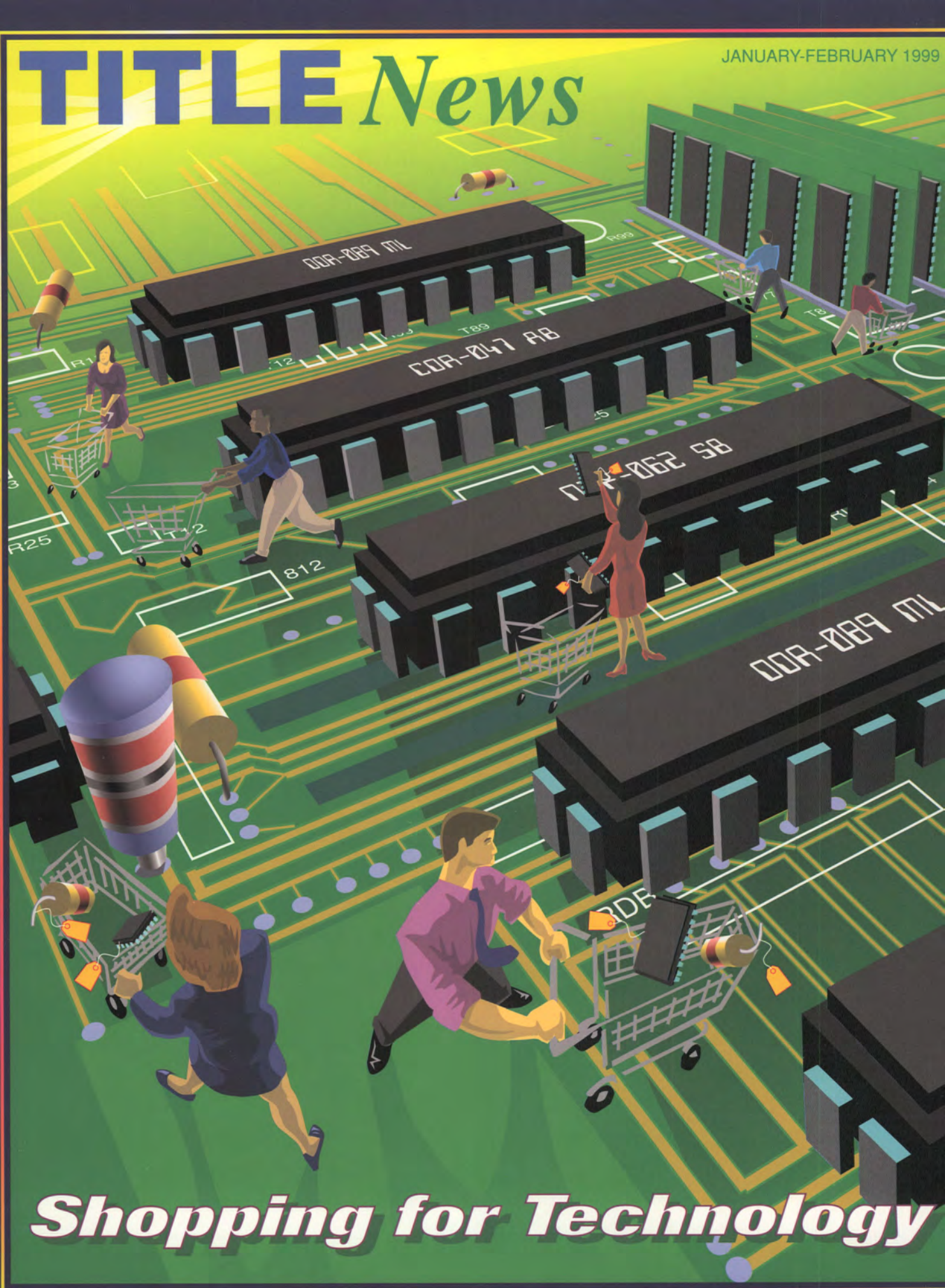
TITLE News

JANUARY-FEBRUARY 1999



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TITLE News

JANUARY•FEBRUARY 1999

Volume 78, Number 1

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On the Cover: *Technology is a driving force in the title insurance industry. Tap into a unique way to shop for the best technology products and services to keep you on the cutting edge by using our* ***Directory of Technology Products and Services*** *beginning on page 19.*

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By Randall Hood and John Sayers

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By Mark Mathias

The old idea that your website was obligatory but not necessarily profitable is about to go the way of the dinosaur . . . Mark Mathias believes that there is a new order on the horizon, and if you don't start thinking ROI you may be missing out.

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19 **1999 ALTA Directory of Technology Products and Services**

Hardware or software, LAN, WAN, or RAM . . . Whatever's on your technology wishlist, you'll be able to find out who has it and whether it's right for your organization. Our **Directory** helps you to zero in on the right technology solution for your individual business need.

26 **The Evolution of EDI in the Mortgage Industry**

By James M. Lesher

As the mortgage and title industries become more and more highly technology-dependent, the development of standards becomes essential to define the format and content of the data being transferred. If you are not yet speaking the language of X12, HTML, SGML, and XML, this primer is for you. Your involvement in standards development could mean the difference between success and failure.

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ALTA Coming Events

1999

January

7-8 **Research Committee**
Key West, FL

February

3-4 **TIAC Board Meeting**
Miami Beach, FL

5-6 **ALTA Board Meeting**
Palm Beach, FL

7-9 **Technology Forum & Expo**
Disney's Coronado Spring Resort, Orlando, FL

28-March 5 **ALTA Land Title Institute Management Development Program**
Houston Baptist University Campus, Houston, TX

March

29-31 **Mid-Year Convention**
Hotel InterContinental, New Orleans, LA

May

1-5 **Internal Auditors Meeting**
Key West, FL

June

5-8 **Systems Committee Meeting**
Denver, CO

9-10 **ALTA Board Meeting**
Washington, D.C.

October

6-9 **ALTA Annual Convention**
Colorado Springs, CO

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A MESSAGE FROM THE PRESIDENT-ELECT

During strategic planning sessions a few years back it was agreed that the mission of the ALTA should be to prepare members to compete successfully in a changing real estate marketplace. I would guess that's why most of us belong – for education, for knowledge, for competitive intelligence, and for our own strategic planning purposes – so even if as an industry we don't totally control the path of our destiny, at least we might get the heads-up sign in time to stay on the path and compete effectively. The value of membership comes from taking advantage of the resources and programs offered.

There is strong value in an ALTA membership when the association provides *educational and training opportunities* that give members the skills and competencies that are needed to succeed.

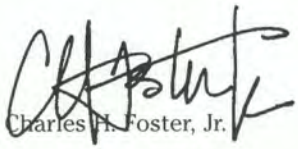
There is strong value in an ALTA membership when the ALTA positions itself so that members will have *a superior vantage point with regard to the cutting edge of technological change* and can gain competitive advantages in the use of information and communications systems.

When the ALTA can cover *both those bases in one event*, the value multiplies for the participating members. A year ago the ALTA presented a Technology Forum and Expo unlike anything historically associated with the ALTA approach. It was a breakthrough event and a noted success.

Now it is time for the 1999 ALTA Technology Forum & Expo, scheduled for February 7-9, at Disney's Coronado Springs Resort, in Orlando, Florida,

This year's event promises to take it to yet a higher level of success. The preparations have been in the works for a year. The 1999 theme, "Moving to the Head of the Class", signifies the emphasis on an atmosphere of learning. There will be compelling and extensive educational tracks to choose from, continuing education certifications, top-flight professors, nationally and internationally recognized speakers, over 50 exhibits of relevant technology, and scores of your peers!

I've made my plans to be there – for knowledge, for competitive intelligence, and for strategic planning purposes. Heads up!



Charles H. Foster, Jr.

Shopping For Technology — Assessing and Documenting Your Situation

By Randall Hood and John Sayers

So you think you need a new computer system. How do you match the right solutions to your needs? As technology solutions become less costly, faster to implement, and more readily available, it is more important than ever to commit the time and resources necessary to choose the best products and services to match your particular business needs. Just because it's cheap and easy doesn't mean it's right for you!

This article covers the format of the *Request for Proposal* document — just one piece of the overall purchase process. Once you have made the decision to evaluate your company's technology needs and to commit the resources to selecting and implementing the best solution, be sure to address each of the following steps in the shaded box on the next page.

Special Focus On The Request for Proposal

How do you identify your requirements? What features and functions are necessary to accomplish your purpose? You may find help in publications like the **ALTA Directory of Technology Products and Services** also in this issue. New software programs may be able to do things you have never imagined. Be sure to do a little research and educate yourself on new products. But beware of "scope-creep" and stick to your stated scope and purpose — just because the vendor has a new hammer doesn't mean everything is a nail.

Get Educated - You will also want to educate yourself about the vendor companies. How long has their company been in business? How large is their staff? How many are dedicated to user support and how many to research and development? Who are their competitors?

Memorialize Your Progress - As you identify your requirements, be sure to write them down. Share them and communicate them to team members, vendors, and your entire staff. You never know where new ideas will come from. Get buy-in from the entire staff early and often: You will be depending on them for a successful implementation down the road. This document will guide vendors seeking to meet your needs and also help you to stay on track.

Weight Your Requirements - Now that you have identified and listed your requirements, prioritize and determine the importance of each requirement. Which requirements are "must haves?" Which are "nice-to-haves?" Which are dreams and wishes? You might accomplish this with measurements from 1-10 or high, medium, and low. Billy Gates didn't write MS word for you, but many of your requirements are included in the product. If you want a custom solution, be prepared to pay a high price in terms of staff time and financial resources.

Formulate Your *Request For Proposal* - Communicate your requirements to the vendors. When you are ready to determine which products will match your requirements, it's time to package those requirements with other information and write a *Request for Proposal*. This document may be formal or informal. Formality is usually governed by the impact the purchase will have on your business. A purchase of mission-critical software like an order and closing package or voice-mail system will often result in a very formal *Request for Proposal*. To build this document, you will want to include sections on your company history, commitment to technology, staff size and growth prospects, technology selection process, technology selection contact person, calendar and deadlines for selection, implementation timeframe, as well as your requirements information and cost questionnaire.

So, how do you get started? First, use the steps above as a guideline. Sample RFPs are available through many vendors, other title professionals, consultants and underwriters. Second, do your homework. Start with surveys like the pull-out section in the center of this magazine to learn about new products and features. You may also decide to employ a consultant to help with the education process. Attend as many technology conferences and training sessions as possible to stay current.

In conclusion, make a commitment to put your time, dollars, and the right people to work on this project. Write down your decision-making process. Determine and document your scope and stick to it. Communicate your needs using a written document, like the *Request for Proposal* described above. If it's not written down, you don't have a plan, and you won't achieve your purpose. Be sure to measure your success down the road by referring back to your documentation and recognizing all that you've accomplished. And remember: If you fail to plan, you plan to fail!

Scope: What do you hope to accomplish? Set your boundaries and determine which specific systems or business processes will be part of the project. Once you've set the scope of the project, stand firm. Put it in writing and remind yourself and the team of the project limits.

Purpose: Be honest about the overall purpose of the project. Do you want to reduce costs? Improve customer service? Keep your business on the cutting edge of technology? Or keep your geek status on the bleeding edge? Again, memorialize your decision. Remind yourself and your team of the desired end-result of your efforts.

Project Team:
Determine your company's "best of the best" in business and technology and make sure they accept change. If you are not willing to commit these valuable resources, it will be difficult to succeed.

