an agent, we don't have the research and development budget that an underwriter may have. So we have to be more of a follower than a leader. But you have to remain in the forefront because, if you fall behind, you're going to have to work like hell to get back in the ball game.

You really need to gauge your market—what's important to customers and what isn't. Then make your decisions accordingly.

Look at what you do best. For example, we look at ourselves as a company which can process real estate information. We have personal contact with sellers and borrowers, and we have closing expertise. We engage in post closing responsibilities and follow ups.

So you need to look at where your strengths are, and determine how to best use them in building a better advantage and value for your customers. Then build your strategies around that.

CARRIE HOYER-ABBINANTE

In our metropolitan area, unemployment is so low that our customers can't find skillful, dedicated help necessary to provide ancillary services. Without these kinds of employees, they are looking more and more to us to provide them with what they need. By consistently showing our customers how competent we are in providing them with exactly what they need in some areas, we naturally slide into other areas of servicing. I wouldn't be surprised if we eventually do the entire package for them including processing, preparation and closing.

JOHN STANLEY

The lenders that we do about 90 percent of our business with don't have any interest in our helping them handle or bundle their ancillary services. They all have their favorite persons to provide the different services and, in some cases, that is my underwriter. I don't think someone marketing something is going to win them over—they are going to remain loyal to whoever is giving them the best service.

I would rather continue as an independent title insurance agent, and I only want my reputation to hinge on what we do here. I really don't want to be part of somebody else's thing that I have no control over. If I were delivering ancillary services and the providers were not all performing at the top level, that could denigrate the overall standing I now enjoy—as a provider of high quality title and closing services.

...electronic speed
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delivery of ancillary
services than to
title insurance.

partner with lenders, brokers, builders and attorneys, as well as its network of title agents. The formula for accomplishment revolves around winning twice—better service from higher productivity and lower costs from faster processing. Electronic systems ultimately will be needed for each of the company's

ancillary subsidiaries or partnerships, he says, if the speed, convenience and cost reductions demanded by the market are to be realized.

The most dramatic development among the ancillary service systems at Stewart Title is the relatively recent arrival of what Chairman Morris refers to as "single seat technology"—where one person, through an integration of systems, can handle an entire file in a relatively short time. Through the enabling capability, known as SureClose, the company can integrate title production, title plant and commitment, and HUD statement production. Information services can be ordered and tracked on line by parties in a transaction—24 hours per day.

Effective this year, Stewart's schedule calls for national clients being able to direct dial or use the Internet for checking on the status of ancillary service orders now bundled through a single electronic contact in the company's National Order Center. Presently, the greatest demand for Stewart ancillary services is for appraisal, document preparation and flood determination. The ancillary array starts with credit and appraisal, and goes on to include flood certification, surveys, and title insurance. Property and termite inspection, mort-

gage document preparation, assignments, recording, document retrieval, imaging and background checks are other examples.

Chairman Morris says it presently is unclear as to how all the electronic elements—appraisal, title, flood determination and the like—will fit together with mortgage origination files in the effort by Mortgage Electronic Registration Systems (MERS) to establish a national mortgage registry. But he expects a direct connection between lenders and service providers to be prominent, so services can be electronically ordered and delivered faster and more economically.

For Stewart Title, the move into ancillary services has allowed retaining present local customers while growing new informational businesses and attracting national customers. Bundling the company's services has encouraged cross selling, which Chairman Morris expects to become steadily more prominent as lenders become able to order through their own electronic systems. Reducing back end costs for customers is facilitated as these services become easier to order by computer and order turnaround accelerates. And Stewart Title is able to present stock investors with dual profitability—making money

STRATEGY

RICHARD CECCHETTINI

We believe that our strategies position us to compete for this revenue without committing significant capital to the risks associated with new ventures. Flexibility is the key. Since we don't own the service providers, we are not stuck with a fixed cost should a dominant customer in the market take control of those services. We are more flexible now than if we're locked into the fixed cost. To survive in the industry, it's not enough to be a one-stop service—quality, cost and delivery will continue to be important factors to our customers.

MIKE KELLER

If customers can electronically transmit their data for an order to us, and we can electronically give them the status of their order and fulfillment of their product, it eliminates a lot of double entry, and mostly eliminates double entry mistakes. We think we can get there faster with some of the larger customers as they try to drive down their costs.

PAT STONE

The critical point is that you need the flexibility to change as the market changes very rapidly. The survivors will be the companies that have the flexibility and imagination to adapt to the changing market. Nobody in our industry is going to drive that market, which is a misconception some people may have. Our industry will service an evolving market, with flexibility as a key issue.

We're trying to position ourselves so that the clients demanding two, three, maybe four vendors provide all their services will have a perception that we are one of those vendors. Meanwhile, we're trying to provide each of those services on their own merit individually, maintaining sales forces in each one. Concurrent with that, we are trying to anticipate product development and trying to see how we can use these resources to strengthen our distribution system.

DUANE ELLIS

Our approach is to add services when they add value. An example is a more abbreviated appraisal product that provides a computerized valuation of a property's worth without visual or other contact.

"Quick" is not the only requirement of our customers. Our services also must be maintained at the highest quality and, of course, must be competitive as to price.

PARKER KENNEDY

A big payoff in all this is when we (as an industry) and the agent community become able to deliver all the products on a single system, and allow our customers to order all the products on a single system. Another big payoff is when title insurance is included in the mix and is delivered just as all the other products are—electronically, on a nationwide basis.

Outside of the title business, you have to have enough volume to be a winner. If you don't have enough volume, you can't

on ancillary services while fortifying its core business of title insurance.

OLD REPUBLIC

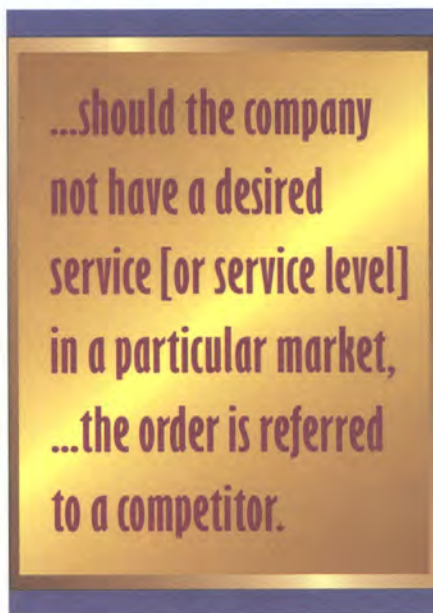
STRATEGIC ALLIANCES, PRIVATE LABELS

Although presently favoring strategic alliances and private labels for requesting customers over direct ownership of ancillary service operations, Old Republic National Title President Richard Cecchetti is confident his organization could respond effectively if what he considers an unlikely development were to take place—and his company were faced with an ancillary acquisition imperative.

Looking to the possibility of large lender control of point of sale for title and ancillary services, the Old Republic president continues to prefer what he considers to be the flexibility afforded by his current bundling. Contacting major national lenders and offering to tailor a title/settlement services package that meets their particular needs already has proved successful, he points out. Creating a division within the company that offers one-stop service to large lenders has proved competitively viable

as well, as has integrating ancillary marketing through Old Republic's national business operations.

