January/February 2002

Title NEWS

Official Publication of the American Land Title Association

2002 ALTA DIRECTORY OF TECHNOLOGY PRODUCTS & SERVICES

PLUS

- How to Turn Your Sales Team Into a Profit Center
- XML to Digital Signatures — Where Are We Going?
- ALTA's New Expanded Coverages
- Succeeding in the New World of Joint Ventures
- ALTA's Abstracter & Agent Survey Results

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AMERICAN LAND TITLE ASSOCIATION'S
Tech Forum 2002
The Fairmont • New Orleans
February 17–19, 2002

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AMERICAN LAND TITLE ASSOCIATION

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Title NEWS

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Promoting Our Industry

There was a column recently in *USA Today* about the ongoing boom in refinancing mortgages. A lender in the article was discussing the reason for delays—and guess who he blamed? Us.

He said that customers have faced bottlenecks with title companies who are stretched to the limits. This is consistent with the constant efforts by virtually everyone to reduce closing costs by first focusing on our charges, usually among the smallest at closing. Why is it always us?

While I don't believe that all of the delays in the system fall at our feet, there are some issues for us out there which could explain this attitude in some cases or may create such a problem in other cases.

Consolidation Issues

Our industry has, like others, gone through a lot of consolidation. All on the belief that bigger is better, economics of scale, and all of those kinds of reasons.

I suggest there is another side of the equation. More consolidation equals less diversity, which may in fact result in less ability to flexibly meet a quickly changing market's needs.

This may in fact be what the *USA Today* writer was referring to in blaming bottlenecks on us. With fewer agents to respond to the need, maybe our consolidated industry has contributed to those bottlenecks.

Mushroom Attitude

As an industry, we have done a poor job for many years in presenting our case (our value proposition in current consultant-speak) to our various audiences—the public, the lenders, business referrers or regulators. The only time we talk about claims is when someone questions why our claims rate is so low.

We should be proud of our ability to pay claims and we need to actively, not only reactively, tell our claims story and the story of the work we do to keep our insureds claims-free.

This sad state of affairs applies to all of us, whether as a trade association, as an underwriter, or as an agent. None of us has done a good job in telling our story before we have to because someone is asking questions. Can we "afford" to promote our industry? I would flip it and ask can we afford not to?

All of our former customers and referrers now are partners in our business and are all blowing their own horns to their various audiences. I'd suggest to all of us that if we are seen simply as a derivative service with no independently established case—value proposition—we may deserve being characterized as the bottleneck or the excessive costs that we know we are not.

Charles J. Kovaleski

ALTA Sues Radian

ALTA has filed a lawsuit in Orange County, California, on behalf of its California members against Radian Group, Inc. and two of its subsidiaries, Radian Guaranty, Inc. and ExpressClose.com. In the suit, ALTA is seeking an injunction prohibiting Radian from offering and selling in California a mortgage impairment product known as "Radian Lien Protection" (RLP).

In addition, ALTA is seeking monetary damages on behalf of a class of all licensed title insurers and title insurance agents in California. Further, the suit seeks a court order prohibiting Radian from selling any other forms of mortgage impairment products that constitute title insurance without approval from the California Insurance Commissioner. The suit alleges that Radian's unlawful sales of its RLP product interfered with the title industry business relationships with mortgage lender customers, resulting in substantial lost revenues and irreparable harm to those relationships and the title industry and its product.

Finally, the complaint alleges Radian has falsely advertised its product and seeks to require Radian to replace its product and the earlier ExpressClose.com product with title insurance policies.

ALTA's executive vice president, James R. Maher, said, "To the best of our knowledge, the Radian product and similar mortgage impairment products that are currently being sold (unlawfully in our opinion), are title insurance in that they insure against undisclosed liens. But none of these products measure up to traditional title insurance. They don't clear up title defects. They don't guarantee a right of access. And, they don't pay attorney's fees to represent insureds in establishing the priority of the mortgage or validity of title to the subject property. Those benefits can only be obtained through traditional title insurance sold by insurers who, unlike Radian, are licensed and regulated as title insurers by state insurance authorities. Thus, there is a great danger to lenders and borrowers who may be misled into believing that what they are getting from Radian and other sellers of similar mortgage impairment products is comparable to standard title insurance."

For more information on the lawsuit, contact Jim Maher at jim_maher@alta.org, or 1-800-787-2582.

calendar

ALTA Coming Events

January

5-7
Research-Abstracter/Agent Committee Meeting
Key West, FL

13-15
Large Agent's Meeting
Ft. Myers, FL

February

13
Internal Auditors Meeting
Atlanta, GA

15
TIAC Board Meeting
New Orleans, LA

15-16
ALTA Board Meeting
New Orleans, LA

17-19
ALTA Technology Forum 2002
New Orleans, LA

18-19
Forms Committee Meeting
New Orleans, LA

April

28-30
Title Counsel Spring Meeting
Montreal, Canada

May

5-7
ALTA Federal Conference
Washington, D.C.

17-22
Annual Internal Auditors Meeting
Key West, FL

June

19-21
Systems Committee Meeting
Boston, MA

July

12-13
Education Committee Meeting
San Francisco, CA

24-25
Finance & Planning Committee
Washington, D.C.