Needs Assessment:
A techno-nerd term for "whadda ya want?" More specifically, this is where you look at your purpose and identify how you will know you have accomplished your purpose at the end of the project. Did you decrease your costs by the 10 percent stated in the purpose? Did your turnaround time decrease from five days to one day?

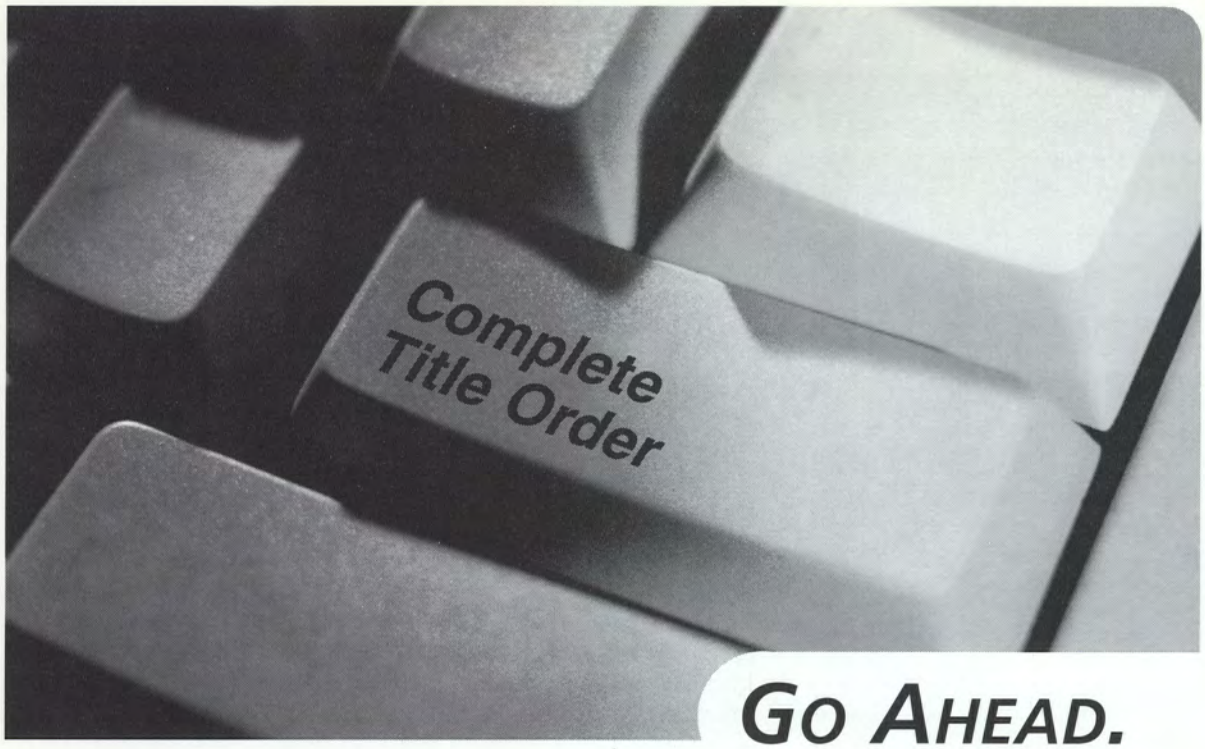
Requirements:
The *Request for Proposal* — this part of the process has become one of the most crucial steps towards successful system selection and implementation. The main body of this article provides additional guidance and information to help you with this step.

Cost Model:
As part of the *Request for Proposal*, you will want to include a cost questionnaire for each vendor to complete so that you can compare costs head-to-head. Include such items as software licensing costs, network licensing costs, hardware costs, user group fees, annual subscription fees, training costs, support costs, consultation costs, conversion costs, upgrade costs, and customization costs.

Implementation Plan:
Once you have made your selection and are ready to bring new technology into your operation, it's time to plan your implementation. Evaluate your current staff and the cultural change that you are about to experience. Do you need to hire additional staff or provide special training to existing staff to properly administer your new technology? An implementation plan should include schedules for installation, data conversion, training, testing, and transition to the new system.

Post Audit:
As a final step, return to the scope, purpose, and needs assessment. Measure your success.

Start Over:
It is now time to review NEW technology — with today's pace of technology development, by the time you finish, it's time to start again!



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The Next Wave in Internet Business: Return on Investment

By Mark Mathias

Introduction

In the five or so years that the Internet has been the hotbed of excitement, many businesses have invested heavily in Web sites. Far fewer have actually been able to measure the benefit to their company from their investment in Internet technology. With major Web sites costing $500,000 or more, these types of investments need to be more than a pretty advertisement for a company. Companies are now requiring that their Web investments start to return value.

The Next Wave is Return on Investment

The Internet is still in its infancy. Multiple changing standards are making development difficult. Betting on the winning technologies would challenge the best Las Vegas bookmakers.

As the Internet has become popularized, it has become a proving ground for many new technologies — some that remain and some that disappear. This week's hot technology could be next week's worthless investment.

So, while the technologists, marketers, and software developers continue to try out new ideas and techniques, where should the sound business manager put his or her company's money? The next wave will be driven less by technology and more by return on investment.

Bank on the constants. A few of them have become clear:

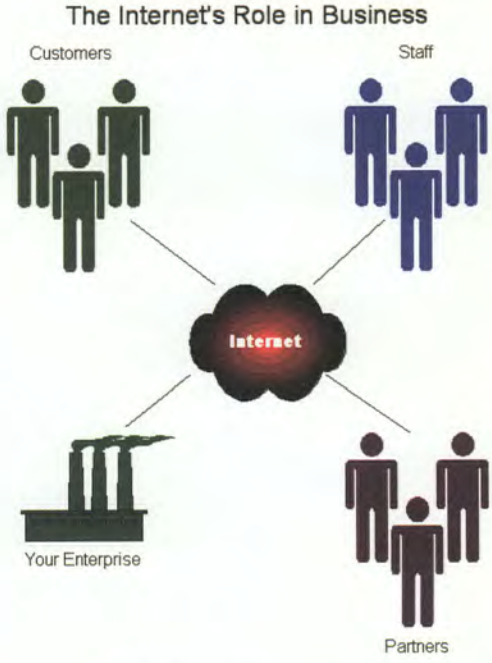
- The Internet's importance to business will continue to increase;
- The Internet's potential value to business is immediate and immense; and
- The Internet is becoming a primary way that businesses communicate.

What Benefits of the Internet Can I Rely Upon?

There is much hype and misinformation concerning what the Internet can do. Much of it is pie-in-the-sky dreaming, but some of it will become reality.

The following items appear to be consistently supported benefits of the Internet:

- People (customers, vendors, suppliers, and competitors) will use the Internet to find out about your company;
- People will use the Internet to do business with your company;
- The Internet can reduce your manpower requirements, such as customer support and order taking;
- The speed and competitiveness of business will increase through the use of Internet technologies; and
- The Internet may reduce, but will not eliminate the need for, other people-oriented aspects of your business, such as customer support.



What Issues Need to be Addressed?

When companies develop their Internet strategies they need to determine what they hope to gain from their investment. Until now, the conventional wisdom has been that having a 'Web presence' is sufficient to justify the investment. The conventional wisdom is changing, primarily because the dollars invested in Internet technology have become so large and the opportunities for contributing positively to the company too great.

Mark Mathias is both founder and President of Eureka Publishing, Inc., an award-winning electronic publishing firm, and has more than 20 years experience in the computer industry. His clients range from Fortune 500 companies to small entrepreneurs, both domestic and international. Well-regarded and sought-after for his insights and perspectives on electronic publishing, Mr. Mathias is a frequent presenter at tradeshows and conferences on emerging technologies. Mr. Mathias can be reached at 818-789-0269 or by email at mmathias@ eurekapub.com.

While each company's goals will be different, the basics for many companies will be the same:

- Make the most of one's Internet investment;
- Increase value to customers; and
- Provide a competitive edge.

In addressing each of these items, every company will benefit from the Internet. Each of these items is addressed below.

Make the Most of One's Internet Investment

Internet development is not inexpensive. Therefore, every dollar spent on the Internet should relate to reaching a goal or solving a problem for the company. Whether you are working with an in-house staff or an outside firm, ensure that the staff and tools are what you trust, that you all share the same vision, and that you all understand the goals you have established.

Ensure that everyone "works smart." Older Internet technologies (those two or three years old) often do not measure up to current technologies. If you are investing in technology, ensure your investment is up-to-date and will provide value to you into the future.

Some of the technologies that enable the realization of these goals are:

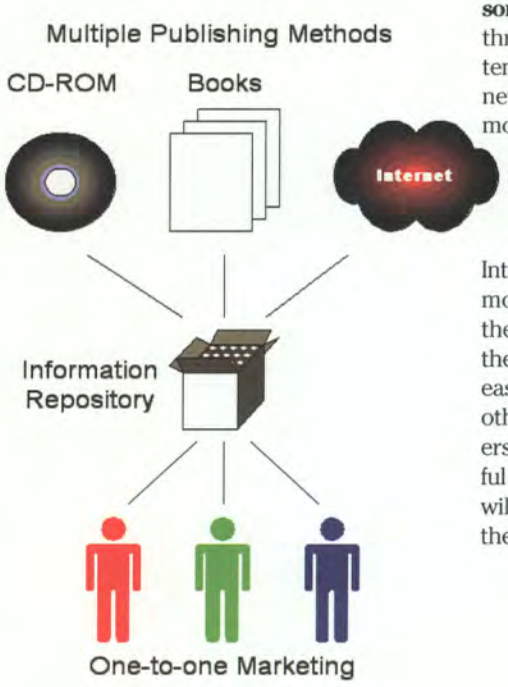
- Dynamic Web site generation that allows custom Web pages to be created on-the-fly, personalized to the individual user;
- Back-end database warehouses that allow multiple versions of a Web site to be brought up depending upon the user's preferences or interaction;
- Storing information in a format that is easy to repurpose, such as SGML or XML. People have found that HTML simply does not scale to large sites well, nor does it provide the ability to be reused, reliably parsed, or usable for e-business.
- E-business applications (not just buying and selling, but customer service) that allow people to do business with you even outside of normal business hours; and
- Customer service applications that reduce the traffic at your offices while providing cost-effective 24/7 availability.

Increase Value to Customers

Internet technologies provide opportunities by increasing the benefits to customers with little or no cost to the customer or the company providing the benefit.

Some of the areas in which value can be increased include:

- Better customer service (24/7, direct interaction without waiting on hold);
- Better order processing;
- Better prices (without human intervention, the cost savings can be passed along to the consumer);
- Better choices (all options can be given to the customer, and they can decide which they would like to use); and
- Personalization, such as information about a person that can be remembered and used in subsequent transactions. This can include things such as account numbers, orders, and preferences.



Provide a Competitive Edge

Every one of your competitors has an Internet presence. By having one, your company has shown that it can be an equal. But being competitive means being better than equal. Companies need to have a competitive edge that extends to their Internet presence. Here are some ways this can be accomplished:

Personalize every visitor's experience with your company's online presence. Ensure that their visit to your Web site provides them with the information they've told you they want;

Increase the "switching costs" for customers to go elsewhere. The better you know your customers and give them what they want right on your Web site, the harder (and less desirable) it will be for them to go to your competitor; and

Keep providing customers with more reasons to do business with you. This can be through increased service, compelling content, new products, faster time to market, new features, more personalization, and more.