With the increasing attention being directed to ancillary services in the title industry at the national level, President Cecchetti says he has yet to see signs that would warrant a change in his basic strategy. Since the destiny of most ancillary services apparently is tied to the real estate business cycle, President



Cecchetti expects his avoidance of ancillary ownership to benefit earnings at the next major downturn.

As electronic commerce exerts growing influence on the title industry, the Old Republic president observes that electronic speed has come more readily to the delivery of ancillary services than to title insurance. In his view, the biggest hurdle for title companies still is developing the capability to provide title services faster and at lower cost.

LAND-AMERICA ONESTOP

MEETING LENDER NEEDS

First, recognize that large national lenders no longer are looking for a specific title company—but an organization that can electronically provide high quality title and ancillary services faster in order to save them money. Then build your organization around meeting this need.

After a relatively modest ancillary services start with some 5,500 orders in the first quarter of last year, LandAmerica OneStop had pushed order volume to the neighborhood of 10,000 as 1998

price the product at the going rate and survive. It's important to be one of the bigger guys. In credit, flood, tax—all of the businesses that are database oriented—if you don't have enough volume, you just can't survive.

STEWART MORRIS, JR.

Some of the established informational companies around the country are well developed, with great capabilities already in place. If there already are strong players, we might prefer to use them rather than compete directly. If we were to go into these businesses directly, it would require a substantial investment, and we would likely have to overhaul the technology to integrate with everything else we offer. So, in some instances, we have decided not to purchase, but to use an alliance instead in order to offer a complete bundle of services to our clients at less risk and to retain our flexibility to change over time.

CARRIE HOYER-ABBINANTE

We have done the credit work for over three years, and have been into document preparation for about a year. We have just started our contract processing. It's not a huge business. But it has given us an opportunity to do everything with a lender. If you go in with only one service to offer, you won't even get that. Because they are going with someone who can do it all.

It's hard to say what ancillary services bring you in revenue. But you need them to get everything else.

JOHN STANLEY

Part of my thing is that I have some of that old fashioned title guy mentality. As we continue keeping our service up and use computers for pretty much everything, I still believe our business is providing quality title service, quality escrow closing service, and quality escrow collection. We generate that business here. And I don't want to be a salesman, selling something that I'm not doing. If someone orders their flood searches and credit reports through me and something is inaccurate, my reputation is on the line.

GREG KOSIN

As an agent, you not only should keep tabs on your local market, but you should know what's going on in the bigger picture—because the big players are going to drive the change which will mean conformity in local markets.

In some areas, you can't do it alone. You have to talk with possible partners. It may be alliance partners, ancillary service partners, or it may be competitors. And it may be within your own market area, or it may be across state lines. You need to find out what's going on with other people, how they are accomplishing things.

You need to be in front of your customers, and let them know what your plans are. They need to tell you what their plans are. You have to see how you fit into their plans. That's going to define how well you can compete in the future.

began, and was continuing to gain momentum. In the view of Duane Ellis, ancillary services have been the primary driver in this surge, offering the convenience of one source ordering and prices that are supportive of lender cost cutting. As he points out, the title company offering four or five different services has a greater chance for landing the order than the organization quoting a single price for title insurance or flood certification, for example.

Besides title, services on the LandAmerica menu include appraisals, flood certification, document preparation, surveys, home warranties, inspections and tax services. Added since this interview have been environmental warranties and national closing services. Title, appraisal and flood have been the performance leaders in the early going — which was expected. The “surprise” has been an unusually strong early showing by “centralized closing” — where documents are express mailed to a designated site for signing before a notary and subsequent return to the central location for recording and completion.

So competitive is the climate at LandAmerica that, should the company not have a desired service in a particular market or be unable to offer the service level needed by the lender customer, the

...the percentage
of lender customers
ordering multiple
products from
the company has
doubled...

order is referred to a competitor. Last year, Executive Vice President Ellis estimates that referrals to competitors by the company took place in about 20 percent of instances — and said this was offset by similar referrals to LandAmerica by them. On both sides, he described the referrals as a successful technique for winning repeat business from those who expect order acknowledgement within 24 hours and the title commitment in 72 hours.

Since ancillary services became part of the LandAmerica mix, the percentage of lender customers ordering multiple products from the company has doubled from an initial 35 percent level. About 90 percent of multiple product customers have inquired about one source ordering, either directly or as a response from exposure to advertising/marketing materials.

Besides large lenders, there are middle size and smaller categories of lender on the LandAmerica roster, each group with its own dynamic structure and leveraging of volume prices where there are overlapping markets. Driving the changes, as would be expected, are the larger lenders with their own expertise and grasp of the issues—and often a suggested strategy for LandAmerica to follow. Those in the middle size group look to LandAmerica more as a consultant for help in defining their problems and fitting capabilities to their needs.

The executive vice president recalls that title agents probably were the last in the LandAmerica structure to feel the pressures of faster turn times and reduced prices exerted by larger lenders. This development, he said, provided LandAmerica with an opportunity to work more closely with agents and help them attain a higher level of automation.

Electronic commerce is the only

ELECTRONIC COMMERCE

STEWART MORRIS, JR.

We are moving toward the day when everything will be ordered or delivered electronically — when electronic commerce will be necessary for an integrated real estate transaction process. Electronic systems will ultimately be needed in each of our ancillary subsidiaries — or, in some cases, partnerships — for delivering fast, efficient, convenient service to the customer. Effective this year, our clients can directly dial in through the Internet to check on the status of their orders.

DUANE ELLIS

The technology piece has changed. Early in 1997, most of the discussion was about electronic data interchange and X.12 standards. But it is clear to us that the Internet will be the basis of electronic commerce in the future. We are presently testing Internet-based systems that will allow us to communicate and transact business with our customers.

GREG KOSIN

Automation is critical to our survival. Over the past few years, we have invested millions of dollars in automation and in positioning ourselves to become part of an electronic superhighway and electronic link to our customers and consumers. The Internet will continue to play a greater role in the title industry.

PARKER KENNEDY

Now that title companies are starting to image the documents in their local areas, and on a statewide or areawide basis, we can now search over a broad geographic area in a centralized location. This improves productivity three, four or five-fold in some cases. We've seen the early stages of these productivity gains in California because, in the counties there, most of the plants are computerized and most of the records are imaged. So you can search centrally throughout the state, as we do in Orange County. Our order, per person, might be 30, 40, 50 per month in those areas where we centralize the searching process — and only 10 orders per month in a traditional title office.

CARRIE HOYER-ABBINANTE

We had to go outside the realm of just looking at title software and check out loan origination software in order to produce some of the products for ancillary services. Once we made the initial investment, we recaptured all our costs within two years and are on the road to making money — which is a lot quicker than we had thought.

RICHARD CECCHETTINI

Faster, better service means a title company will need to electronically transmit documents and allow electronic access to information. Customers will require electronic communication and exchange of data via the Internet or other forms of technical communi-

realistic way to remain competitive in the cost-conscious marketplace, the executive vice president adds. Every employee in the operation of Executive Vice President Ellis requires a fully equipped computer work station; the level of programming has become so intensive that it was necessary to move machines into less critical environments and replace them with newer models after the first year.

CHICAGO TITLE

GREAT EXPECTATIONS FROM LENDERS

As Chicago Title consolidates its nationwide information services into a uniform corporate marketing identity through the new CastleLink structure, the organization is locked into the challenge of fitting its formidable electronic commerce resources to what Executive Vice President Mike Keller knows is ahead—the large lender expectation that company products will be delivered with electronic speed from virtually anywhere.