September

22-24
Reinsurance Committee
Beaver Creek, CO

October

16-19
ALTA Annual Convention
The Breakers Hotel
Palm Beach, FL

November

4-6
Title Counsel Fall Meeting
New Orleans, LA

Affiliated Association Conventions

February

14-16 Alaska

April

7-9 California
10-12 Tennessee

May

2-5 Palmetto
3-4 New Mexico
3-5 Oklahoma
5-7 Iowa
19-21 New Jersey

June

6-8 Texas
9-11 Pennsylvania
20-22 Arkansas

Reach Your Spanish Market

Now you can explain the value of title insurance to your Spanish customers. Two of ALTA's most popular marketing brochures have been translated into Spanish. "Why Title?" and "House of Cards" are both used to explain title insurance to potential clients. The brochures are available for sale in bulk, and have space on the back for members to stamp their logo. For a sample copy of these brochures, contact Lorri Ragan, ALTA's director of communications at: lorri_ragan@alta.org.

More Members Visiting ALTA Web Site

In one year's time, ALTA's Web site has seen a big leap in viewership. In October 2002, the site had 325,499 hits and 49,170 number of impressions. The site had 6,900 users. Compare that to October 2001, with 705,000 hits, 85,300 impressions, and 7,261 users.

Have you visited the site lately? The home page is updated daily with important news for our industry. ALTA news, government-related news, and industry news. Go now! www.alta.org

ALTA Hires Public Relations Firm

One of the goals of the ALTA 2001-2003 Strategic Plan is to educate lenders, builders, realtors, and consumers about the value of title insurance. To fulfill that goal, ALTA has hired Boisseau Evans & Associates, Inc. public relations firm to work with us for the next two years.

The ALTA Public Relations Committee sent out RFPs to four public relations firms to work on this project. Boisseau Evans was selected due to their understanding of the title insurance product. They have worked with LandAmerica in Richmond for ten years on a variety of public relations projects.

Rich Patterson, ALTA's PR Committee Chair, and president of Connecticut Attorneys Title Insurance Co., Rocky Hill, CT, feels the timing is right for this campaign. "For a few years now, there has been a momentum building that has been negative towards the title industry. We really cannot be quiet any longer—we must tell the story about the value of title insurance and what we do as a living. This PR campaign will help us do that."

Boisseau Evans is currently drafting press releases and other pieces to be used for these audiences. ALTA will also rely on the state associations to help with the education campaign.

For more information on the campaign, contact Lorri Ragan, ALTA's director of communications at: lorri_ragan@alta.org, or 1-800-787-2582.

calendar

Affiliated Association Conventions, cont.

June	
20-23	Virginia
23-25	Oregon
27-30	New England
TBD	South Dakota
July	
11-14	Illinois
14-16	Michigan
18-20	Utah
August	
1-3	North Dakota
1-3	Montana
7-10	Idaho
8-10	Kansas
8-10	North Carolina
9-11	Minnesota
18-21	New York
TBD	Wyoming
September	
5-7	Missouri
5-7	Washington
12-14	Indiana
12-15	Dixie
12-15	Maryland
15-18	Ohio
18-20	Nebraska
19-22	Wisconsin
TBD	Kentucky
TBD	Colorado
TBD	Nevada
November	
6-9	Florida
TBD	Arizona
December	
5-6	Louisiana

ALTA

2002 FEDERAL CONFERENCE

MAY 5-7, 2002

Grand Hyatt • Washington, DC

Registration and program details available soon.

State Regulatory Action on Radian Issue

As you may be aware, ALTA has filed suit against Radian and its subsidiaries, Radian Guaranty, Inc. and ExpressClose.com, seeking to prohibit them from selling their mortgage impairment product. To read more on the lawsuit, see the article in the ALTA News section on page 3, or visit the ALTA Web site at www.alta.org to see the press release and complaint.

ALTA's position is simple: The Radian product, like all mortgage impairment, is title insurance. In more than 30 states, title insurance is a "mono-line" insurance product, meaning a company may not be licensed to issue any other form of insurance and obtain a license to sell title insurance. Radian isn't licensed to sell title insurance.

Likewise more than half of the states have a definition of title insurance that requires a search, something not inherent in the Radian and other MI products. Most of the major housing markets, including California, Texas, Florida, New York, and others have one or both of these regulatory restrictions. Consequently, ALTA feels confident that most regulators will agree that Radian, a mortgage guaranty company, and many other property casualty insurers offering MI products are in violation of state insurance statutes and regulations and may not offer these products.

Here's how the states come in on this issue so far: Florida and Texas have taken positions against Radian. Previously, Pennsylvania and Illinois had issued cease and desist orders against ExpressClose.com's MI product. And, California and Illinois are currently considering the question and we are hopeful of a favorable result. ALTA will be sure to keep you updated on this issue and its implications for our industry. For more information on the lawsuit, contact Jim Maher, ALTA's executive vice president at jim_maher@alta.org or 1-800-787-2582.

Money Laundering Act Affects Title Companies

The recently passed anti-terrorism legislation, known as the USA Patriot Act, includes a section on money laundering that will have an impact on the title industry. Title III of the act, "The International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001,": deals with money laundering by modifying laws relating to "financial institutions," including title companies.

Several provisions appear to affect title companies most directly include the following: Section 372 which authorizes the forfeiture of "property, real or personal, of property involved in the offense of failing to file a required currency transaction report or traceable thereto." Therefore, a title company closing a transaction that failed to file the required currency transaction report could potentially be subject to severe forfeiture penalties.

Section 352 requires financial institutions to adopt anti-money laundering compliance programs that reflect minimum requirements that will be developed by the Secretary of the Treasury. Title companies will presumable be required to develop such compliance programs.