Conclusion

The days of 'brochureware' on the Internet are over. Customers are becoming more selective about which companies they do business with and which Web sites they use on a regular basis. And, due to the ease of switching from one Web site to another, providing real value to your customers is of paramount importance. Successful companies are seeing the next wave and will ride it to reap significant benefits for their customers and themselves.

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1998-99 ALTA Financial Report to the Membership

By David R. McLaughlin
Vice President of Administration

Last October in New York City, during the 1998 ALTA Annual Convention, the Board of Governors approved the 1999 Association operating budget as shown in Exhibit 1. Another balanced budget is planned with total revenue and expenses expected to reach $3,703,300. Again, as in the recent past, ALTA is relying heavily on its Revenue Asset Fund ($798,330) as a main source of income to supplement the revenue accounts and achieve a balanced operating budget. Income from membership dues is projected to be $1,951,400. While dues revenue has increased slightly in the mid-nineties, it is considerably lower than it was at the beginning of this decade. Furthermore, the ratio of dues to total receipts has gone from 77 percent to our present figure which represents 52.8 percent of our annual revenue. Exhibit 2 depicts this percentage in pie chart form along with percentages of all revenue and expenses to the total budget amounts.

The 1999 operating budget reflects an increase of $157,500 over 1998's balanced budget. Besides nominal increases in some accounts to allow for inflation, significant increases occur in the Conventions (income and expense); Committees; Public Relations; and Travel budget accounts. The State Legislative & Regulatory Fund expense account witnessed a dramatic reduction from $150,000 to $10,000 as our legal support to certain affiliated title associations regarding Norwest's TOP Program winds down to a minimum involvement. Conventions budgeted expense is higher primarily because of a large turnout expected for the second ALTA Technology Forum and Expo slated for February 7-9 in Orlando, Florida. Committees expense increased as major emphasis is being placed on membership, industry public relations, and technological education. Public Relations expenses has increased as a result of several new PR initiatives put forth to increase industry visibility in late 1998 and into 1999. Travel expense is up for increased legislative activity and grassroots lobbying aimed at affiliated title associations.

Looking back at 1998, we concluded the year $83,700 under our operating budget of $3,545,800 largely due the Norwest TOP Program expenditures being considerably less than originally budgeted as ALTA winds down its legal support in this area. This figure will be adjusted slightly by our auditors, PricewaterhouseCoopers, when they audit our 1998 financial records in February.

As we move forward into 1999 and continue to face challenges in the legislative and regulatory arenas, we need to join together as a united front. The ALTA Strategic Plan lays out a framework for our commitment to you through the services we provide and future courses we are to take. Your continued investment in ALTA membership gives us the member support and financial backing necessary to carry out industry goals. Your Association remains strong financially and, as always, staff look forward to serving you in 1999.

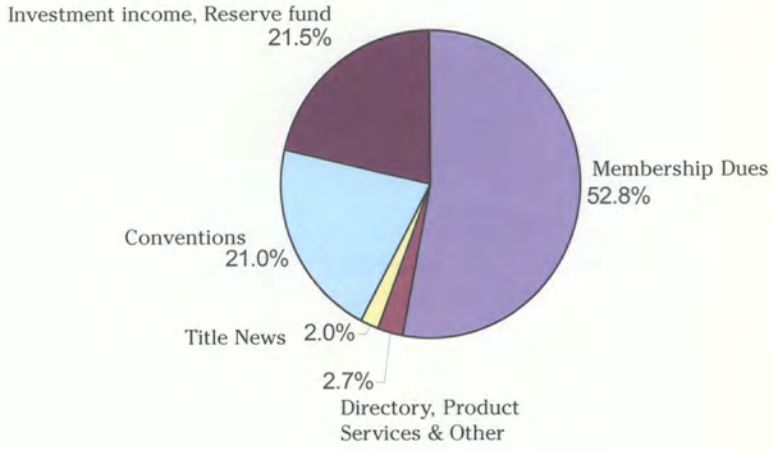
Exhibit 1

1999 Approved ALTA Income And Expense Budget

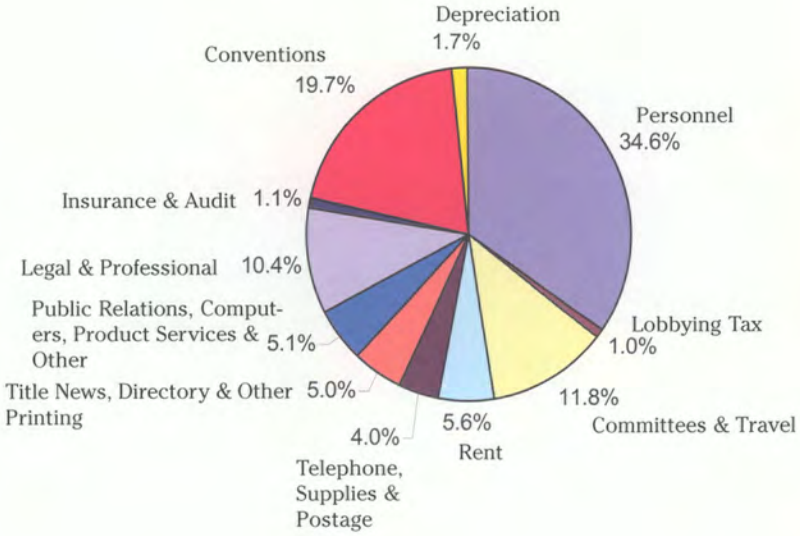
General Fund Income	
Dues	$1,951,400
Investment Income - Operating	24,000
Investment Income - Reserve	798,330
Membership Processing Fees	3,750
Conventions	777,820
Title News	70,000
Directory	42,000
Product Services	20,000
Other Income	16,000
Total Income	*$3,703,300*
General Fund Expense	
Legal & Professional Services	$375,000
Conventions	728,650
Committees	246,170
Public Relations	95,000
Rent-Occupancy	208,000
Personnel-Salaries	1,024,100
Personnel-Benefits	151,480
Personnel-Pension	107,500
Travel	191,000
Telephone	52,000
Postage	72,000
Supplies	12,000
Computer/Word Processor	35,000
Duplicating	12,000
Title News	83,000
Membership & Leadership Directories	37,600
Bulletins	63,000
Dues & Subscriptions	7,000
Insurance	21,000
Audit	19,800
Product Services	36,000
Miscellaneous	16,000
State Legislative & Regulatory Fund	10,000
Depreciation	65,000
Lobbying Tax	35,000
Contribution to Reserve	0
Total Expense	*$3,703,300*
General Fund Income Over Expense	*0*
TIPAC Admin. Fund Income	*$32,000*
TIPAC Admin. Fund Expense	*$32,000*

Exhibit 2

ALTA $$$ Sources



ALTA $$$ Expenditures



Surviving the E-Revolution: Business Model Trumps Product

By Todd A. Hartle

Overview

The Internet is changing the relationship between title companies and consumers in ways more profound than you can even imagine. And it could mean your doom if you are not prepared for the completely different future of consumer control. If you do not have a deep, visceral sense of how radically the Internet is going to change today's hierarchy, you are going to lose. And lose big.

The Internet is empowering consumers like nothing else ever has. The Web will fundamentally change customers' expectations about convenience, speed, comparability, price, and service. Those new expectations will reverberate throughout the economy, affecting every business. The Internet is the foundation for a new order. An order of the magnitude of the industrial revolution — the E-Revolution.

The Impact of the Internet on Information Flow, Choices, and Price

The Net is not just another medium; it is a profoundly different experience. The Net is about choice, freedom, and control. In the off-line world, the cost of directly comparing products or services was often prohibitively high. No more in the new, net-enabled economy. Our business will be forced to transform because of this significant, enabling technology.

Global information systems, such as the Internet, will let purchasers establish a highly efficient marketplace similar to the stock market or, perhaps more aptly, the commodity futures market. Systems like the Internet make it easier for consumers to assert what they want to buy and what they are willing to pay. Then it is up to the providers to accommodate them.

In highly structured markets (such as insurance and mortgages), the product that is purchased is relatively homogenous. Buyers and sellers can make decisions without specifically knowing the identity of the party on the other side of the transaction. By leveraging the Net, these industries can evolve into a true marketplace where buyers and sellers converge and prices are kept at or near optimal levels. Decisions are made based on information, not identity. And transactions are cleared in a lean and efficient manner.

Historically, informational friction could prohibit the true buyer from finding the lowest potential price. With these exchanges in place, the company choosing to make a purchase can enter a priceless offer and wait for multiple parties to bid. This favors the purchaser and endangers the large organization that was able to profit from informational inefficiency.

The Web makes it possible to hold real-time auctions for just about everything. Customer ignorance about prices and relative product performance has been a profit center for many companies. But consumers are getting much better informed — and the consequences will be awe-inspiring.

Benefits to Consumers

On the Net, customers will be able to get providers to bid against each other in a way that seldom happens in the off-line world. Think of the e-mortgage firms that link consumers with lenders. Not only do these aggregators provide a wealth of information on rates and the home-buying process, some of these companies put the consumer's mortgage out to bid to get the best deal possible.

Customers also escape the shackles of geography. Until recently, if you needed a mortgage, you would humble yourself before the local banker. Now you can go to the Web and shop for the best mortgage rates from financial institutions across the country. Systems like these will put pricing pressure on the overall market they automate.

Today's consumers demand not just independent advice but also neutral distribution channels. The goal is not just to minimize the hassle of finding something but to minimize the hassle of getting it as well. Consumers benefit from these economies through lower prices and convenience. Thus the oligopolistic regulatory nature of title insurance must fall.

It will be difficult to enforce any kind of price discipline in a world in which there are no list prices and newcomers are more than willing to underbid established play-

Todd Hartle is the President and founder of Fountainhead Information Systems, a provider of title plant automation, consulting, and Internet strategy services. An 18-year veteran of the computer systems and technology field, Todd has significant experience in developing document imaging systems for county clerks and recorders offices. He also has accumulated several significant "firsts" in the title industry: the first windows-based system, the first local area networked imaging system, the first SQL-based recorders system, and the founding of the first company to put a title plant on the Internet. He can be reached at (404) 827-0366, by e-mail at thartle@titlesearch.com, or on the Web at www.titleweb.com.

ers to win market share. So for products that are anything close to a commodity, prices will trend downward toward variable costs, and margins will be slimmer than slim.

How Will You Survive?

The E-Revolution's most immediate demand, confronting the promise and threat of the Internet, is also the essence of the conflict that new technology creates for existing companies. So how can your title company survive in the exciting and frightening new economy? Through relentless innovation, unparalleled service, and an attitude of genuine helpfulness, but delivered in new ways.

Innovation crests when companies find ways to use technology to completely change the original process. This is when technological change has its greatest and finest impact. Over the next few years the breakthrough success stories in e-commerce will be those that seek to lower transaction costs and effort for the customer, not the provider. Early movers will expand their revenues and dramatically lower their costs of sales and support.

However, for most, the E-Revolution will come as a surprise. Companies that move fast can establish the rules in their own favor, but only a few innovative firms are likely to do so. However, I adamantly believe that most companies will choose to be dragged into this new electronic economy by their customers, and they may not like what they see when they get there. These poor souls will not know what hit them.

The title insurance industry is not exactly a poster child for technological innovation, and the Internet has not changed that to date. That is pretty risky for an industry that lives by risk reduction. The Internet can cut costs across the title insurance value chain and improve customer service. Companies that utilize the Internet will undercut traditionally priced products and threaten slower-moving insurers' profitability. In the cutthroat title insurance industry, business as usual can mean the end of business.