Large lenders accustomed to taking an order elsewhere if fulfillment does not come at the requested speed, quality and price will need to be accommodated as fully as possible, as the executive vice

president well knows. Variables including automated title plants and workflows are being addressed, as are differences in conveyancing law and practice, and the like. The real change will be felt, he believes, as lenders continue to become more nationalized and title orders routinely are placed at locations remote from property being sold. As lenders continue to consolidate, the control over orders can be expected to move to regional or national processing centers—while the title/closing work continues to be done locally.

CastleLink, the executive vice president adds, is being structured to electronically service national lender customers who control orders from remote locations. And techniques are being developed to bring title agents, as well as direct operations, into the electronic network. CastleLink makes a single sales call, he says, offering as a synergy multiple serv-

ices in a collective electronic connection that saves costs. Bundling the services has increased the pressure to excel among all of them, he observes, noting that failure or substandard performance in one category of the operation would impact negatively on the others.

Executive Vice President Keller looks for the change to be evolutionary rather than revolutionary, the pace being governed by resource availability within the electronic commerce operations of those concerned. He finds the interest and motivation in connectivity already present, along with at least a fundamental knowledge of individual objectives. In his view, the title organization able to help the customer make the transition most quickly and easily can be expected to lead in the competitive race. Progress to date has been slow, he observes, primarily because of fitting electronic settlement service providers into the long

...the title organization able to help the customer make the transition most quickly and easily can be expected to lead in the competitive race.

cation to increase efficiency and speed the delivery of our products. We have made a substantial financial commitment to the development of state-of-the-art technology, and we have incorporated electronic capability in a new division we created over a year ago to serve the needs of national lenders. Order management, quick searches, limited coverage or full title insurance—in an electronic environment to address the requirements of national customers.

PAT STONE

Although we may not be the weak point in the real estate transactional chain, the lenders absolutely need to have our information faster. Accuracy is almost as big a problem as speed. If you look at the ratings that come from the major lenders who do reports on the title competitors, the error ratio on policies typically is 12 to 20 percent. This is ridiculous. Our industry needs to change, and change rapidly. They need to perceive what we deliver is a product and service in a quality manner—quality being defined not only by speed, but by accuracy as well.

We started a very aggressive back office automation campaign over three years ago. We now have about 65 percent of our revenue stream in the western part of the country automated, tied together, with the same system. We have seen tremendous improvements in operational efficiency and productivity, and significant gains in turnaround time. What

we've done in this campaign is automate the workflow. We eliminated the number of times a file is handled. We have a lot of operations where we no longer use a typist. The person who does the examination is the person who types the reports. A report is all done in one place and time frame. It's fascinating to me because we stumbled into electronic commerce—by hooking up our back office operations.

MIKE KELLER

The distinguishing factor is being able to get information out of and into the lender's computer most efficiently, to save costs for the customer. Another distinguishing factor is speed.

Many companies at the local and national levels will know how to solve title problems. But, on the residential lending side, the determining quality for the top 50 lenders is the capability to do it electronically across a wide geographic area.

JOHN STANLEY

As we close these loans—a lot of them from larger outfits, especially the mail order and 800 line and Internet leaders—we have had a lot of problems with them not being able to deliver very good service to their borrowers. If someone is buying a bundle of services—everything from one source—and one part of those services is weak, it's going to bring down the entire group.

priority, technology wish lists of their lender counterparts.

Executive Vice President Keller also sees an expanding role for interested brokers in the services future, and considers them to be effective competitors for Chicago Title agents and direct operations—either as the company's agents or affiliated partners.

In its early stages, CastleLink offered six services: flood, credit, appraisal, title, closing and foreclosure. Since this interview, the operation has added a provider of property inspection, preservation and maintenance services, and a provider of foreclosure and reconveyance services, describing these as its first major effort to enter the servicing sector of the residential mortgage business.

As CastleLink gears up, the executive vice president sees twin primary objectives for the new marketing operation. The first is to sell to external customers. The other is to train so-called internal customers—those in agencies and direct operations—to sell their local customers multiple services and electronic connectivity. His view is that these internal customers ultimately will bring in more multiple product business than external customers.

Executive Vice President Keller knows that friction between increased speed and reduced cost of production poses the hazard of decreased quality in work performed. The responsibility for Chicago

Title, he said, is to perform faster and at lower cost without sacrificing quality. For this to be accomplished, he adds, customers cannot be allowed to push service past the limits of prudence—and the risks of a transaction must be explained to the customer whose demands are excessive. But, he adds, there appears to be room left in the process to improve speed and reduce price without giving up quality.

WISCONSIN TITLE SERVICE

FRIENDLY ADVANTAGE

After capitalizing on a tight local labor market to offer ancillary services not readily available in house to lenders at desired performance levels, Wisconsin Title Service Secretary-Treasurer Carrie Hoyer-Abbinante is hard at work maintaining the 20 percent volume increase achieved during the organization's first three years as a real estate information operation. Following the company's rapid transformation from title to loan-title services, she strongly feels adding even more capabilities to enable single source fulfillment of lender needs is the key to not only customer retention but survival.

To illustrate, lender customers in the community traditionally process Truth-

in-Lending documents, and order the title work, as well as the closing. But, as Wisconsin Title Service has provided more services, lenders have begun to contact the secretary-treasurer about bringing in their loan applications so her company can take it from there. About the only ancillary service ruled out by Wisconsin Title Service at present is appraisals, she says, and the company covers this need through a strategic alliance.

Fortunately, Secretary-Treasurer Hoyer-Abbinante is technology oriented. She recalls that moving into credit reporting, flood certification and document preparation required electronic systems entirely different from those used in title and closing work. As is true throughout the highly competitive market for ancillary services across the country, she has found that—not only must she have the necessary expertise for whatever is offered—but this must also be the case for employees performing the various functions as well. Unsatisfactory work in one category of service takes down not only the product concerned—but the name of the entire company as well.

And how did Wisconsin Title Service manage to bring employees on board with the needed expertise, when lenders were coming up empty in the available labor market? According to Secretary-Treasurer Hoyer-Abbinante, she networked extensively during a tight economy more than two years earlier—

AGENTS

GREG KOSIN

You have to position yourself to be able to offer your local lenders what they are looking for, either through subsidiaries of your underwriter, or through alliances that you can develop with the providers of those services.

There will always be a place for an agent in a local market, serving local customers that don't have a national focus.

JOHN STANLEY

The primary problem with the large lenders is that they bring you legal obligations based on the laws of other jurisdictions that don't apply here. They send these contracts out, and they want all this information. And that business sometimes just isn't worth the trouble because they make one loan a year around here, and they want to claim we are working for the lender. And we are not—we are a licensed escrow agent and we don't work for any of the parties in the transaction. We are supposed to be neutral.

Here at the local level, I don't consider title insurance to be a national business. It's a local, county by county business.

CARRIE HOYER-ABBINANTE

You still need that underwriter for those national accounts. As these banks keep merging, it's harder for a local agent to market to them—because you need to talk with people in Columbus, Minneapolis, Los Angeles, or wherever. Agents just don't have those kinds of resources.

PARKER KENNEDY

Agents will always be strong. Because it is so important for lenders to be able to receive their policies in electronic form, in a uniform format, and be able to deal with issues, mistakes and problems on a national basis, agents and underwriters will work together to develop systems to meet this need.