To see a summary on this act and its affect on our industry, go to www.alta.org/govt/issues/01/1115a.htm.

Senator Bill Frist(R-TN) (center), Chairman of the National Republican Senatorial Committee and the only heart transplant surgeon in the Senate, takes time out with ALTA board member Greg Kosin, president of the Greater Illinois Title Company, Chicago, and Ann vom Eigen, ALTA's legislative and regulatory Counsel, at the Republican Senate Celebration held this past November at the National Building Museum in Washington, DC.

Possible Changes in State-Controlled Business Statues

A recent court case is likely to lead to additional challenges of state controlled business statues. In *Association of Banks in Insurance et al. v. Duryee*, the banks alleged that the Supreme Court decision in Barnett and the Gramm-Leach-Bliley Act preempted Ohio prohibitions on licensing applicants whose "principal purpose" in obtaining an insurance agent's license would be to serve "controlled business" of the parent.

The Ohio Land Title Association and other insurance agents groups, intervened in the case on behalf of the Ohio Insurance Commissioner. The District Court granted judgment in favor of the banks on June 19, 1999 in a very broad opinion.

The insurance agents associations appealed that judgment to the Sixth Circuit. On November 1, 2001, the Sixth Circuit issued its ruling affirming the two challenged holdings of the District Court, concluding that the "principal purpose" test is preempted because it operates to prevent national banks from selling insurance. The Sixth Circuit remanded the case to the District Court on the corporate qualification requirements issues, so that the District Court can determine whether those requirements are not preempted by the Gramm-Leach-Bliley Act.

For more information, contact Ann vom Eigen, ALTA's legislative/regulatory counsel at: ann_vomeigen@alta.org or 1-800-787-2582.

TIPAC Chairman Mike Wille (l) and wife Marilyn Wille (r) take time out for a photo with Senator Russ Feingold (D-WI) during a fundraiser the Wille's held for the Senator at their home in LaCrosse this past August. Senator Feingold is a key conferee on the bankruptcy bill.

Congressman James Sensenbrenner (R-WI) (seated), Chairman of the House Judiciary Committee, pauses for a photo with ALTA members Toby Tully (r), president Fidelity Land Title, Ltd. Jefferson, WI, and TIPAC Chairman Mike Wille during a scheduled meeting with the Chairman at his office in Brookfield, WI this past August.

Ginnie Mae to Compete with Fannie & Freddie

Senator Wayne Allard (R-CO) and Rep. Marge Roukema (R-NJ) have introduced legislation to permit Ginnie Mae to guarantee securities of certain conventional mortgages purchased by Fannie Mae and Freddie Mac above an 85 percent loan-to-value ratio, up to the conventional mortgage loan limits already established by existing law. This guarantee is conditioned on these hybrid mortgages meeting certain guidelines established by Ginnie Mae and insured both by private sector mortgage insurance and the Federal Housing Administration.

Currently Ginnie Mae mortgage-backed securities are based solely by government insured and government guaranteed mortgage loans made under programs of the Federal Housing Administration, the Veterans Administration and the Rural Housing Service.

According to Roukema, the goal of the legislation is "to create a healthy and vibrant debate about the future home ownership opportunities for our citizens pursuing the American dream."

Highlights from ALTA 2001 Annual Convention

ALTA's newly elected president, Frank Willey (center), vice chairman of Fidelity National Financial, Inc., Santa Barbara, CA, enjoys the Palm Desert climate with the new ALTA board.

BOUNDLESS OPPORTUNITIES
Where Will You Be When Opportunity Knocks?

ALTA 2001 ANNUAL CONVENTION
Marriott's Desert Springs • Palm Desert, California
OCTOBER 10-13, 2001

Cara Detring, president of Preferred Land Title Company, Farmington, MO, and ALTA's 2001-2002 president, shows off the presidential crown given to her by ALTA staff.

David Lanier, senior vice president - director of training for LandAmerica Financial Group, Inc., Richmond, VA, announces the new CD-ROMs offered by the Land Title Institute, during a skit with the Education Committee at the Opening General Session.

Anne Anastasi, president, Genesis Abstract, Inc., discusses the practical implications of setting up affiliated business arrangements.

Five of ALTA's past presidents take time out from the convention schedule to talk about old times. From left to right are: Malcolm S. Morris, Stewart Title (1997-98); Joe Parker, Parker Title Insurance Agency (1998-99); Bill Thurman, Gracy Title Company (1990-91); Don Kennedy, First American Title Insurance Co. (1983-84); and Parker Kennedy, First American Title Insurance Co. (1993-94).

Thank You Sponsors!

Special thanks and recognition to our convention sponsors:

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LandAmerican

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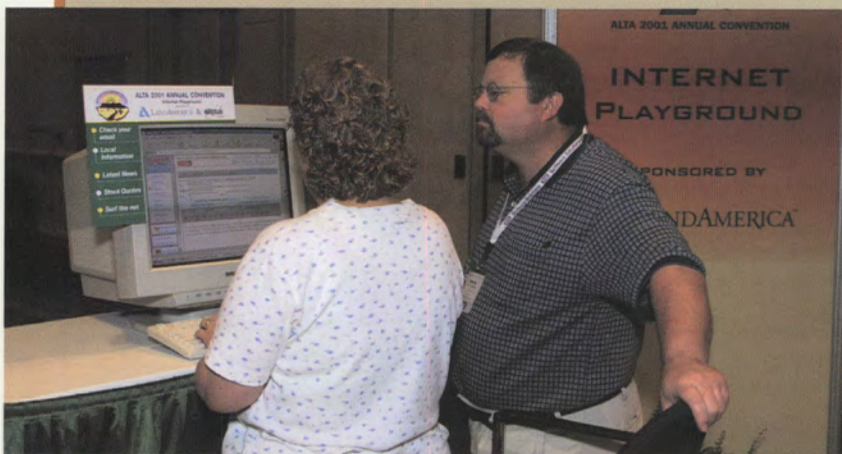
SMS

SoftPro Corporation

Darryl Turner, the keynote speaker of the Opening General Session, outlined his formula for profitability for title companies. (See his article on page 16.)