Companies that are quick to try, quick to learn, and quick to adapt will win. Adapt or die as they say. Those that learn fastest, and keep learning, will stay ahead. Companies that take months to assess what they have learned, whose internal processes still run on title time and not on Internet time, will get left behind. The faster a company learns and adapts, the more customers it wins; the more customers it wins, the faster it can learn and adapt.

Somewhere out there is a competitor unknown that will render your business model obsolete. Each time business models change, a new group of leaders emerges. Incumbents miss the early warning signs because they are easy to ignore. Are you convinced that you really understand the potential impact of the Web? Are you sure that your company will be one of the few that define the new Net-centric order?

If you do not believe deeply, wholly, and viscerally that the Net is going to change your business, you are going to lose. And if you do not understand the advantages of starting early and learning fast, you are still going to lose.

Irrelevancy is a bigger risk than inefficiency. If you are just trying to reduce the inefficiencies in your firm, you lose. Competition today is not between products, it is between business models. The hottest and most dangerous new business models out there are on the Web. Consider yourself warned.

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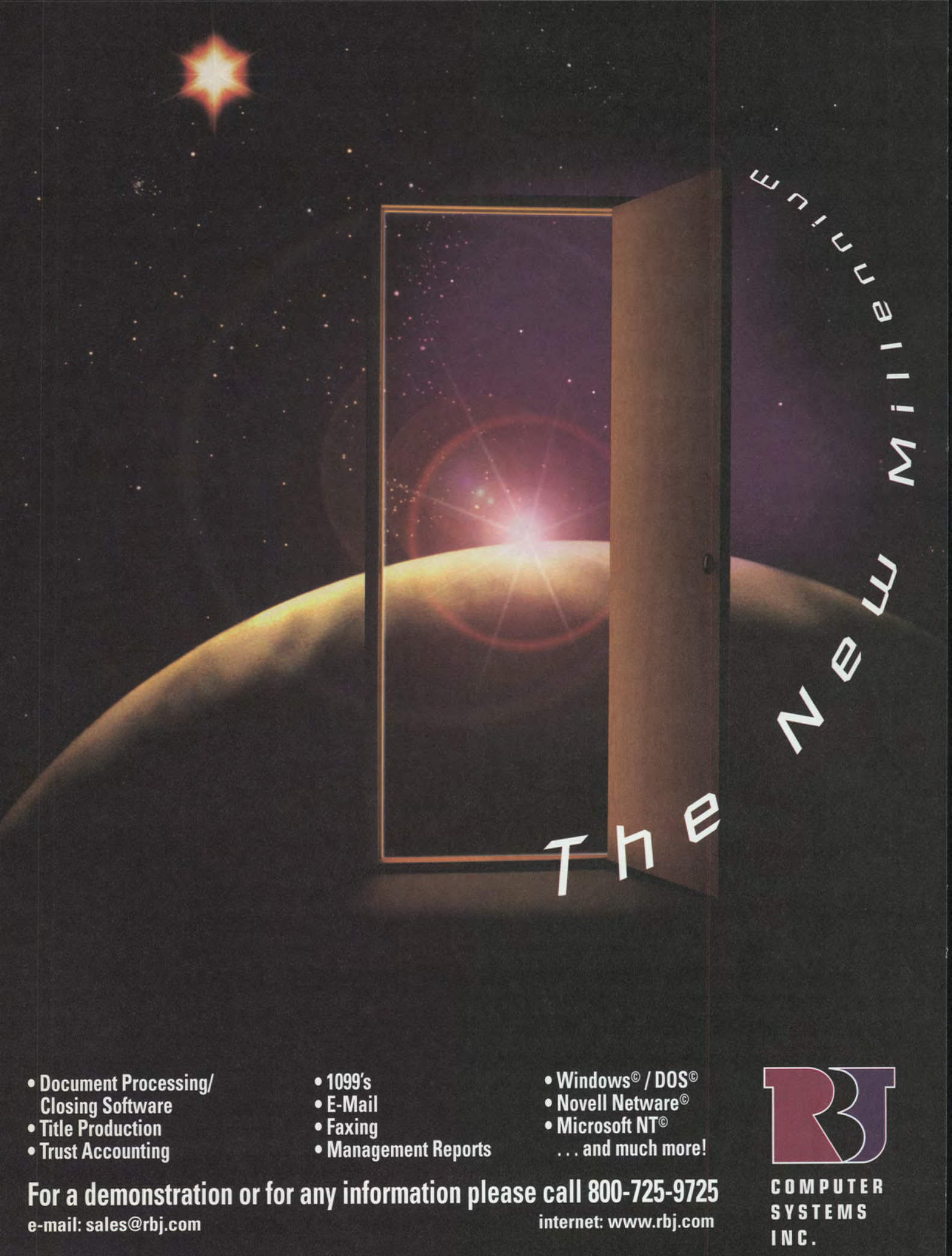

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MERS®

America's Mortgage Loan Registry

Volume 1, Issue 9 *www.mersinc.org* *December 1998, Periodic Newsletter*

Season's Greetings from MERS

By R.K. Arnold

It's been a good year for MERS and we're all looking forward to the holiday season.

MERS changed during 1998 from being just another good idea to being a real business opportunity for our members to use to benefit their bottom line. We have seen a substantial increase in applications since Norwest and NationsBanc launched their MERS Correspondent lending programs. We now have more than 50 companies in the integration pipeline.

MERS saves the typical correspondent lender at least $22 per loan origination, so it isn't surprising that we are seeing a steady stream of companies wanting to move forward with MERS. Moreover, we have simplified virtually every aspect of MERS implementation for our members, so it is now substantially easier for them to take advantage of the savings available through MERS.

Of course, we couldn't have done all this without the dedication and hard work of all the MERS employees and their families, and we want to say thanks to all of them for a job well done.

Happy Holidays from MERS!

This Month

Season's Greetings ..1
Policy Change 1
System Improvements ..1
Integration Forum 2
Schedule of Events 2
Integration Corner ..2
MERS Lite 2

MERS Modifies Policy on Legal Description

By Dan McLaughlin

Up until now, a full legal description (not including metes and bounds) had to be entered on the MERS® system as soon as practical after registration. This had to be done within twelve months from the date of registration. The legal description requirement was intended to support complete identification of the property as well as to facilitate automation of the lien release process. However, many members that have integrated their systems with MERS do not capture the full legal description today. This has created a significant data entry burden for these members until they can modify their systems to capture legal description electronically.

MERS is America's Electronic Mortgage Loan Registry System

Therefore, effective immediately, the MERS policy has been modified to require only the County (in addition to street, city, state, zip code) to complete the legal description requirement. If you currently capture all or part of the legal description (e.g. lot, block, subdivision, etc.), we encourage you to continue to pass it on to MERS. MERS will reevaluate legal description requirements when functionality for lien release automation is defined in early 1999. If you have any questions about this policy change, please call Dan McLaughlin at (703) 761-1277.

MERS ® System Improvements

By Weyman Lew

In response to members' suggestions for system improvements, the MERS® system has been upgraded on December 7th to make it easier for members to register and transfer loans.

The December 7th system enhancements were:

- Property Street Number is now an optional field.
  Members now can pre-register and register loans where the address has no property street number. Rural route addresses most commonly fall into this category.
- Social Security Number for Co-Borrowers is now an optional field.
  Members now can pre-register and register loans where a co-borrower exists on the loan and there is no social security number for the co-borrower.
- Retroactive Sale Dates For Seasoned Transfers Of Servicing Transactions are now allowed.
  Members are now able to enter a retroactive Sale Date for a seasoned Transfer Of Servicing transaction that is up to 60 days earlier than the date on which the transaction was entered on the system. Prior to the change, a Sale Date had to be equal to, or later than, the date on which the transaction was entered on the system.
- Retroactive Transfer Dates For An Option 2 Transfer Of Beneficial Rights are now allowed.
  Members are now able to enter in a retroactive Transfer Date for an Option 2 Transfer Of Beneficial Rights transaction that is up to 60 days less than the transaction origination date. Prior to the change a Sale date had to be equal to, or later than, the date the transaction was entered into the system.

See System Improvements on Page Two...

Continued on next page...

NationsBanc to Host Integration Forum

The next MERS Integration Forum will be held at the Radisson Hotel in Charlotte, N.C. on January 19 and 20. Your hosts: NationsBanc Mortgage Corporation.

Invitations and the agenda will be mailed by December 15. For further details, or to make your reservation in advance, please call Sue Haumesser at NationsBanc (716) 635-2110.

MERS 1999 Events Calendar

Jan 13-15 MBA Senior Executive Conference

Jan 13-15 Faulkner and Gray Mortgage Technology Conference

Feb 4-7 Midwinter/99

Feb 7-9 ALTA Conference

Feb 24-26 MBA National Servicing Conference

March 17-19 New Jersey Mortgage Bankers Conference

March 24-26 MBA National Technology Conference

April 19-21 Alltel Conference

April 19-21 MBA National Secondary Conference

May 17-19 Data-Link Users Group Meeting

June 6-9 MBA President's Conference

June 17-18 MBA National Servicing Conference

July 20-23 CMBA Western Secondary Conference

Sept 11-14 Eastern Secondary Marketing Conference

Sept 12-14 MBA Document Custody Conference

Oct 10-13 MBA Annual Convention

For more information on any of these events call Connie Davies at (800) 646-6377.

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8201 Greensboro Drive, Suite 350
McLean, VA 22102

Integration Corner: The Weekly Conference Call

(Fourth in a Series)

By Carla Haase

The tale of MERS integration continues…

Well, you have your project plan and Action Log, your implementation team, and your very own MERS Business Integration Specialist (BIS). Now, how do you coordinate and keep everyone informed? MERS has found The Weekly Conference Call to be the most effective tool in achieving this.

How does it work? The project leader and the BIS establish a day and time for regular calls and a centralized phone number is established. Your phone provider can arrange a phone number and an ID code for a "Meet Me Call" if the number of participants exceeds your phone system's limits. The team members, the BIS, and any other concerned parties dial into the number at the appointed time. If a member cannot be present, a substitute usually attends.

What is the agenda? A day or two before the call, the project leader distributes the latest Action Log and updated project plan via e-mail or fax, along with any other items pertinent to the implementation, such as a contact list, a workflow chart, or a business process analysis. Some members also include minutes from the previous call.

What happens during the Call? The project leader reviews the open items on the Action Log and there is input from the various team members. New questions may arise and will appear on the Action Log for the following week. Resolved items will be closed. The leader provides a status report on the plan's target dates and overall progress. The BIS shares any new information.

Next in the Series: Training (How to do MERS)

MERS Lite - What's Your Strategy?

By Ron Crowe

In an earlier Newsletter, MERS introduced the MERS Lite strategy to the Industry. This strategy is designed for correspondents that sell MOM ("MERS as Original Mortgagee") loans ***servicing released*** to wholesalers that are MERS-ready. The MERS wholesaler can then register the loans for the MERS Lite user. Several MERS Lite users have begun to take advantage of this streamlined integration and cost savings opportunity.

As a MERS Lite user, you have two potential implementation paths. If you choose not to use the MERS desktop software, simply sign-up, pay the fee and incorporate the MOM language into your documents, and generate and affix MINs to the MOM security instruments. Then deliver the loans to your MERS-ready wholesaler, who can register the loans for you. If you choose to register the loans yourself, implement the MERS desktop software and deliver the loans to your MERS-ready wholesaler.