There won't be inefficient agents, or inefficient underwriters. There may be fewer agents—and fewer underwriters. So there will be lots of opportunities for agents and underwriters alike. The strong agents will do better and better.

MIKE KELLER

There always will be an important market position for the agent. Because, in many jurisdictions, the agent is the closing/escrow services

Unsatisfactory work in one category of service takes down not only the product concerned—but the name of the entire company as well.

then hired five close friends who had been downsized from other jobs. Yes, these friends now receive other job offers—frequently. Thus far, the Wisconsin title executive has enjoyed a successful retention experience with these key employees—by recognizing they are experienced professionals, de-emphasizing micromanagement, giving them flex time, and letting them produce.

The secretary-treasurer intends to see that her company continues to be a player as the single location real estate information service phenomenon expands. With an operation integrated into local title search and examination as well as closing—and now offering an expanded array of ancillary services—she plans to remain a competitive choice for those placing national as well as local orders. Providing the focal point for it all is her relationship with local lenders, who keep her on their shortened lists of preferred real estate information service providers.

COLUMBIA TITLE

QUALITY PREVAILS

With some 90 percent of his business coming from local lenders who make mostly portfolio loans, Columbia Title President John Stanley feels he is in close touch with their service needs. And, in a nutshell, he has found that what these lenders want is to continue handling placement of their own ancillary service orders with preferred providers—including Columbia as a source of quality title and closing work. Local lenders in Columbia's market consider offering quality service a competitive advantage against their large volume national competitors, he adds.

That lender strategy suits President Stanley perfectly. His business approach calls for excellence in the title and closing service categories without the worry of taking a hit in reputation if there is a problem with another real estate information service outside his immediate control. He holds the belief that some national lending organizations have gone overboard in demanding low cost title insurance that threatens to compromise the quality of title services in a tradeoff for higher risk. And he expects the pendulum to swing back toward uniformly higher quality standards from even these lenders who order title insurance.

During 22 years of business in his present location, President Stanley always has provided one day service in furnishing title commitments. This, combined with a professional approach as a title insurance agent that emphasizes quality over price cutting, has allowed him to remain competitive, he says.

Columbia Title maintains two title plants—a geographic index plant and a computerized version. Although the computer plant presently is used only for administrative purposes and in the view of President Stanley is less efficient than the manual plant, the automated capability could be harnessed on short notice if it suddenly became necessary to offer ancillary services in line with a change in lender preferences.

provider and won't be replaced by electronics. That will always remain local. In the majority of markets where there are no automated title plants, they will always need good title searches provided by agents. And agents who perform underwriting for their underwriting companies will continue to do so.

PAT STONE

It appears the lending community has the greater ability to do business in all of the markets. It is not economically feasible for us to participate in every market on a direct basis. So it's necessary to have a good agency network to complete your distribution system.

Agency relationships will be enhanced by the movement into ancillary services. It won't be a detraction.

DUANE ELLIS

Our biggest challenge with independent title agents is in helping them to recognize and adapt to the sweeping market changes. The majority of our business today is written by independent agents, and we are dedicated to helping them because it is good business for us as well as for them.

STEWART MORRIS, JR.

There almost always will be a place for local title agents in smaller towns. There are exceptions in large cities, where large agents continue to do well—and many of these have expanded to multi-city or multi-state levels, to provide good service to niche markets such as refi and equity loans—and in different loans where title insurance is not required but there is need for some lesser title information.

RICHARD CECCHETTINI

The centralization of data, the consolidations of customers and the increased influence of national lenders will cause the role of agents and underwriter-owned operations to change in the coming years. Nevertheless, there will always be opportunities for those willing to meet the challenges of change. Agents remain an important part of our business. We are committed to concentrating on our core competencies and providing state-of-the-art service and support to our agents.

ANCILLARY SERVICES

THE FUTURE

MIKE KELLER

What we really need to do is make sure that, for our customers who require a common electronic interface, we appropriately wire them all together. If we're going to deliver five pieces of service—a closing, a title policy, an appraisal, a flood search and a credit bureau—our customers don't expect us to have five connections to them. They expect us to have one. That is a new problem for all those companies. Not only do we have to figure out how to get ourselves connected internally—we need to have some standard external company connection as well.

DUANE ELLIS

Thinking long term, the majority of our business eventually will come through multiple products.

PAT STONE

As you see evolution occur within the industry, title insurance will change into informational products that include more data. And a lot of that information will be generated by ancillary services.

Vendors or lenders, large single source volume clients, are going to look to fewer entities for more information—and I think the title industry product types will evolve as a result of that. Being able to control the information through ownership will enable a company to provide the product, or a variety of products. The product or products will become a mix of information from the various services.

PARKER KENNEDY

We have to make sure that, as an industry, we don't get greedy—or sloppy—and make it less efficient for our customers to use our services than going around us to get raw information, and performing our services on their own behalf. If we can just make sure that, whenever real estate information is ordered, it is by somebody in the closing process, we'll be okay.

STEWART MORRIS, JR.

If we don't deliver convenience to the consumer with the intermediaries, broker, lender, lawyer, builder, there are non-traditional competitors that can come in and fill the vacuum. Internet capability, bundled services to make the transaction less cumbersome—where it's all tied together with a single data entry at a single ordering point. Convenience is the key to long range survival for the title industry.

RICHARD CECCHETTINI

If the lenders are going to take more and more control over the point of sale, they may control placement of much of the residential title business. As their influence grows and they desire faster and cheaper title products, the trend toward a casualty approach to title insurance also grows. While satisfying the needs of lenders, we must not lose sight of our obligation to protect the homebuyer by producing an error free, quality product.

GREG KOSIN


I believe that agents will be soliciting business from underwriters in the future, based on national accounts. As an agent, you need to demonstrate you can provide the service at the price they are demanding in terms of title insurance, closing services and any other ancillary services they may need.

CARRIE HOYER-ABBINANTE

If you don't do the ancillary services, you're not going to make it. Even when you get into all these ancillary services, underwriters down the road are going to be more and more an important part of your agency operation. It's getting more and more demanding to compete as an agent.

JOHN STANLEY

As prices go down, people are providing cheaper products and driving down the quality of title work. I don't think this will last in the long run. Lenders ultimately recognize the value of professional title service. Eventually, it will get back to quality, basic service at the local level—and those of us who provide it will survive.