TIPAC chairman Mike Wille (left), president of the Title Company, Inc., La Crosse, WI, congratulates Mike Pryor, C.E.O. of Lenders Title Company, Little Rock, AR, and TIPAC state trustee from AR, on achieving the greatest increase in participation in fundraising in his state.



Members take advantage of the free computers in the Internet Playground, sponsored by LandAmerican Financial Group.

Erin Brockovich, of movie fame, inspired the audience with her story on getting Pacific Gas and Electric Company to make the largest legal settlement in U.S. history to the residents of Hinkley, CA, infected by PG&E's toxic chemicals.

Diana Nichols, executive director of the Kentucky and Indiana Land Title Associations (left), Mike Nolan, Northern Ohio area manager, Chicago Title, OH (center), and Bill Gowan, president and manager, Helena Abstract and Title Company, MT, enjoy themselves in – yes – a committee meeting!

Several lucky members were selected by the Closing Banquet band to participate in that dance favorite: YMCA! Good job!

XML to Digital Signatures—Where Are We Going?

by Andy Hand

We have all heard the buzzwords, EDI, XML, and digital signatures. What does it all mean? This article is designed to give a brief introduction to these topics. If you have attended any of the industry technology shows in the past 12 months you have heard these technologies referenced. They are intriguing, but what do they mean to you and your business? I can't completely get rid of the alphabet soup terminology that dominates the technology industry but I can do my best to make these understandable.

For years people have talked about the "paperless office." With all of the discussions, industries have failed to make significant headway in this area. As a society, we are tied to paper. We tend to crave the tangible which paper gives us. One only needs to participate in a typical home closing in the United States to see the stacks of paper the buyer or seller walk away with. As we move forward in the industry, there are many who are working to change that.

Integration Strategies

In the 1980s, we saw the advent of the personal computer and the push for individual productivity. Local and wide area networks that allowed us to tap into the productivity potential of the organization followed. We have now crossed the bridge to industry productivity. In this phase we share important business data with partners outside our walls. The traditional solutions of fax, mail, and courier are giving way to a new platform of electronic communication.

We know today the title industry is seeing greater competitive pressures. Some published reports have stated title revenues were down 12-13% in 2000. Although the most recent refinance boom has added cash to the coffers, this is a short-term cycle, not a long-term solution. With labor still a major component of the balance sheet, we search for new technologies that provide relief to some of those costs. We are also looking for technologies that augment the work we do in building relationships with our customers. One of the technologies receiving development resources from our industry is XML.

Although newer to our industry, XML is not entirely new. With 14 companies in the original working group, XML was born in 1996. XML (eXstensible Markup Language), is a language designed to make the transmission of data from one party to another straight forward and readable. It separates

the data from how that data will be presented. Below in Figure 1 is an example of how XML data is represented. In this simple example we see weather information. Token pairs identify the data and make it readable. By using an agreed-upon format to pass information, we can share our business data with one or more parties.

```
<Coast>
    <CITY NAME="San Francisco">
        <SKIES>Cloudy</SKIES>
        <TEMP>56</TEMP>
        <WIND>SW 60 mph</WIND>
        <BAROMETER>29.13</BAROMETER>
        <HINDEX>78</HINDEX>
        <HUMIDITY>90%</HUMIDITY>
        <VISIBILITY>1 mile</VISIBILITY>
        <UVINDEX>1</UVINDEX>
        <RAINYTD>9.65</RAINYTD>
    </CITY>
</Coast>
```

XML is a derivative of two earlier technologies, (Standard

Generalized Markup Language, SGML and Hypertext Markup Language, HTML). HTML, the language used to represent many of the Web sites you view, is simple and good for delivery of documents, but has fixed tag sets and limitations that raise the cost of building sophisticated Web sites. SGML has great power but lacks standardization and style sheets, and is complex to build. Where HTML took traditional text and allowed us to format it turning the Internet into a huge library, XML can take that same page and turn the Internet into a huge database. It is XML's ability to separate the data from the presentation that makes it so useful in today's world. Coupled with the use of style sheets, the same business data can now be viewed in different ways by applying these style sheets. One example of its use is to publish order data from your production system to the Internet. It is then viewed on one or more of the many transaction systems such as CloseYourDeal.com.

Standards Organizations

From the property listing until recording, many different parties touch the order and its data. Through each traditional vertical market—realtors, lending, settlement services—there are organizations looking at the data and business requirements of those using the data. In addition to determining the data that is going to be shared at each stage, these groups are working on how the data is passed throughout the transaction, reducing the error factor, and the redundancy of re-keying the information.

Above is a chart that shows some of the standards organizations and their Web sites. If this topic is of interest, I recommend learning more about what each of these groups is doing and how that might affect you.