Once you have chosen the path best suited for your organization, make sure to contact all Trading Partners (Wholesalers, Correspondents, Vendors, Service Bureaus and etc.) and discuss your intent to implement as a MERS Lite user. MERS Members that are purchasing your loans will provide you with delivery instructions. Non-MERS wholesalers can receive an assignment from MERS to them (we provide you with authority to execute documents on behalf of MERS) until they are "MERS-Ready". Your designated MERS Business Integration Specialist will work through the remaining details of your MERS Lite integration strategy during the assessment and planning phases.

For more information about getting started as a MERS Lite user, contact Ron Crowe at (703) 761-1288 or ronc@mersinc.org.

System Improvements from Page One...

The December 7th release does not impact members' existing desktop software or batch interfaces that members and technology providers may have installed with MERS. The change effected edits on the server side of the MERS application only.

Please call me at (703) 761-1273 if you have any questions about this release.

1999 ALTA Directory of Technology Products & Services

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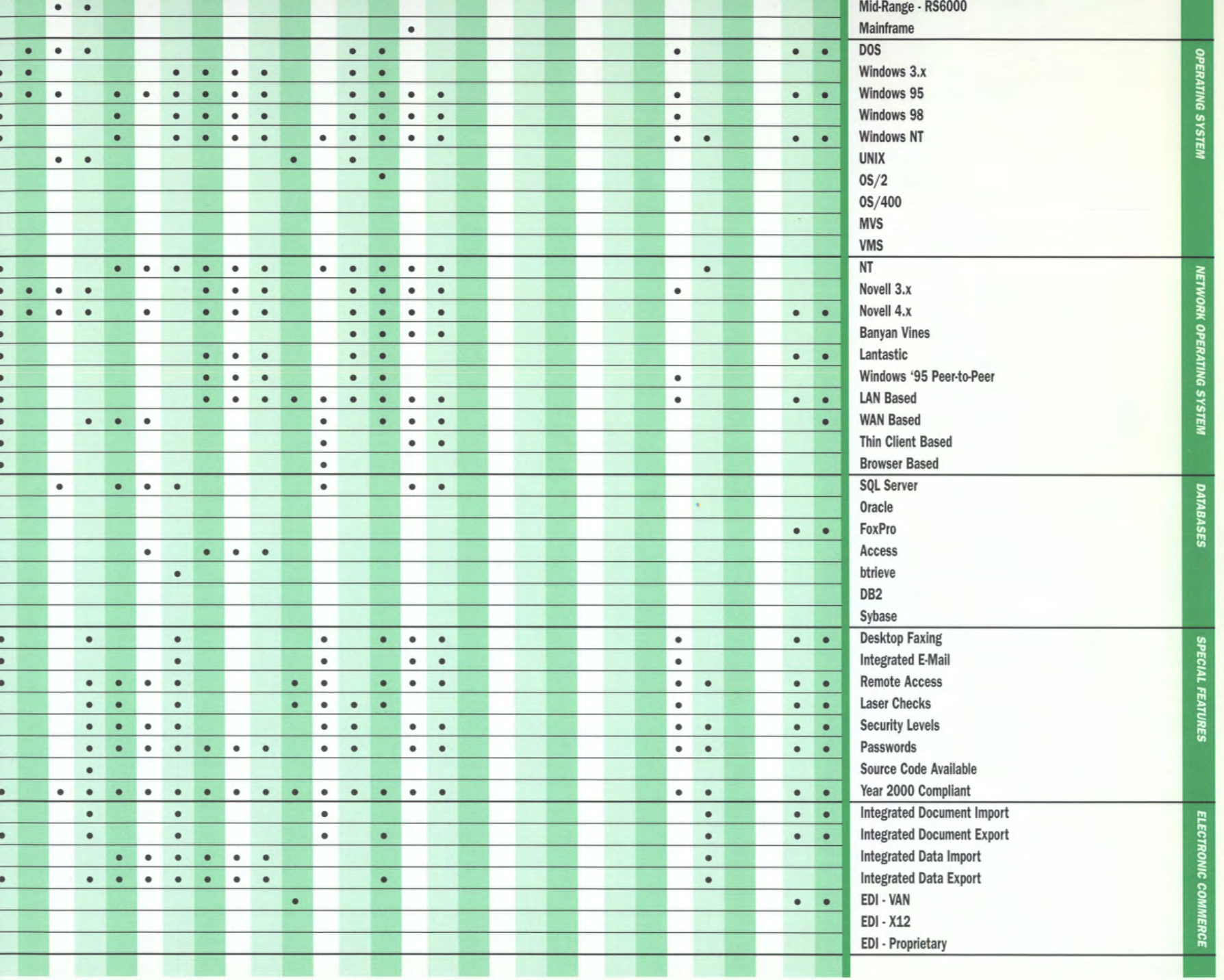
COMPANY	PRODUCTS	STATUS					NUMBER OF CUSTOMER SI						
		Product Status: Active Product In Use	Product Status: Beta Testing For Imminent Release	Product Status: In Development	Demo Diskette Available	Demos Held During 1999 ALTA Technology Forum & Expo	New England (CT, MA, ME, NH, RI, VT)	New York/New Jersey	Mid-Atlantic (DC, DE, MD, PA, VA, WV)	Southeast (AL, GA, NC, SC)	Florida	Mid-West (IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI)	South (AR, KY, LA, MS, OK, TN)
Affordable Business Support, Inc.	Title Solutions	•			•							120	4
Affordable Business Support, Inc.	Title Solutions, Jr.	•			•							2	
Affordable Business Support, Inc.	Visual Title Solutions			•									
Affordable Business Support, Inc.	Agents Remittance Software												
AH Communications, Inc.	Title Insurance System	•								17			
AKT, Inc.	Title Track	•	•	•	•	•		175	3		1		
ATI	Digital Conversion of Documents (DCD) - Paper files												
ATI	DCD - Microfilm												
ATI	DCD - Microfiche												
ATI	Data Entry (DE) - Paper files												
ATI	DE - Microfilm												
ATI	DE - Microfiche												
ATI	DE - Digital Image												
Data Tree Corporation	Titlescape	•				•					150		
Data Tree Corporation	Arch Eion	•											
Easy Soft, Inc.	Easy - HUD (RESPA)	•			•	•	•	•	•	•	•	•	•
Easy Soft, Inc.	Easy Trust	•			•	•	•	•	•	•	•	•	•
Elliptus Technologies, Inc.	TitleQuest 2000	•				•							
Elliptus Technologies, Inc.	Genesis	•					•	•	•	•	•	•	•
Financial Software Innovations, Inc.	FSI WinPRO	•			•		54	58	72	47	21	105	88
Financial Software Innovations, Inc.	FSI Link	•			•								
Financial Software Innovations, Inc.	FSI Track			•									
Financial Software Innovations, Inc.	Great Plains Dynamics (3rd party reseller)	•		•									
First Data Systems, Inc.	OptionAccess	•			•	•			1			7	5
First Data Systems, Inc.	Financial Access	•				•	1	1	1	1	2	9	17
First Data Systems, Inc.	DataClose	•					12	7	50	108	29	274	564
First Data Systems, Inc.	First Banking Services	•											
First Data Systems, Inc.	Quick Draw	•									1	22	1
Focus Land & Legal Technologies, Inc.	The Abstractor	•			•	•	8	2	28	2		4	2


Mid-Range - RS6000
Mainframe
DOS
Windows 3.x
Windows 95
Windows 98
Windows NT
UNIX
OS/2
OS/400
MVS
VMS
NT
Novell 3.x
Novell 4.x
Banyan Vines
Lantastic
Windows '95 Peer-to-Peer
LAN Based
WAN Based
Thin Client Based
Browser Based
SQL Server
Oracle
FoxPro
Access
btrieve
DB2
Sybase
Desktop Faxing
Integrated E-Mail
Remote Access
Laser Checks
Security Levels
Passwords
Source Code Available
Year 2000 Compliant
Integrated Document Import
Integrated Document Export
Integrated Data Import
Integrated Data Export
EDI - VAN
EDI - X12
EDI - Proprietary
OPERATING SYSTEM
NETWORK OPERATING SYSTEM
DATABASES
SPECIAL FEATURES
ELECTRONIC COMMERCE

Focus Land & Legal Technologies, Inc.	The Closer	•			•		27	22	87	31	3	21	11
Focus Land & Legal Technologies, Inc.	The Closer 2000	•			•		3	3	31	12	3	27	2
Focus Land & Legal Technologies, Inc.	Series V - Real Estate Software	•			•		71	30	185	34	29	31	37
Focus Land & Legal Technologies, Inc.	The Closer - Windows		•			•							
Focus Land & Legal Technologies, Inc.	Series V - Windows		•			•							
FPS	EMS for Windows 1.0	•							•				
FPS	EMS for Windows 2.0		•										
FPS	DOS ver 10.0 EMS	•											
hal Systems Corporation	hal File SQL	•			•	•					•		
hal Systems Corporation	hal Cold	•			•	•							
hal Systems Corporation	hal File/Web		•		•	•							
Landata Systems, Inc.	AIM for Windows V2.5	•	•		•	•	6	7	27	16	44	85	84
Landata Systems, Inc.	DEC AIM (VAX/ALPA) V.9.7		•					•	•	•	•	•	•
Landtech Data Corp.	Landtech 86 Real Estate Settlement System	•			•		228		578	522	703	440	107
Migralynx Systems, Inc.	LYNXPC 2.0	•				•					2	9	5
Migralynx Systems, Inc.	S.M.A.R.T.	•										2	
Orlando Software, Inc.	Title Express	•			•	•	•	•	•	•	•	•	•
SMS	Vision Escrow & Title	•				•		1	1			75	
SMS	Image-Pro Document Imaging	•				•						10	1
SMS	DMS Title Plant	•				•					2	45	3
SMS	DocNet Escrow	•											
SMS	EDIS Trust Accounting	•				•		1				21	
Softpro Corporation	Proform for Windows	•			•	•	500	250	250	1630	100	670	500
Softpro Corporation	Proform for DOS	•			•	•							
Title Data, Inc.	TIMS (title plant)	•									7	10	6
Title Data, Inc.	TIMS Tax (ad Valorem taxes)	•											
Title Data, Inc.	TIMS Image (document images)		•										
Title Systems Co., Inc.	FASTMAP - 1000	•						6	1		2	4	3
Title Systems Co., Inc.	FASTMAP - 3000	•		•							10	12	7
Title Systems Co., Inc.	FASTMAP - 5000	•									1	3	1
Title Systems Co., Inc.	FASTMAP - 7000	•									3	4	5
Title Systems Co., Inc.	SEARCHLIGHT	•									2		
TitleScan Systems	Plant + Plus	•				•					4	241	6
TitleScan Systems	image	•				•					3	117	6
TitleScan Systems	inet			•									
TitleScan Systems	idoc			•									
Ultima Software Corporation	Title Search V4.2	•			•	•							
Ultima Software Corporation	Title Order V2.1		•		•	•							
Ultima Software Corporation	Title Close V2.1		•		•	•							