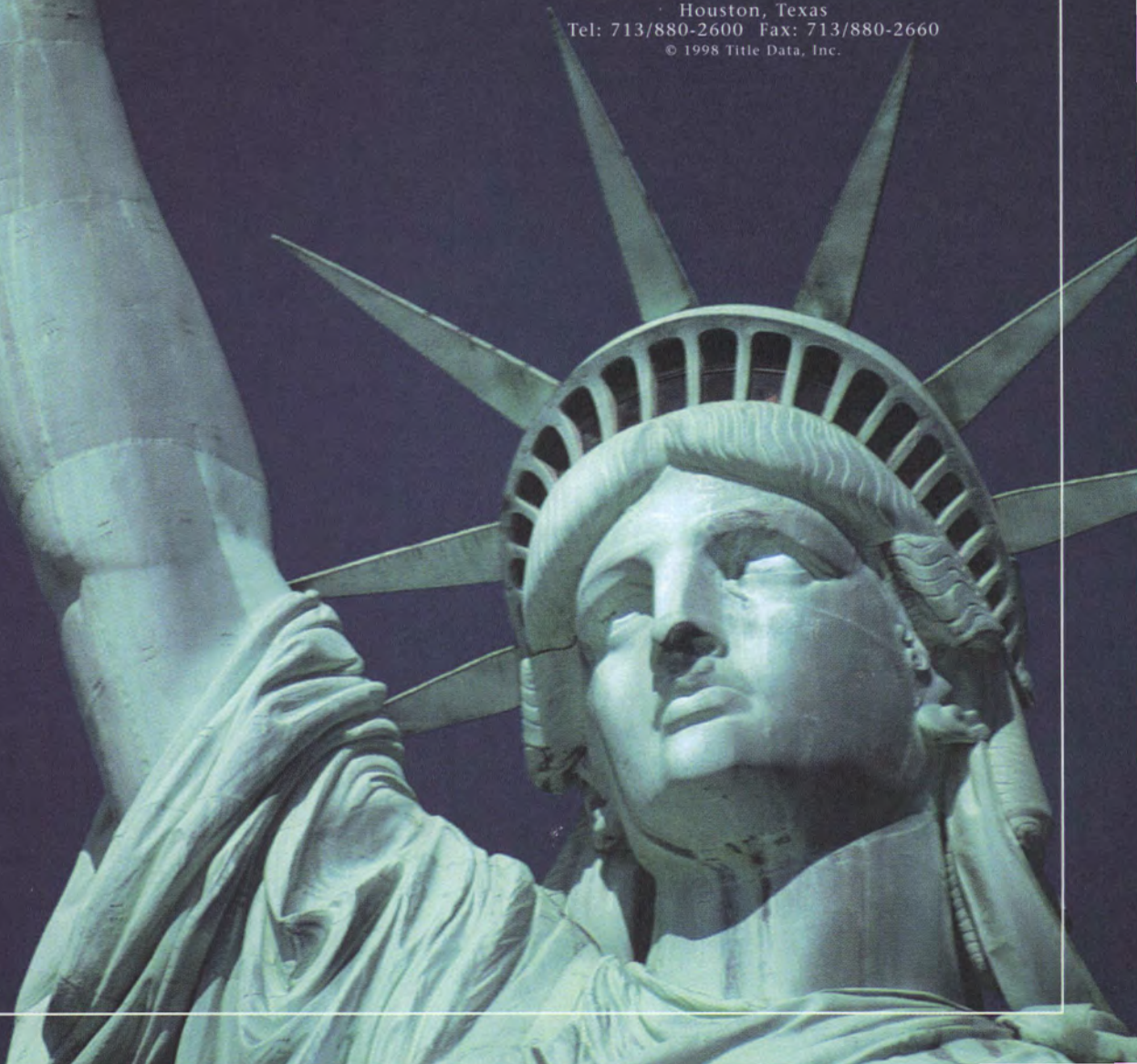
A close-up, low-angle shot of the torch held by the Statue of Liberty. The torch is illuminated from above, casting a warm glow. The background is dark, making the torch stand out. The top of the torch's handle and the flame are visible.

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Canadian Title Insurance Article Brings Reply from Counsel

The January-February, 1998, *Title News* cover article, "American Title Insurance: An Emerging Presence in Canada," written by Bruce A. McKenna, a Toronto attorney, has brought a reply from Kathleen A. Waters, legal counsel for TitlePLUS and Lawyers' Professional Indemnity Company, also with offices in Toronto.

In her written response sent to *Title News*, Counsel Waters states: "I am concerned that it (the article) may leave an incorrect impression of TitlePLUS and the Lawyers' Professional Indemnity Company (LPIC) in several areas."

She continues: "Contrary to Mr. McKenna's statements, the deficit is not an LPIC issue. The errors and omissions program deficit to which he refers resides with the Law Society of Upper Canada, which is a legally separate entity from LPIC. LPIC is a fully capitalized insurance company, governed by the Ontario *Insurance Act* and regulated by the Ontario Insurance Commission.

"TitlePLUS (a form of title insurance plus legal services coverage available to home purchasers only through lawyers) has been available throughout Ontario since the fall of 1997. TitlePLUS policies have already been issued to homeowners in over 70 Ontario communities. Contrary to Mr. McKenna's assertion that only a small number of lawyers are trained to use the automated application software, by the end of 1997 approximately 2000 lawyers had been trained, as well as 2000 lawyers and support staff. Those numbers represent a significant portion of the Ontario Real Estate Bar.

"TitlePLUS employs an automated application system which guides the lawyer on an interactive basis through the residential real estate transaction. The requirements for the insurance are customized as the lawyer proceeds through the software. However, on any file where the lawyer encounters difficulties meeting the specified criteria, the lawyer may make an "insure over"

request, which automatically flags the transaction for manual (or individual) support and underwriting.

"The TitlePLUS policy defines 'actual loss' in order to clarify expectations on both sides of the transaction," Counsel Waters continues. "There was no attempt to avoid typical title insurance damages by this codification. Damages for dealing with an insured's claim in bad faith (which is the essence of the *Jarchow* case) would still be available under the general principles of insurance law in Ontario."

When advised of the Waters response, Author McKenna provided *Title News* with the following comments:

"I thank LPIC for the clarification on certain points relating to its statistics and procedures. It has not always been possible for the writer to get the latest information from each insurer.

"I did not expand in the January-February edition of *Title News* on the LPIC 'codification' of the basic scope language under the TitlePLUS version of the 1987 ALTA plain language policy, as it seemed to be largely a technical Ontario issue under Rule 30 of Ontario's Rules of Professional Conduct.

"In simple terms, what LPIC has done is define the term 'ACTUAL LOSS' to have the following specific meaning:

"ACTUAL LOSS' means any direct financial loss incurred by you or any MORTGAGE LENDER:

"(a) due to a decrease in the value of your TITLE or the LAND;


"(b) due to bringing your LAND into compliance with any of the title risks outlined in items (10), (11), (12), or (13) of your Title Coverage;

"(c) arising directly from a delay in the sale, mortgaging or leasing of your LAND; or

"(d) arising from any of the risks listed under the Legal Service Coverage.

"Under either the traditional Canadian *contra proferendum* maxim or the newer

(for Canadians) 'reasonable expectation' approach to insurance policy analysis, this definition is likely to have narrowed the scope of coverage when compared to the undefined ALTA 'actual loss' term. We will not know what the exact difference is until Canadian courts analyze and compare these policies.

"If anyone is interested in a more detailed analysis of this technical point and the possible result under Canadian law, I would be happy to forward them a copy of my paper, 'Coverage Afforded by Title Insurance--Title Risks Covered,' originally presented in May of 1997 in Toronto, Ontario." 

(Author McKenna can be reached at Lang Michener, BCE Place, P. O. Box 747, Suite 2500, 181 Bay Street, Toronto, Ontario, Canada M5J 2T7.)

Past President Loebbecke Dies

Word has been received of the death of Ernest J. Loebbecke, who served as ALTA president in 1958-59, in Arcadia, CA. He was retired as chairman of the board and chief executive officer of TICOR Title Insurance Company and its predecessors, and previously was president of the California Land Title Association.

After completing his education, he became a certified public accountant before joining Title Guarantee and Trust Company in 1934.