Organization	Web Site
REIPA/AARTT	www.reipa.org
MISMO	www.mismo.org
RETS	www.rets-wg.org
ACORD	www.acord.org
LegalXML	www.legalxml.org
Property Records Industry Joint Task Force (PRIJTF)	www.prijtf.org

You may ask, "haven't we done this already with EDI?" While it was true that we did not see wide scale implementation of the Electronic Data Interchange (EDI) in the Title Industry, the original work completed years ago is being leveraged in the XML initiative being completed by the Mortgage Industry Standards Maintenance Organization (MISMO). XML, with its lower cost of development and deployment, will see greater use in the title industry.

Digital Signatures—A New Method of Signing

The second technology that is getting some attention is digital signatures. A "digital signature" is one that makes use of Public Key Infrastructure (PKI). This is a technology that uses a key pair, (known as public and private keys), to create a unique and binding signature to a document. This differs from an "electronic signature" which is a digitized handwritten signature. A third-party, known as a Certificate Authority (CA), is then able to use a public key to validate the signature and that the document has not been altered since signing. With federal and local government legislation, the path is being paved for digital signatures. This gives the parties the ability to affix their signature, to an electronic document removing the need for paper. Viewing, signing, and storage of the original document is electronic and can happen online.

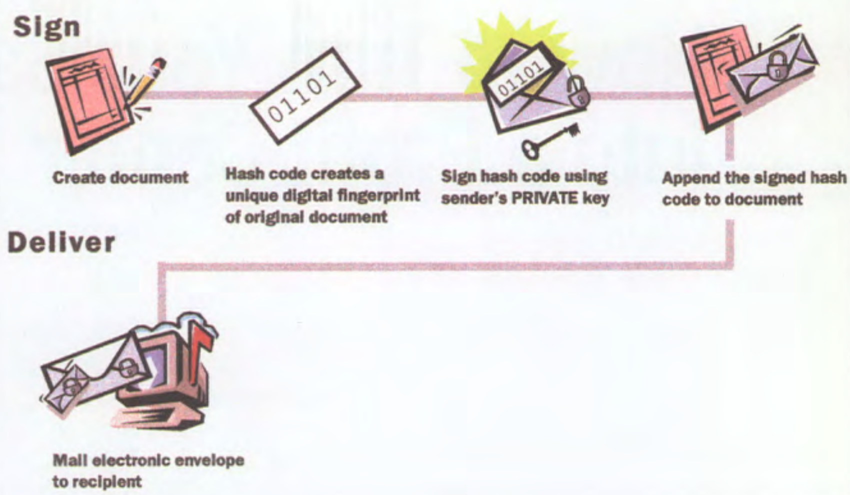
In Figure 2 (see next page) is a diagram that shows the flow of the signing process. Once delivered, the document is validated and approved by the Certificate Authority.

When accepting a signature as a legal entity we must know that the document has been intentionally signed and that the signer cannot later claim it is not his/her signature (known as non-repudiation). Digital signatures are based on positive identification of the signatory, a reasonable assurance of his or her intention to apply a legal signature and secure knowledge that the signed document is unchanged since it was signed.

When the parties come to sign their documents, they will read the documents on the computer in the signing room. This computer would either have a smart card reader or USB port to accept the signer's private key. With the key placed in the computer's device, the parties could then indicate they wish to sign the document in front of them. When they do so, they will then be prompted for their PIN. After successfully providing the PIN, the mathematical calculation is performed and the legally binding signature is affixed to the document. Any changes after that will invalidate that signature.

The document is now passed on to the county recorder for validation and storage. The recorder, along with the CA, would validate the signature and verify that the document has not been changed since signing. Legislation and business practice increasingly accept that an electronic document with a valid digital signature carries the same legal weight as a hardcopy document with a wet signature. Because the documents have been completed electronically, all of the closing documents can be transferred to CD and given to the parties at the end of closing.

FIGURE 2



What's Next?

There are many challenges facing the title industry. XML and digital signatures are two technologies in this industry that will continue to take shape in the next 12-24 months. These are being tackled with many fine initiatives and will continue to be addressed as we create new development centered around practical and cost-saving initiatives. XML will show up in Web sites that look to share information with your current production systems, while digital signatures will eventually become a common part of the real estate landscape and appear with the frequency equivalent to today's pen and ink signatures.

This article has given just a brief introduction to these two technologies. Software vendors, standards organizations, and many of you will get involved with solutions using these technologies that have the opportunity to bring businesses closer together. It is easy to dismiss these with the failure of Internet businesses, but with the cost savings and reach that the Internet can give us, companies are finding revenue models that mix with the traditional to give us a bright future.

Andy Hand is vice president of development for InfoStream. He is a committee chair for the AARTT Workgroup of REIPA, a national alliance of real estate software organizations seeking to create XML standards for the real estate industry. This article is an excerpt of his presentation at the 2001 ALTA Annual Convention in Palm Desert. Andy can be reached at: AndyH@InfoStreamUSA.com, or 1-800-877-7667.

How to Turn Your Sales Team Into a Profit Center

by Darryl Turner

It has been said that the highest paid people in America are in sales. It has also been said that the lowest paid people in America are in sales. What is the difference between the two? Most say that it is their performance. In many cases that might be correct, however in the title industry it has more to do with the poorly established methods used to design and pay out commission structures.