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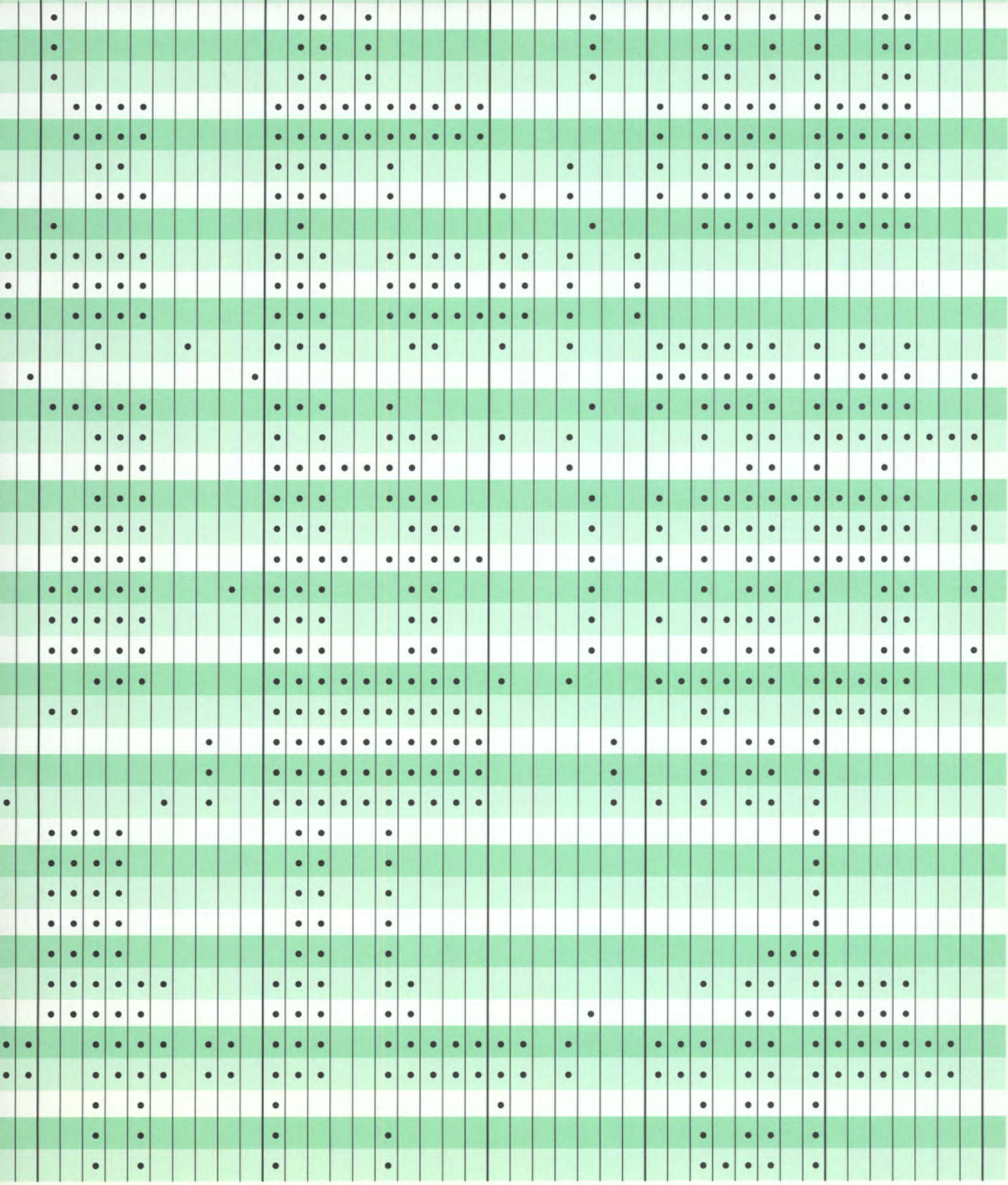

1999 ALTA Directory of Technology Products & Services

continued

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COMPANY	PRODUCTS	APPLICATIONS... continued				HARDWARE					
		Management Reporting	Policy Reporting to Underwriter	Discharge & Release Tracking	Accounting - Invoicing	PC-Based - 486	PC-Based - Pentium	RAM — 16 megs	RAM — 32 megs	RAM — 64 megs	Apple/MAC Based
Affordable Business Support, Inc.	Title Solutions	•		•	•	•	•	•			
Affordable Business Support, Inc.	Title Solutions, Jr.	•		•	•	•	•	•			
Affordable Business Support, Inc.	Visual Title Solutions										
Affordable Business Support, Inc.	Agents Remittance Software		•								
AH Communications, Inc.	Title Insurance System	•	•		•	•	•				
AKT, Inc.	Title Track	•	•		•		•	•	•	•	
ATI	Digital Conversion of Documents (DCD) - Paper files										
ATI	DCD - Microfilm										
ATI	DCD - Microfiche										
ATI	Data Entry (DE) - Paper files										
ATI	DE - Microfilm										
ATI	DE - Microfiche										
ATI	DE - Digital Image										
Data Tree Corporation	Titlescape						•	•			
Data Tree Corporation	Arch Eion	•			•		•	•	•	•	
Easy Soft, Inc.	Easy - HUD (RESPA)				•	•	•	•	•	•	
Easy Soft, Inc.	Easy Trust					•	•	•	•	•	
Elliptus Technologies, Inc.	TitleQuest 2000	•	•	•	•		•			•	
Elliptus Technologies, Inc.	Genesis	•	•	•							
Financial Software Innovations, Inc.	FSI WinPRO	•					•	•	•	•	
Financial Software Innovations, Inc.	FSI Link						•	•	•	•	
Financial Software Innovations, Inc.	FSI Track						•	•	•	•	
Financial Software Innovations, Inc.	Great Plains Dynamics (3rd party reseller)	•			•	•	•		•	•	
First Data Systems, Inc.	OptionAccess						•				
First Data Systems, Inc.	Financial Access	•	•		•		•				
First Data Systems, Inc.	DataClose	•	•		•	•		•			
First Data Systems, Inc.	First Banking Services					•	•				
First Data Systems, Inc.	Quick Draw					•	•				
Focus Land & Legal Technologies, Inc.	The Abstractor					•	•	•	•	•	

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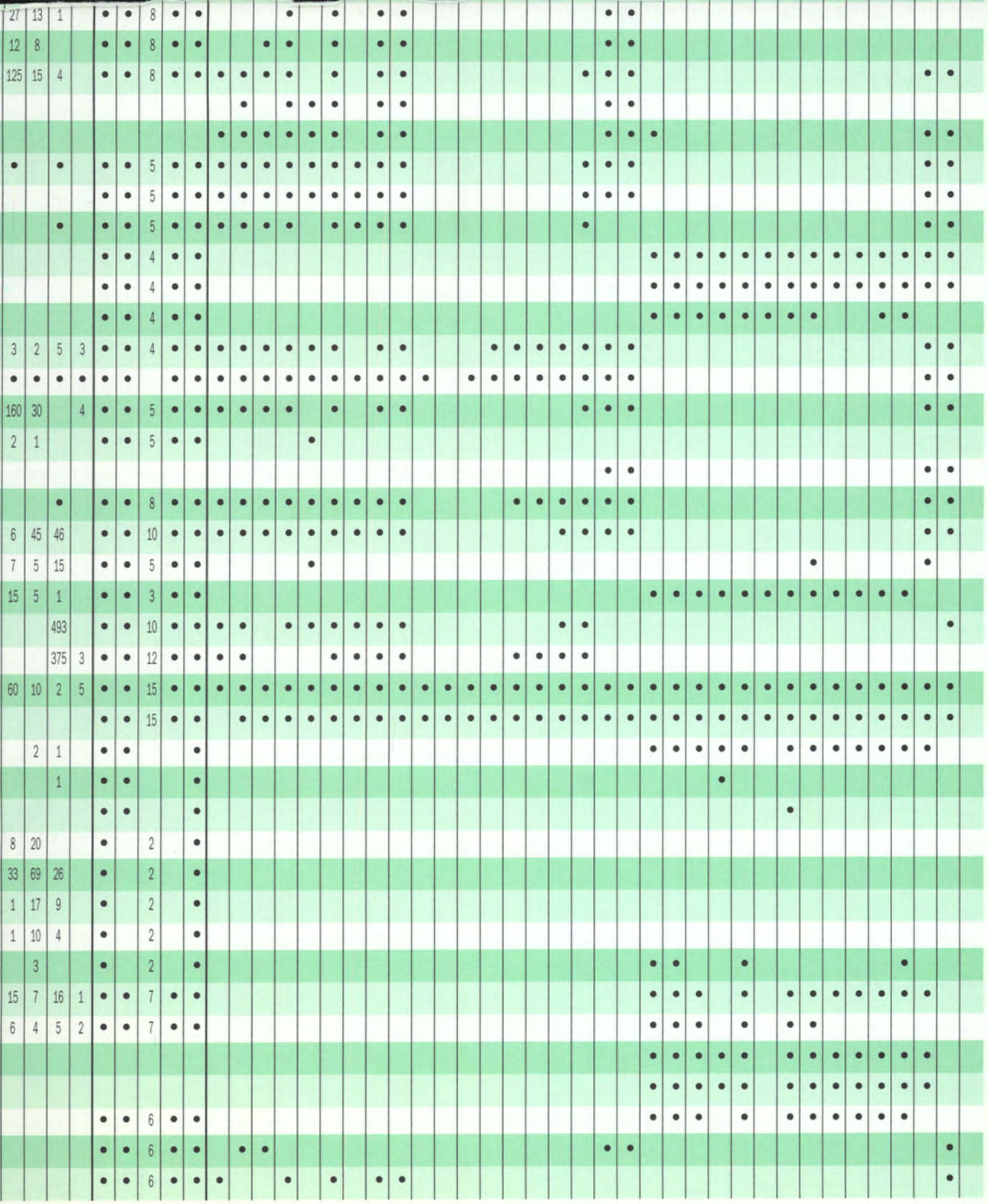
Focus Land & Legal Technologies, Inc.	The Closer					•		•		
Focus Land & Legal Technologies, Inc.	The Closer 2000					•		•		
Focus Land & Legal Technologies, Inc.	Series V - Real Estate Software	•	•			•		•		
Focus Land & Legal Technologies, Inc.	The Closer - Windows						•		•	
Focus Land & Legal Technologies, Inc.	Series V - Windows	•	•				•		•	
FPS	EMS for Windows 1.0	•	•		•		•		•	
FPS	EMS for Windows 2.0	•	•		•		•		•	
FPS	DOS ver 10.0 EMS	•					•	•		
hal Systems Corporation	hal File SQL					•	•		•	
hal Systems Corporation	hal Cold					•	•		•	
hal Systems Corporation	hal File/Web					•	•		•	
Landata Systems, Inc.	AIM for Windows V2.5	•	•				•		•	
Landata Systems, Inc.	DEC AIM (VAX/ALPA) V.9.7	•	•		•					
Landtech Data Corp.	Landtech 86 Real Estate Settlement System		•	•	•	•	•	•		
Migralynx Systems, Inc.	LYNXPC 2.0						•			•
Migralynx Systems, Inc.	S.M.A.R.T.	•	•		•		•		•	
Orlando Software, Inc.	Title Express	•	•	•	•		•		•	•
SMS	Vision Escrow & Title	•	•	•	•		•		•	
SMS	Image-Pro Document Imaging	•					•		•	
SMS	DMS Title Plant	•				•	•	•		
SMS	DocNet Escrow	•				•	•		•	
SMS	EDIS Trust Accounting	•				•	•	•		
Softpro Corporation	Proform for Windows	•	•	•	•		•		•	
Softpro Corporation	Proform for DOS	•	•	•	•	•	•	•		
Title Data, Inc.	TIMS (title plant)	•								
Title Data, Inc.	TIMS Tax (ad Valorem taxes)									
Title Data, Inc.	TIMS Image (document images)									
Title Systems Co., Inc.	FASTMAP - 1000					•	•	•		
Title Systems Co., Inc.	FASTMAP - 3000					•	•	•		
Title Systems Co., Inc.	FASTMAP - 5000					•	•		•	
Title Systems Co., Inc.	FASTMAP - 7000					•	•		•	
Title Systems Co., Inc.	SEARCHLIGHT					•	•	•		
TitleScan Systems	Plant + Plus	•		•		•	•	•		
TitleScan Systems	image					•	•	•		
TitleScan Systems	inet	•		•		•	•		•	
TitleScan Systems	idoc	•		•		•	•		•	
Ultima Software Corporation	Title Search V4.2						•		•	
Ultima Software Corporation	Title Order V2.1		•		•		•		•	
Ultima Software Corporation	Title Close V2.1				•		•		•	



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Looking for the perfect technology solution? Wondering what's out there in the marketplace? You've come to the right place. The **1999 ALTA Technology Products & Services Directory**, designed as a pull-out poster in the center of this magazine, will get you started and provide a gateway to solutions you can use. Developed as a cooperative effort of the ALTA Land Title Systems Committee and the ALTA Committee on Internal Auditing, the **Directory** contains detailed information on some of the best software solutions available to title professionals today.