A prominent business and civic leader, his service included the presidency of the California State Chamber of Commerce; the office of western regional vice president, United States Chamber of Commerce, and serving as co-chairman of the California Bicentennial Commission and the California Insurance Federation. He was an advisory trustee of Harvey Mudd College, a member of the board of regents, University of San Francisco, and a member of the advisory council, University of Southern California Graduate School of Business Administration.

Survivors include his wife, Elene; a brother; four sons; two daughters and eight grandchildren.

The family suggests memorial contributions to the Loebbecke Endowment for Villa Esperanza, 2116 East Villa Street, Pasadena, CA 91107.

1998 AFFILIATED ASSOCIATION CONVENTIONS

May

3-5 **Iowa**, Savory Hotel, Des Moines, IA

7-9 **New Mexico**, Holiday Inn de Don Fernando, Taos, NM

14-16 **Palmetto**, Litchfield Beach and Golf Resort, Pawley's Island, SC

June

2-5 **California**, Resort at Squaw Creek, Squaw Valley, CA

4-5 **South Dakota**, Cedar Shore Resort at Chamberlain, Chamberlain, SD

4-6 **Texas**, Hyatt Regency-Riverwalk, San Antonio, TX

6-8 **Virginia**, The Homestead, Hot Springs, VA

7-9 **Pennsylvania**, Lancaster Host Hotel, Lancaster, PA

7-10 **New Jersey**, Forrestal Center, Princeton, NJ

12-13 **Arkansas**, Inn of the Ozarks, Eureka Springs

18-20 **Colorado**, Keystone Resort, Keystone, CO

25-28 **New England**, Lake Morey Inn Resort Country Club, Fairlee, VT

28-30 **Oregon**, Resort at the Mountain, Welches, OR

July

9-11 **Illinois**, Opryland Hotel, Nashville, TN

16-19 **Utah**, Homestead Resort, Midway, UT

19-21 **Michigan**, Crystal Mountain Resort, Thompsonville, MI

August

6-8 **Idaho**, The Coeur'd'Alene, Couer'd'Alene, ID

6-8 **Montana**, Best Western Kwa Taq Nuk Resort, Polson, MT

13-15 **Indiana**, Brown County Inn, Nashville, IN

13-15 **Minnesota**, Regal Hotel, Minneapolis, MN

13-16 **North Carolina**, Sheraton Atlantic Beach, Atlantic Beach, NC

20-22 **Kansas**, Hyatt Regency, Wichita, KS

20-22 **Wyoming**, Saratoga Inn, Saratoga, WY

27-30 **New York**, Royal York Hotel, Toronto, Canada

September

10-12 **Missouri**, Holiday Inn, Cape Girardeau, MO

17-19 **North Dakota**, Holiday Inn, Bismarck, ND

17-19 **Wisconsin**, Concourse Hotel, Madison, WI

18-20 **Dixie**, Brasstown Valley Resort, Young Harris, GA

20-22 **Ohio**, Akron West Hilton, Akron, OH

23-25 **Nebraska**, Regency Inn (formerly Holiday Inn), Kearney, NE

24-27 **Washington**, Rosario Resort - Orcas Islands de San Juan, East Sound, WA

November

3-7 **Florida**, Buena Vista Palace, Buena Vista, FL

December

3-4 **Louisiana**, Chateau Sonesta Hotel, New Orleans, LA

Hurley Succumbs; Was PLTA Leader

Word has been received of the death of Joseph J. Hurley, 73, a past president of the Pennsylvania Land Title Association who was active in ALTA affairs, in Devon, PA. He had been ill with cancer.

Most recently, he had been owner and president of Commonwealth Land Transfer Co. in Devon. Prior to that, he served for 25 years as president of The Title Insurance Corporation of Pennsylvania, Bryn Mawr.

During World War II, he served with the 254th Army Infantry, which received

the Presidential Unit Citation for action in the Colmar sector of the Battle of the Bulge in France.

Survivors include his wife, Jane Higgins Hurley; 12 children and 21 grandchildren.

The family suggests memorial contributions to St. Joseph's Preparatory School, 1733 Girard Avenue, Philadelphia, PA 19130; St. Joseph's University, Development Office, 5600 City Line Avenue, Philadelphia 19131, or the American Cancer Society, 428 Exton Commons, Exton, PA 19341.

Feindt Honored As Older Worker

ALTA Liaison Committee with the American Congress on Surveying and Mapping Chair Mary C. Feindt of Charlevoix, MI, recently was honored as the Outstanding Older Worker from her state during the Inaugural Prime Time Awards Ceremony held in Washington at The White House Visitors Center. The event was scheduled in support of the presidentially-proclaimed National Employ the Older Worker Week.

She was recognized along with America's oldest worker, age 102, and the Outstanding Older Workers from the other 51 states, the District of Columbia and Puerto Rico.

Feindt, 82, is a past president of the Michigan Land Title Association, which in 1987 introduced its award named for her—to be presented annually in recognition of outstanding service to that organization.

She is president of Charlevoix Abstract & Engineering Co., Charlevoix, MI, a firm where she has been employed for 60 years—54 as its owner. She is the first woman in Michigan to become a registered land surveyor, and has been Charlevoix county surveyor for 50 years.

Florida Titleman Outstanding Alumnus



The University of Central Florida's College of Health and Public Affairs has recognized Larry P. Deal, vice president, First American Title Insurance Company of Winter Park, as one of seven distinguished alumni to receive its Alumni Professional Achievement Awards.

NAMES IN THE NEWS

DVan Skilling has been named to the board of directors for The First American Financial Corporation, parent of First American Title Insurance Company. He is chairman and chief executive officer of Experian, provider of consumer and business credit and direct marketing services.

Also at First American Title, **Tom E. Blackwell**, **Mike Conway**, **Lane Gidney** and **Rick Garlick** have been named regional vice presidents, respectively. Again, respectively, **Blackwell** and **Conway** previously were president and state manager in the company's Texas subsidiary and vice president-Florida state manager. **Gidney**, named Oklahoma regional vice president, continues in a similar capacity for Utah and continues as president of the company's Utah subsidiary. **Garlick** continues as Colorado state manager.

Turalu Brady Murdock has been named First American's vice president-Caribbean operations, and **Robert L.**



Blackwell



Conway



Montalbano



Long



Gidney



Garlick



Bauchle



Wangberg



Murdock



Bailey

Bailey is now the company's regional vice president, Wyoming. Now vice president-state manager are **Robert Bauchle** (North Carolina), **Christopher**


Montalbano (Rhode Island) and **Elia W. Long** (Hawaii).

In California, **Richard P. Pauletich**, currently regional vice president and chairman and chief executive officer of the company subsidiary, has also been named state manager. **David Little** has been named vice president-Santa Clara County division manager. **Gary Wangberg**, vice president-county manager, Santa Cruz County, has had Monterey County added to his territory, and **Karen Floyd**, vice president-county

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Pauletich



Weber



Andriole



Kapalczynski



Davis



Leemputte



Floyd



Pearson



Casaly



Gurvits

manager, Nevada County, has been given additional responsibility for El Dorado County.

Jeffrey A. Weber has been named vice president and regional claims counsel/Maryland state counsel for the company, **Janine J. Andriole**, vice president and regional agency manager, has been appointed to the additional position of Maryland state manager, and **Keith**

Pearson is now assistant vice president-associate regional counsel. **Elizabeth C. Zajic**, vice president, has been appointed District of Columbia district manager. **Daniel L. Laux** now is Southeast Michigan area manager, and **Ralph H. Kapalczynski, Jr.**, has been named manager of the Grand Rapids area in that state.