One of the largest problems in the title industry is that for most companies, salespeople make the same money each month in spite of the business that is brought in, or more accurately, not brought in. This article, based on my session at the 2001 ALTA Annual Convention in Palm Desert, CA, will describe in detail how to deal with this issue and solve the fixed expense/variable revenue dilemma that has plagued the title industry for years.

Money for added results! Not added money for existing business.

There are a number of issues related to commissions. Some of which are more easily solved than others. It is more than just figuring out how many orders have come in. It is more about finding out how many came in because of the actual results of specific efforts of one of your employees. This is what commission is really all about.

First, let's look at determining new business. Most title companies have little idea how many of their monthly orders are actually new. What is new? What is old? Great question. By my standards, a new order is an order that is directed or sent in by someone who has not sent anything for a minimum of six months. The second criterion is that this individual sent other business during this six-month window to another title company. In other words, this person's behaviors have been modified by one of your salespeople. They have directed that client to your company instead of where they had been sending their business.

When you have determined that this is an order, and that one of your salespeople should be rewarded, the next step is to determine how to motivate positive behaviors while not damaging your profitability or morale.

Once business expenses are satisfied on your P&L statement, new orders have more of a gravity profit affect on them than the orders that were used to break even. You may say that only 15%, or so, of each order goes toward profit. While that may be true up to the point of breaking even, it is not true after that point.

When your expenses are satisfied, a greater percentage of each order's revenue goes toward profit. As you obtain additional business, your expenses do not really go up until you reach the point where additional people or facilities are needed. Therefore, you have increased the potential to reward your people for bringing this new business in the door.

This can also present a problem. New business carries a different level of profit and commission pay out potential, while existing business is designed to carry your company monthly and has no built-in profit margin to pay a commission against. In other words, not only is it a bad idea to pay ongoing commissions on existing client orders, the worst part is that your P&L simply can't handle it. It was never designed to.

I have a process of commissions that I recommend that companies follow. But, before looking at this process, let's look at the definition of commission. I think that if people truly understand what the word commission means, many of them would not ask for it. The most common definition of commission is "money for someone being remotely connected or knowing the person connected to a transaction." In other words . . . "What is in it for me?" While this definition seems to be the most common, it is not accurate.

Webster's dictionary defines commission as "authorization to carry out a task or a group authorized to perform certain duties." It is not money-related, it is responsibility-related. This is a new spin for most people and almost always a reason for some salespeople to take a new look at their desire to be on commission.

Before I can truly describe my recommended commission structure, it is most important to define the actual responsibilities of your salespeople.

Here is the nine-step process to establish these responsibilities:

Step #1

Determine the roles of your salespeople and their primary responsibilities.

Salespeople in our industry are trained improperly from the beginning, and it is this mis-training that keeps them doing things that are not their primary responsibility. They seem to be spending a disproportionate amount of their time servicing existing clients and not enough time prospecting for new business.

This is typical of salespeople for two reasons. First, they probably spent their first work week with another salesperson who spent the day calling on their existing clients, thus giving the new salesperson the wrong impression of the job. And second, salespeople are simply not trained on how to acquire new business from prospects. They have been led to believe that they should be paid a commission on the orders generated by your existing client base. This is where the problem begins.

Remove any misunderstanding when it comes to requirements of salespeople and their primary responsibility—which is new client acquisition!

Step #2

Determine the specific results you want from your salespeople each month in relation to their primary responsibility of obtaining new clients.

This may be more clearly called "sales goals" or "new business goals." While most salespeople in the title business have no clearly defined new business goals, these goals are still a critical necessity in revenue and asset management and overall financial responsibility.

These goals should be met before any commissions are paid out. Some kind of minimum performance should be established as a breakpoint where commissions start. The best breakpoint in most cases is the P&L breakeven point.

Step #3

Determine the overall affect on your company if your salespeople actually accomplish the goals determined in Step #2. In other words, are their goals big enough?

Step #4

Modify the goals you have devised in Step #2 if the outcome of Step #3 is not acceptable.

Step #5

Determine the secondary responsibility of your sales team.

Once again, the misunderstanding of how the business works and the role of salespeople, according to their daily behaviors, demonstrate that their current allocation of time is out of balance. The typical salesperson in the title industry spends less than 24 minutes per day effectively prospecting while the most productive spends more than 336 minutes per day in this endeavor. Why? Clearly, due to mismanagement of sales efforts and goal communication.

Make sure your team knows that servicing existing clients, while required, is clearly their secondary responsibility.

Step #6

Determine the secondary results you want from your sales staff each month in relation to their secondary responsibility of servicing and retaining existing clients.

Step #7

Determine the overall affect on your company if your salespeople accomplish the results determined in Step #6.

Step #8

Modify the desired results you have established in Step #6 if the outcome of Step #7 is not acceptable.

Step #9:
Establish a compensation system to compliment the required activity and results of your salespeople in Steps #2 and #6.

Since adding new business is the primary responsibility of salespeople, it should be the primary focus of your new commission system. Money for added results! Not added money for existing business.

Last year I spoke with a county manager of a title company who had a salesperson upset because a certain closer was not able to get a couple of transactions closed in time for him to make commission. The problem was that it was not a new client, but an existing one. For some reason this sales team was being paid on every order closed by anyone on their list of clients. That means that they did not even have to call on them to get paid, just have them on their list of assigned accounts. Sound odd? It is more typical than you might think.