Review the **Directory's** "Applications; Capabilities; Features & Functionality" section to discover the amazing things that today's software packages can do to help you serve your customers. Refer to the sections on hardware and operating system requirements to be certain that your systems will be compatible. With this knowledge, develop your "wish list" and select the solutions that match your needs.

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The Evolution of EDI in the Mortgage Industry

By James M. Lesher

Introduction

The advent of the Internet and its related technologies is radically changing the way goods and services are advertised and delivered. This has been emphasized in the mortgage industry recently by the entry of non-mortgage related companies, namely Microsoft and Intuit, into the mortgage origination or brokerage business. Their entry was precipitated by the consumer demand for a more efficient and a less personally intrusive process for buying a home. Their entry was facilitated by the adoption and rapid adaptation of leading edge technology.

While at first glance this incursion of outsiders into the mortgage industry may seem a threat, it should actually turn out to be a great benefit because it should increase the number of mortgage applications that are able to be processed, resulting in more mortgages being originated. Since neither Microsoft nor Intuit are lenders, as neither are most other Internet based originators, there is still a need for the processing, underwriting, and funding functions to be performed.

However, even these traditional functions are undergoing radical change from within the mortgage industry. Initiatives by Fannie Mae and Freddie Mac, as well as the consolidation that is taking place, are increasing the rate of change of the policies and procedures and processes of loan origination.

Background

In the early 1990s, the Mortgage Bankers Association of America (MBAA) began an initiative designed to facilitate the adoption of Electronic Data Interchange (EDI) by the mortgage industry. It had become obvious that the paperwork involved in the processing of a loan was the primary bottleneck to obtaining any increase in efficiency in the process. It wasn't that automated data processing wasn't being used, it was that the various systems involved in the process couldn't "talk" to each other directly. In order to transfer data from one system to another, someone on the first system would print the data on paper, and someone else on another system would reenter it manually. EDI would eliminate this basic bottleneck by allowing the systems to talk directly without manual intervention.

James M. (Jim) Lesher is President of Per-Centage Corporation, a technology solutions company serving the mortgage industry. He is an active participant in the Mortgage Bankers Association's (MBA) technology initiatives related to the automation of the mortgage lending business. In addition, he has also been heavily involved in the development of the ANSI X12 EDI transaction sets related to mortgage banking, and is currently co-chair of the MBA's Technology Workgroup for Credit Reporting.

Mr. Lesher is an alumnus of the University of California at Berkeley, where he majored in Electrical Engineering and Computer Science and worked for an ARPA project developing the first multi-microprocessor computing systems. He has significant consulting experience in computer applications development projects, primarily relating to the areas of aerospace, credit, and finance. Mr. Lesher can be reached by email at james@percentage.com, or by phone at 626-744-1212.

In order for EDI to work, however, there had to be standards to define the format and content of the data being transferred between systems. Without standards, system B would not be able to understand what system A was trying to say. The MBAA instituted a number of EDI Workgroups to deal with the various types of data that needed to be transferred between systems. It also chose the X12 standards mechanism as the basis for the EDI standards development. At that time, X12 had been successfully used by the transportation, petroleum, and retail industries, and was the primary EDI standard related to electronic commerce. X12 is an American National Standards Institute (ANSI) standard which is governed by the Accredited Standards Committee (ASC) X12, and is administered by its secretariat, the Data Interchange Standards Association (DISA).

The State of EDI in the Mortgage Industry

X12 standards have been created for the most widely used transactions in the mortgage industry. Where they have been universally and uniformly adopted, such as in the mortgage insurance segment, significant processing efficiencies have been realized. Even where the standards have not been universally adopted, those companies that have adopted them have realized significant advantages, primarily in the area of data uniformity and the ability to use the data in highly automated systems to obtain competitive advantage.

The situation that is now faced by the mortgage industry, as mentioned above, is that the "front end," or origination portion of our business, is changing rapidly while the "back end," or servicing portion, is more

stable. It is clear to all involved that standards are necessary and desirable. However it is also becoming evident that there is a need to have a standards mechanism that allows modification of the standards used during origination more efficiently than is currently possible given the broad, cross-industry involvement in the X12 process. There is also a need for a standard that is more adaptable, or "friendly," to the new technologies being employed for origination, not the least of which is the Internet.

The "front end" and the "back end" of the mortgage industry are closely coupled. This requires that any modification or change in the standards used for one end still be closely related to those used for the other end. There will still be a need to transfer the data collected at the front to the systems in the back. Moreover, it must be ensured that any alternative standards adopted for the front end are able to classify and identify data to a degree equal or better than those that exist at the back end.

The foregoing requirement is not unique to the mortgage industry. Any industry wishing to automate must collect data at the front end in a manner that facilitates the efficient and meaningful delivery of that data to the back end. Everywhere, front-end systems tend to use the latest technology while back-end systems tend to be the larger, more stable, even "legacy," systems. This requirement exposes a deficiency in the current standards in the face of the state of leading edge technology.

The deficiency is related to the complexity of the X12 standards and the lack of flexibility, especially as related to their use in front-end systems. Converting inputted data to the X12 format, as well as converting X12 data to displayable formats places a heavy burden on these systems. Moreover, these systems are typically laptops or basic PCs, not well suited to heavy processing demands imposed by X12.

The existing standards used for front-end systems in the Internet environment are not a solution to the problem either. The HyperText Markup Language (HTML) is the most widely used "interface" standard for conducting commerce over the Internet. It controls the presentation and collection of the data used to conduct that business. As it turns out HTML is not very good at classifying and identifying data it collects, nor is it able to adequately format and display that same data. It was designed to work well in static, display situations, but is not very adaptable to dynamic, bi-directional, data-driven applications.

Even More Standards

The mortgage industry is not the first industry to experience the need to have its "documents" organized in a format such that the data contained within those documents is easily accessible to both human and machine readers. In the 1960s the idea of using descriptive tags to identify specific sections of a document began in the publishing industry. This led in 1969 to the development by IBM of the Generalized Markup Language (GML) as a means of allowing text editing, formatting, and information retrieval subsystems to share documents. Much of GML was implemented in large mainframe publishing systems and achieved widespread industry acceptance. By 1990, IBM produced over 90 percent of its documents using GML.

GML was primarily a commercial product. In the late 1970s work began on a generalized standard expanding on the success achieved with GML. This standard was known as the Standard Generalized Markup Language (SGML).

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SGML became a formal standard in 1986 and is widely used by government, military, research, publishing, aerospace, and automotive organizations, to name just a few.

As the Internet came to be more widely used a group of people decided that there was a need to be able to display the data transmitted over the Internet in a graphical format that would make the data easier to view and to find. That need resulted in the creation of the World Wide Web (Web) and the "browser," a program that could graphically view the data available on the Web. However, in order for the browser to properly format the data it was being asked to present, that data had to be structured in a format that told the browser what in the document was what, and how it was to be displayed. The browser designers were familiar with SGML and knew that it could be used to convey such information, but they also knew that SGML was far too complex to be feasible for use with the Web. What they came up with was HTML, a limited subset of SGML, designed specifically to allow documents to be published on the Web.

Over the past few years, HTML has become widely adopted for use in displaying data from static documents as well as for displaying dynamic documents generated from databases or other sources of information. However, as stated above, while HTML is fairly good at displaying information, it is not well suited in situations where the system receiving the HTML document needs to interact with the data contained within that document. Also, since HTML requires the data to be organized according to the manner and the order in which it is to be displayed, the structure and relationships concerning the original data is lost.

The need for a robust way of classifying data was obvious to the creators of the Open Financial Exchange (OFX) standard, CheckFree, Intuit, and Microsoft. OFX was designed as a broad-based framework for exchanging financial data and instructions between customers and their financial institutions. The existing Internet standards, such as HTML, were inadequate for conveying the data required for the financial exchanges. For that reason the designers reverted to the SGML standard for the data portion of OFX because of its robustness.

It has become evident from situations like this that there needs to be a way of providing the richness of SGML, while at the same time providing the ease of use of HTML. What has resulted from this need for a mechanism more powerful than HTML but simpler and easier to adapt than SGML is the emergence of a new proposed standard called the eXtensible Markup Language (XML). XML is an attempt to bridge the gap between the overly complex SGML and the overly simple HTML. It was initially developed in 1996 under the auspices of the World Wide Web Consortium (W3C). The abstract of the W3C Recommendation regarding XML states: "Its goal is to enable generic SGML to be served, received, and processed on the Web in the way that is now possible with HTML. XML has been designed for ease of implementation and for interoperability with both SGML and HTML."

Support for the presentation of XML data is being built into Web browsers.

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Internet Explorer 4.0 already has add-ons available enabling the display of XML data. Netscape 5.0 (Mozilla) is also planned to support XML. This, along with the stated XML design goals, that it be easy to read, easy to process, and easy to create, should ensure the widespread use of XML for electronic commerce.

XML and EDI

If, as it appears, XML is evolving into the primary EDI standard for the Internet and related electronic commerce, what will its relationship be to traditional EDI standards such as X12? That question is just now beginning to be explored. In the latter half of 1997 groups were formed expressly chartered to explore the relationship and interoperability between XML and traditional EDI.

CommerceNet is an industry consortium established in 1994 to support organizations using the Internet for business or developing electronic commerce applications. One of CommerceNet's stated goals is promoting a framework that encompasses interoperability among developing standards. CommerceNet believes that XML may just be the "killer application" needed to open up the Web for electronic commerce. In August 1997 CommerceNet began an initiative to accelerate the adoption of XML by developing examples, demonstrations, and showcasing member applications.

The XML/EDI Group was founded in July 1997 as a grass roots advocacy open to anyone with an interest in improving Electronic Business for end users, and specifically through the use of XML and EDI together. The XML/EDI Group is very active in exploring the possible methods to be used in converting between XML and X12 documents. Considerable preliminary work, along with considerable debate, is taking place in this forum.

Even the ASC X12 has recognized the need to be actively involved in the evolution of EDI standards. Early in 1998, ASC X12 entered into a joint project with the CommerceNet Consortium and the XML/EDI Group to investigate how to translate X12 data elements, segments and transactions into XML.

XML/EDI and the Mortgage Industry

How does the emergence of XML as a standard for electronic commerce affect the mortgage industry with regard to the significant work it has expended in developing and implementing traditional X12 EDI standards? How does, or should, the mortgage industry Data Model currently under development fit into the XML/EDI framework? These are just two of the many issues that must be resolved soon so that the industry is not left behind the technology curve and at the mercy of the new, high technology entrants.