Gary F. Casaly has been appointed se-

nior counsel and **Eugene Gurvits** regional counsel for First American in Boston. **Palma J. Collins** has been appointed Virginia state counsel and **Carol Harrison** now handles national account sales, Memphis. **Thada M. Davis** has been named branch manager for the company's U. S. Virgin Islands subsidiary, Service Standard Title & Trust.

General William Lyon, chairman of the board, president and chief executive officer, William Lyon Homes, Inc., and **William W. Wehner**, director, chairman of the board and chief executive officer, Granite Financial, Inc., have been elected to the board of directors for Fidelity National Financial, Inc., parent of companies including Fidelity National Title Insurance Company.

Peter Leemputte has been named execu-

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Malkowski



Jansen



Aust



Luckhart



Papanek

tive vice president and chief administrative officer, Chicago Title and Trust Company. **David Malkowski** and **Frank Jansen** have been named vice presidents of the company.

Three mortgage service veterans—**Gerald Aust**, **Rod Luckhart** and **F. Ann Papanek**—have been appointed respective vice presidents and regional sales managers for the company's Eastern, Central and Western CastleLink divisions. Elsewhere at CastleLink, **Jan Drury** and **Ami Kellogg** have been named service center managers, East Jenkintown, PA, and West Pleasanton, CA, respectively. Also in West Pleasanton, **Dawn Svedberg** has been appointed national accounts manager and **Tony Russell** has been named technology support specialist.

At Chicago Title Insurance Company, **Michael Nolan**, resident vice president, has been appointed northern Ohio area manager, and **Thomas Oczkowski** has been named vice president, benefits planning and analysis, Chicago. **Mary Ellen Kulig**, vice president, has been named director of field support services, Chicago.

AmeriTitle Adds

AmeriTitle Agency, Inc., has announced the introduction of APB (AmeriTitle Property Bio), a comprehensive service for central Ohio real estate professionals that includes lien search and criss cross information, school district information and net sheets.



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TransAlaska Title Ins. Agency, Inc.,
Anchorage

Georgia

Mark R. Henowitz, P.C., Lilburn
John P. Rabun, Jr., Atlanta

Indiana

Freedom Title Company, Inc., Richmond

Kansas

First Title Service Company of Allen
County, Inc., Iola
Kansas State Title Company, Garnett

Kentucky

Professional Title Services, Louisville

Massachusetts

Aronson & Novicki, Arlington
Gould Title Co., Worcester
Raymond D. Holland, Jamaica Plain

Minnesota

Hutchinson Abstract & Title Co., Hutchinson

Mississippi

Landmark Abstract & Information
Services, LLC, Hernando

Missouri

The Bar Plan Title Insurance Company,
St. Louis

Pennsylvania

Ronald N. Behrle, Emmaus

Washington

Pacific Northwest Title Insurance Co.,
Seattle

West Virginia

Ryan and Ryan, Washington

Wisconsin

A+ Title Company, Manitowoc
Evergreen Title Corporation, Brookfield

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Oregon

Steve Williams, Portland

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New Acquisitions For First American

Four acquisitions and a strategic alliance recently have been announced by The First American Financial Corporation, parent of First American Title Insurance Company.

The acquisitions:

- Data Tree Corporation, a California company providing database management and document imaging systems for county recorders, government agencies and the title industry, acquisition through an exchange for First American stock, subject to approval by Data Tree shareholders and government agencies
- L&H Abstract, White Plains, NY, now operating as a First American division with Tom DeCaro as senior vice president and regional manager
- Colonial Title Agency, Inc., Canton and Independence, OH, purchased by Midland Title Security, Inc., a First American subsidiary
- Home Title Company of Mason County (WA), which has been renamed First American Title Insurance Company; Lonnie Holt is vice president and branch manager

First American Title also has announced the strategic alliance with Penn Title Insurance Company to offer title services in Pennsylvania, New Jersey and Delaware. According to the announcement, Penn Title retired its license to conduct business as an underwriter effective January 1, 1998, and has amended its charter to act as a title agency and management company. The company now operates as PennTitle, Inc., with David E. Carlino as president.

Tenth Anniversary For Guaranty Title

Guaranty Land Title Insurance, Inc., this year is celebrating its tenth anniversary with operations in eight central Missouri communities and scheduled openings for two more.

The observance recognizes founding of the company by Sandra S. Holden as a continuation of a family tradition dating back to 1920.

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security as the number one overriding concern. While the specific issues vary a great deal among those looking to do business over the Internet, businesses need to gain required competencies regarding security.

Whether it is just perception or a reality, there is a growing concern that using the Web as a business tool may inadvertently compromise the integrity of sensitive information. However, the Internet is a safe means of doing business. There are no issues with Internet commerce that should retard its use. The problem is perception because people think that critical information can be grabbed off the Internet at will.

To safeguard the privacy and confidentiality of information, applications can be hosted on secure servers which encrypt application information. Transactions can be encrypted using Secure Sockets Layer (SSL), a protocol that creates a secure connection to the Web server, protecting the information as it travels over the Internet. SSL uses public key encryption, one of the strongest encryption methods around.

Virtual Private Networks (VPN) can be created using existing technology which creates a connection across the Internet and encrypts the transmitted data. Authorized remote-access users call their local Internet service provider, (ISP) using the Internet as an extension of wide-area networking facilities as a safe, inexpensive way to provide remote access. Digital certificates also meet the growing needs of electronic commerce.

The key is to consider the level of security you need and then plan to invest the time, money, and energy necessary to achieve that level. And, with hundreds of security products on the market, there is no shortage of technology available to address the challenge. Product categories include firewalls, authentication and authorization devices, intrusion-detection software, encryption software, and related solutions that perform event analysis and reporting, router security management, content management, or virus protection.

Most vendors and analysts argue that transactions are actually less dangerous in cyberspace than in the physical world. *The highest security risk of any organization is its employees and former employees - not computer hackers.* It is a tradeoff between ease of use, cost, and security. It is necessary to find a balance. The

A Note on Cookies

Internet commerce sites allow customers to place orders and buy information in the stateless Web environment. Most Web sites accomplish this stunning feat with HTTP cookies. A cookie is a small piece of information that is sent to your browser - - along with an HTML page - - when you access a particular site. When a cookie arrives, your browser generally saves this information to your hard drive; when you return to that site, some of the stored information will be sent back to the Web server, along with your new request.

In case you are worried about privacy, there are several things that a cookie cannot tell anyone. A cookie cannot learn your name, your age, or even what country you are from. Cookies cannot even tell whether more than one person uses the same computer to view a site, or whether one person uses more than one computer to surf a site.

In general, cookies are harmless and pose no threat. I recommend keeping them and turning off the "Always confirm before setting a cookie" feature in your browser. Cookies are so popular these days that it is really annoying to confirm each and every cookie you receive.

reality, regardless of perception, is that Internet commerce is here to stay.

A Faster Internet Connection

Speed is the name of the game when it comes to accessing Web sites on the Internet. Those "surfing the net" want sites to load quickly and reliably. No one wants to wait. Clients are wanting more information and they want it in real time. Their demands will soon be met.