I told him that his company had given birth to, fed, nurtured, and pacified a huge monster. Getting paid extra income for all deals that close was not only the foundation for the "no need to prospect mentality," it also created giant morale problems with the inside closing staff who felt the salespeople were being, by their definition, grossly overpaid.

This is what we call "perpetuating commission." While this residual income mindset may be the foundation of multilevel companies, it is not even close to being good in an industry that requires continuing increases in revenue to maintain and feed this monster.

It is important to realize what a perpetuating commission system really is. It is a guaranteed continual increase in expenses while, by nature, decreasing the human desire to increase production or revenue!

Commission should only be paid on the first three orders received from a new customer and that amount should be split with the inside closing staff and even the support staff if wished.

Here is a sample of a simple breakdown:

	SALES	CLOSING TEAM	TOTAL
1ST DEAL	5%	10%	15%
2ND DEAL	7.5%	7.5%	15%
3RD DEAL	10%	5%	15%

Even though you can modify the actual percentage pay out, the motivations behind the system need to be understood and not modified. The system is designed to feed discipline to the sales team and closing unit.

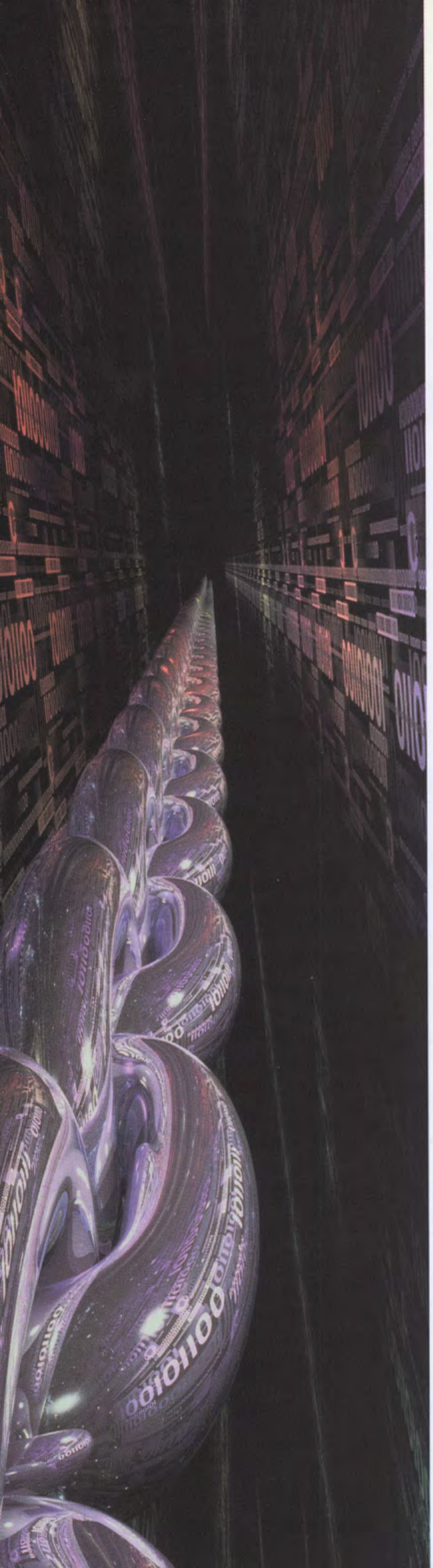
While the percentage is more heavily weighted for sales in the latter deals, it is more heavily weighted in the early deals for the closing teams. The reason for that is because most closers are busy. They have little desire to work with new people and increase their workload; thus, the heavy early commission will help in overcoming that. Over the next two transactions, relationships are established reducing the need for weighty commissions. That money can be moved to the salesperson for an entirely different reason—motivation to follow-up and earn additional orders.

Salespeople are "newness chasers" by nature, which means that they like new challenges. It is this desire that causes them, by nature, to get their first directed deal and then move to someone else. This latter weighted system will motivate them to follow-up to earn the second and third transactions. Three transactions should be long enough for the closer to establish the needed relationship for effective and strong new client retention.

Mission accomplished!

The rest of the story is simple. How do you compensate your team for accomplishing their secondary responsibility of servicing and retaining existing customers? You already do. It's called their base salary.

Darryl Turner is the CEO of National Business Development, which specializes in the implementation of growth strategies for title companies nationwide. This article is an excerpt from Darryl's presentation during the 2001 ALTA Annual Convention in Palm Desert, CA. For more information, call 1-800- 551-2946 or visit www.TitleSales.com.



issue focus

Succeeding in the New World of Joint Ventures

By Timothy L. Amos

Bank affiliations with title insurance agencies present an opportunity to develop a new marketing and delivery channel for the title insurance business. Developing this marketing channel can be beneficial for all participants in the industry; however, it requires cooperation, education, effort, and adjustment by all parties to create a successful business model. Here are some key issues to consider.

Resolve Legal Uncertainties

Before significant bank joint ventures or title agency activities can occur, legal uncertainties must be resolved. Banks, by their nature, are conservative and will not engage in an activity unless it can meet bank regulatory requirements and notice provisions. Often, a legal opinion is required to show specific authority for engaging in an activity. Additionally, federal laws that require particular structures or state laws that raise additional operational concerns can be disincentives for banks to participate in title insurance activities.

To date, only a few states have significant levels of banks participating in title insurance activities. Some have been in the business for more than ten years, but most have been in the business for three years or less. An informal survey of state banking associations showed only 16 states where banks currently engage in title insurance. This certainly does not represent the mainstream of the banking industry and highlights the opportunities to develop new markets. While these pioneers have been successful in their operations, the impact of much larger participation is yet to occur.