One of the primary issues currently under debate affecting the mortgage industry directly is the methodology to be used to "translate" X12 data to XML and the reverse. A primary goal for XML is that "XML documents should be human-legible and reasonably clear." X12, however, is not generally human-readable, nor clear. One of the proposed translation methods suggests creating XML tags directly from the X12 segment and element definitions. While this would create a mapping that was clear from a standpoint of relating the XML data to the X12 data, it is not at all clear that this mapping would create an XML document that was clear and human-readable from a business model standpoint.

"It is imperative that the mortgage industry take a proactive role in the development of the emerging XML/EDI standards."

There are also a number of issues with respect to how X12 has been implemented in the mortgage industry. In some instances, there are multiple implementation guides for the same transaction set defining how that transaction is used for different purposes. Moreover, because some companies implemented transaction sets before development was fully completed (which it never seems to be), there are instances of varying code value usage and even varying placement of data within the transaction sets. If X12 to XML mapping is done using segment and element definitions, this situation would lead to mapping X12 transaction sets to multiple, inconsistent XML documents for the same data.

Conclusions

It is imperative that the mortgage industry take a proactive role in the development of the emerging XML/EDI standards. There are significant threats and opportunities emerging that will be affected by the outcome of the standard development processes. Failure to be involved in the process may well lead to forfeiture of significant portions of the market to those more technically adept and less constrained by the current state of EDI implementation.

Resources

Simon St. Laurent, *XML: A Primer* (Foster City, CA: MIS:Press, 1998) *An excellent introduction to XML, its evolution and application.*

Charles F. Goldfarb, *The SGML Handbook* (Oxford: Clarendon Press, 1995) *The definitive book on the technical aspects of SGML.*

CommerceNet Consortium, **http://www.commerce.net** *An industry consortium promoting electronic commerce. Expensive to join.*

World Wide Web Consortium (W3C), **http://www.w3.org** *An international industry consortium dealing with the standardization and use of the Web. Expensive to join.*

Data Interchange Standards Association, **http://www.disa.org** *The premier association for electronic commerce, primarily ASC X12 and UN/EDIFACT. Not so expensive to join.*

The XML/EDI Group, **http://www.xmledi.com** *An ad hoc group dedicated to promoting and guiding the future of XML/EDI standards and products. Membership is open and free.*

Peter Flynn, *The XML FAQ*, **http://www.ucc.ie/xml/** *A list of Frequently Asked Questions about XML maintained for the World Wide Web Consortium.*

The SGML/XML Web Page, **http://www.sil.org/sgml/sgm.html** *A comprehensive online database containing reference information and software pertaining to SGML and its subset, XML.*

XML.com, **http://www.xml.com** *Commercial exploitation of XML by the publishing industry. It shows the high level of interest in XML.*

Microsoft, **http://www.microsoft.com/xml** *Nothing having to do with the web gets by Microsoft. Go here in order to XML enable your copy of Internet Explorer 4.0 and check out the demos.*

Charles F. Goldfarb's SGML Source Home Page, **http://www.sgmlsource.com** *No resource list would be complete without a link to the home page of the creator of SGML, Charles F. Goldfarb.*

Digital Signature Procedures on the Horizon

By Ann vom Eigen, ALTA Legislative Counsel

One of the lesser-known but significant provisions of HR 10, last year's failed attempt at "bank powers" legislation, dealt with privacy issues in electronic communication and so-called "digital signatures." The proposal defines these "electronic signatures" as a method of signing an electronic message that ***identifies and authenticates a particular person as the source of the electronic message, and indicates the person's approval of the information contained in the electronic message.*** This method of document authentication and approval holds vast implications for the real estate settlement industry, and title insurance professionals particularly. While the concept appears relatively straightforward, competing technologies and regulatory complications have made progress in this area surprisingly slow.

In general, digital signatures procedures are required to be compatible with standards and technology for electronic signatures that are generally used in commerce and industry and by state governments, and should ensure that electronic signatures are as reliable as is appropriate for the purpose in question, keeping intact the information submitted. To answer this need in 1998, Congress passed and President Clinton signed legislation establishing an advisory commission on electronic commerce in HR 4328, the Omnibus Appropriations Bill (PL 105-277). However, separate legislation, which would have encouraged the development and acceptance of digital signatures, failed in the Senate. That legislation directed the Office of Management and Budget (OMB), the Federal management agency which coordinates all Federal agency actions, to develop procedures for the use and acceptance of electronic signatures by federal agencies (except for the IRS) over the next year and a half. The IRS, which has accepted electronic filing of tax and information returns, has had procedures in place for several years.

Subsequent to the development of government-wide procedures, the federal government would have been mandated to ensure that federal agencies would provide, over the next five years, for the option of the electronic maintenance, submission, or disclosure of information **when practicable** as a substitute for paper, and for the use of electronic signatures **when practicable.** At the federal level, at least, it appears that progress may not occur as rapidly as one would hope, given the stated limitations of "practicality" that involve serious issues and limitations in terms of technology, bureaucratic inertia, and differences in state law.

In terms of lawmakers' reactions to these procedural initiatives and issues, Senator Robert Bennet (R-UT) noted upon his introduction of the "Digital Signature and Electronic Authentication Law of 1998" (which covers the use by financial institutions of digital signature procedures) that while the concept is fairly simple, the legislative process of regulating even digital signatures has proven quite complex. He stated that he believed that the vast differences in state law and the complications resulting from the number of competing technologies available to provide authentication have actually slowed progress on this front. Senator Chris Dodd (D-CT) has also surfaced concerns about electronic issues related to electronic commerce and privacy, as ALTA staff learned at a fundraiser held in September of 1998. (See photo.)

Rich Patterson, President, Connecticut Attorney's Title, greets Senator Chris Dodd (D-CT) at an industry-TIPAC fundraising event in New Haven, CT. The Senator is a key member of the Senate Banking Committee, which has jurisdiction over RESPA and banking.

The prognosis for additional passage of digital signature legislation remains mixed. While hearings on legislation dealing with the particular issues affecting financial services industries (introduced by Senator Bennet and Representative Richard Baker) were held in both the House and Senate Banking Committees, it is expected that action may not occur until the end of the next Congress. Given that the legislation addresses not only the mandatory recognition of digital signatures, but such matters as the oversight of transactions by federal and state banking agencies, an affirmative override of state law on these transactions, voluntary or mandatory participation, liability, technology neutrality, and licensing of certificate authorities, careful analysis seems appropriate. Like technological solutions, legislation on this issue would appear at first glance to simplify and expedite transactions, but may require significant review before implementation is undertaken.

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June
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6-8 **Iowa**, Lake Okiboji, IA

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24-27 **New England**, The Black Point Inn, Prouts Neck, ME

27-29 **Oregon**, Sunriver Resort, Bend, OR

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22-24 **Utah**, Sun Valley, ID

August
5-7 **Montana**, Fairmont Hot Springs Resort, Fairmont, MT

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8-11 **New York**, Charleston Place, Charleston, SC

12-14 **Indiana,** Omni Severin Hotel, Indianapolis, IN

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13-15 **Minnesota**, Breezy Point Resort, Brainerd, MN

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9-11 **Missouri**, Westin Crown Center, Kansas City, MO

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16-18 **Wisconsin**, Stone Harbor, Sturgeon Bay, WI

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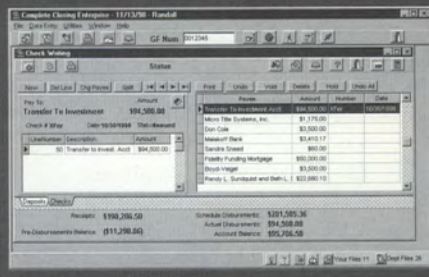

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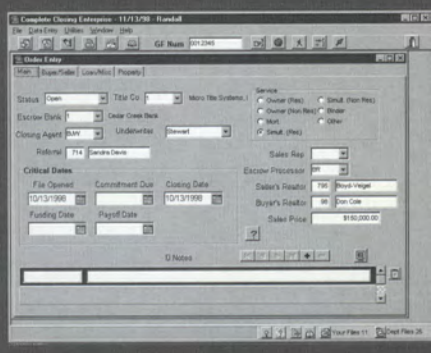

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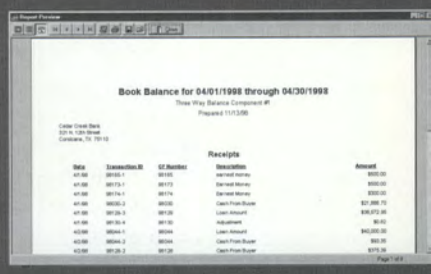

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NAMES IN THE NEWS

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Jackson

Frances M. Hack, Esq. has joined Old Republic National Title Insurance Company as associate counsel, working in the Wayne, Pennsylvania office. Fran's responsibilities will include providing agency support in the Company's Underwriting Department. She is a graduate of Lehigh University and obtained her J.D. from Villanova University School of Law. Fran has spent most of her career in the title insurance industry, working as a title searcher, settlement officer, and most recently, underwriting and corporate counsel for a Pennsylvania underwriter.

The latest addition to The Security Title Guarantee Corporation of Baltimore is **Theresa (Terry) Kozel**, now corporate treasurer. In addition, Security Title has announced the following appointments: **Girale Takahashi** as a Maryland State manager; **David E. Cooley, Jr.**, as agency manager for the states of Louisiana, Alabama, and Mississippi; and **Jenett Rochester** as Mid-Western Regional manager. Finally, **George M. Pierson** has been promoted to regional vice president for Security Title's Southern Region.

The Board of Directors of the La Grande Abstract and Title Company (ATCO) recently announced the election of **Mary Lou Dean** as president and chief executive officer. Ms. Dean has been with ATCO for thirty-one years and has been the general manager of the company since 1988. Ms. Dean is an active member of the Oregon Land Title Association as well as a past President of the Association.

The following appointments have been announced by LandAmerica Financial Group, Inc., on behalf of its subsidiary, LandAmerica OneStop: **G. Douglas Horton** as vice president and director of information services; **Edwin Montgomery** as vice president of operations, underwriting, and closing; **Marvin E. Jackson** as senior vice president and controller. Elsewhere within the corporation, **Douglass W. Dewing** has been appointed state counsel for Lawyers Title Insurance Corporation in Norfolk, Virginia, and **Lloyd R. Draper** is now senior vice president in the company's regional office in Dallas, Texas.

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Moving to the Head of the Class . . . ALTA's Technology Forum and Expo (M. Kathleen Hendrix) Sep-Oct

William T. Margiotta, Jr., Retires

Bill Margiotta, President and CEO of Ohio Bar Title Insurance Company since 1985, has opted for early retirement, effective November 30, 1998. Bill was also a member of the Board of Directors of Title Reinsurance Company for the last 10 years and acted as the organization's Treasurer. In addition, he served on the ALTA Public Relations Committee and plans to continue to do so.

During his tenure, at Ohio Bar Title, the company moved its headquarters from Dayton to Columbus and expanded company operations state-wide. Prior to coming to Ohio Bar Title, Bill had been president of City Title Insurance Company in New York for eight years. Following his long record of consistent service and contributions to the title industry, Bill is now "looking forward to a reduced schedule for awhile. Twenty-one consecutive years as president and CEO of two regional title insurance companies should be enough for any person." Both he and his family, including grandchildren, are looking forward to having more time to spend together. Best wishes to Bill, and thanks for your many contributions!

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