If you are amazed by the leaps in computing power over the last decade, wait till you see what is happening to the expansion of Internet bandwidth (i.e. speed). Essentially, all other forms of networks: voice, text, video and sound, are rapidly giving way to various new forms of multimedia computer networks. Ruling the new era will be bandwidth measured in billions of bits per second rather than in the millions of instructions per second of current computers.

"We'll have infinite bandwidth in a decade's time," states Bill Gates. Cable

companies, regional bells, and computer companies are working in earnest to bring high-bandwidth services to expanding markets to meet the increasing customer demand for improved Internet performance. This would include studying access alternatives such as cable modems, ISDN, ATM, OC-3, DSL, wireless and satellite-based technologies.

Recently, Intel, Compaq and Microsoft announced that they want their customers to access World Wide Web pages up to 30 times more quickly than they can now. They want this to happen over regular phone lines, while the customer can also use those lines for telephone use at the same time. By year's end, businesses will be able to tap the wider pipeline.

This need for Internet bandwidth is driven by the increasing complexity of Web-based services. And professional users who need large amounts of data quickly. New high-speed networks being developed by the technology community are set to spearhead the transformation of the Internet into tomorrow's multimedia superhighway. However, Internet bandwidth is not just about faster pipes - - it is about lower costs. Time is money.

Hawaii Plant Access on Web

Title plant owners and managers have been remiss to post their records and documents on the World Wide Web. But Marian Nakagawa, president of TI of Hawaii, Inc., in Honolulu, a 20-year, full-service title and escrow company, is among the few leaping ahead of this industry trend and feels it is critical to remaining a competitive player in the industry.

Four and a half million plant records dating back to 1986 are accessible to anyone via Fountainhead Information Systems' Website at www.titlesearch.com. TI is leveraging the wealth of information to new customers and should prove to be a valuable new profit center. TI believes this is the way to offset the costs of maintaining a title plant. Where speed and cost are becoming factors in today's information economy, TI looked to Fountainhead's Internet technology to address these issues.

The Web-based plant is updated on a daily basis. Data collected from the Bureau of Conveyances is locally processed/filtered and then sent over the Internet to Fountainhead, which adds the data to their relational database application for flexible and speedy accessibility. A fee schedule has been implemented that charges a per-search

fee up to a fixed number of searches, with fee per search rate dropping for larger volume searches. Allowing customers to pay by credit card will be added in the near term.

Currently, the addition of being able to order titles and documents on-line is being integrated. And, older records back to 1947 from microfilm and microfiche are impending. Nakagawa hopes that TI's documents will be digitized and posted to the Web site in the future.

TI feels these technology efforts will not replace title companies. "What it does is provide information very quickly and inexpensively," says Nakagawa. "I think the underlying fear is that, once people are able to go in and get this information for themselves, it will eliminate the need for title companies. I do not believe it will in any way diminish the need for title company services. It is not like we are providing records that are not available to the public anyway," she added.

"What I visualize is that it will be extremely valuable to lenders, because they can go in and check a piece of property, see who the owner is, what mortgages are on the property, and do it very quickly," says Nakagawa. "It is not a threat; I think it will just speed up the whole process. There is no question; this is the future."

Nationwide Benefits Possible


We often fail to recognize that most of the magic of computing stems from the exponential benefits of interconnection. Some day all title plants will be on-line through the Internet. Title information sharing is key to the survival of the industry.

Since plant sharing is not new, we may describe The Virtual Title Plant as the ultimate joint plant if you will, with each title company earning revenue from the regional data they collected. This could lead the way for a consolidated resource to get title related information and for managers to embrace title plant data standards. Centralizing information creates a one-stop shop for the retention of title related information. All title companies can link up with each other thus, creating a stronger title industry.

Although the optimum will be placing title company plant records on the Web, where title agents and others can freely access as necessary, there will be benefits that more than justify the effort. Among these are reduced communication expense, lower operating cost, and increased revenues - - along with such


intangibles as image, increased customer satisfaction, convenience, better service and lower prices. Access to the right information can replace all other factors of production - - reducing the required levels of labor, capital, energy, materials, space, etc., that are needed in title operations.

The reason that Internet commerce is being adopted so rapidly and touted by so many companies, is that it fundamentally changes the competitive landscape in an overwhelming number of industries, including the title business. It reduces costs, improves communications, and removes frictional barriers that once prohibited competitive flexibility. The Internet is changing the world of computing almost overnight and that also means the way title insurance is produced.

Title executives should anticipate moving away from the telephone and fax machine and toward the PC and commercial Internet-based technology services - - both for title information management and for the placing of title orders. This change has implications for the title community as security and speed issues are overcome. To unite and consolidate information is to safeguard the title preservation system. 

RETIREMENT

continued from page 13

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Tenth Anniversary Edition CDS Performance of Title Insurance Companies Lawrence E. Kirwin, Editor

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Those desiring to place classified advertising in Marketplace, send ad copy and check made payable to American Land Title Association to **Title News Marketplace**, American Land Title Association, Suite 705, 1828 L Street, N.W., Washington, D.C. 20036. Responses to classified placements should be sent to same address unless otherwise specified in ad copy. Made-up examples are shown below to provide an idea of style.

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NOTARY PUBLIC with escrow or mortgage experience wanted for national document signing service. \$60 per signing, part-time, mostly evenings and weekends. Please call Mike at one of these numbers or try the following day: 619-998-1174, 619-919-8766, 714-448-2901, 714-448-3280. Share this ad with your employees and friends and share in the wealth, especially if you're in smaller towns or rural areas in any of the 50 states.

ACCOUNTING MANAGER. Resumes are currently being accepted to fill the position of accounting manager for a title insurance company. Applicants must have strong people and organizational skills. Be self-directed, committed, computer literate with complete knowledge of general ledger and financial reports including both GAAP and SAP. Supervisory skills required. This is a full time career position with complete benefit package. Send resume, references and salary history to **Marketplace**, Box H-119.

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 SMS. page 10
 SoftPro Corporation. page 21
 Title Agents of America. page 4
 Title Data. page 15
 Title Industry Assurance Company
 page 16
 TitlePac, Inc. page 30

ALTA CALENDAR OF MEETINGS

May

4-5 **Internal Auditing Meeting**,
 Miramar Resort Hotel, Montecito, CA
 17-18 **Title Insurance Forms Committee**,
 Loews Giorgio Hotel, Denver
 18-19 **Title Counsel**, Loews Giorgio
 Hotel, Denver
 28-29 **ALTA Board of Governors**,
 Hyatt Regency Hill Country Resort,
 San Antonio

June

8-9 **Land Title Systems Committee**,
 San Diego Marriott Hotel & Marina
 11-13 **Education Committee**, Westin
 Oaks, Houston
 25-26 **Public Relations Committee**,
 Hotel Inter-Continental, New Orleans

August

3 **Abstracters and Title Insurance
 Agents Seminar**, Hyatt Regency
 O'Hare, Chicago
 17-18 **Title Insurance Accounting
 Committee**, Fairmont Hotel, San
 Francisco

October

14-17 **ALTA Annual Convention**, New
 York Marriott Marquis, New York City

1999

February

7-9 **1999 ALTA Technology Forum &
 Expo**, Disney's Coronado Springs
 Resort, Lake Buena Vista, FL

March

29-31 **ALTA Mid-Year Convention**,
 Hotel Inter-Continental, New Orleans

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