Lingering doubts on the effect of the Gramm-Leach-Bliley Act of 1999 (Public Law 106-102) (GLB) continue. The complex sections on state regulation, federal preemption, regulatory safe harbors, and title insurance carve out are enough to make any Washington lawyer's head spin. However, a strong argument exists that the net effect of GLB is to allow title activities, but push the activities into a financial subsidiary.

Reaching a consensus on this issue is important if all participants (title companies, lawyers, and banks) are to have equal opportunities to build strong marketing alliances. In an environment of continued uncertainty, only those providers who are willing to take the risk and defend the legitimacy of their actions will succeed in the long term.

Like many other business ventures, those who pioneer and develop a successful model are most likely to succeed. As banks continue to enter the title business and form joint ventures, they are more likely to do so with those companies that have built a constructive model and have a proven track record. Additionally, it is inconsistent for title companies to build joint ventures in some states, but oppose bank affiliations in others.

Because national banks and state-chartered banks derive their powers from different sources, a separate analysis of each is necessary. The legal considerations regarding authority for national and state-chartered banks may be different.

National Banks. Financial subsidiaries of national banks are authorized to act as insurance agents for all types of insurance, including title insurance, in any state (GLB Section 121).

Apparent confusion arises since GLB provides a "carve-out" regarding authority of national banks. Section 303 generally prohibits a national bank from selling or underwriting title insurance, yet provides a number of exceptions. These include activities in states where state-chartered banks are specifically authorized to offer title insurance and where "grandfathered" activities exist. Grandfathered activities occur where national banks have engaged in title insurance activities through Section 92 (12 U.S.C. Section 92) from a place with a population of 5,000 prior to the passage of GLB. For general insurance sales, Section 92 authority was not extinguished, but continues. However, GLB Section 303 now limits this in-bank sales with regard to title insurance. After the passage of GLB, national bank title insurance activities are essentially pushed out into a financial subsidiary or placed in a separate subsidiary of a financial holding company.

The insurance agency activities authorized for financial subsidiaries under Section 121 are not subject to the limitations that apply to the national bank itself under GLB Section 303. Section 303(a) provides that "In general, no national bank may engage in any activity involving underwriting or sale of title insurance." It is an important distinction to make that the general restriction on title insurance activities by national banks does not reference and does not apply to a financial subsidiary which is expressly authorized to conduct activities that are not permissible for the national bank itself.

This interpretation of GLB has been reached in two administrative decisions. OCC Corporate Decision No. 2000-14, September 2000, holds that the provisions of GLB authorizing financial subsidiaries of national banks to engage in all insurance activities, including title insurance, preempts contrary New Jersey state law. Similarly, the Kansas Insurance Department, in a letter issued February 1, 2000 to Gold Bank Corporation, Inc., holds that the GLB preempts certain provisions of Kansas-controlled business statutes that would otherwise prevent the holding company's financial subsidiary from engaging in title insurance activities.

Recently, the Sixth Circuit Court of Appeals decided an important case on the issue (Association of Banks In Insurance, et. al, v Duryee, 2001, FED APP. 0385P [(6th Circuit)] known as the Huntington Bank case. The case challenged Ohio statutes that limited the ability of banks to sell title and other types of insurance. Importantly, the Sixth Circuit case occurred before GLB, but arguments post GLB were made. The decision rests both on pre- and post- GLB grounds. In both instances, the Ohio statutes that interfered with national bank authority pre- and post- GLB were overturned. This decision should go a long way in clarifying the ability of national banks post-GLB to sell title insurance through subsidiaries.

State Bank Provisions. State bank authority to engage in insurance activities, including title insurance, is subject to various state laws that limit their authority thereby causing uncertainty. The effect of federal preemptions for state banks is less straightforward. In addition to resolving any uncertainty over federal preemption for national bank financial subsidiaries, it is equally important to resolve any state-imposed conflicts for state-chartered banks.

In response to GLB Section 121(d), the FDIC has adopted regulations (12 CFR, Part 362) to clarify the insured state-chartered bank's authority to engage in financial activities through a subsidiary that are permitted to a national bank. These activities include insurance as well as title insurance. However, many states continue to have "anti-affiliation statutes" that prohibit affiliations with insurance activities, as well as "controlled business" statutes that further attempt to limit bank opportunities in the insurance arena generally and title insurance specifically. Both types of statutes have been preempted for national banks through litigation (e.g., Barnett Banks v. Nelson; and Duryee); however, the preemptive powers of the FDIC Act for state-chartered banks have not been litigated as frequently.

While only a few states specifically authorize state-chartered banks to offer title insurance, virtually all states have statutes that grant state banks parity with national banks. These "wild card" statutes are generally seen to provide state-chartered banks the same authority as

An informal survey of state banking associations showed only 16 states where banks currently engage in title insurance.

national banks and their subsidiaries.

Sorting out the conflicts for a state-chartered bank among states' wild card, anti-affiliation, and controlled business statutes and measuring the impact of federal preemption under the FDIC rule will be important for state-chartered banks to realize the same opportunities as national banks in the title insurance arena. Legislation in many states is needed to remove these preempted and conflicting statutes. Until the clean-up is completed, banks will continue to begin joint ventures through subsidiaries, but at a higher cost to obtain the legal opinions necessary to meet bank regulatory burdens.

RESPA Issues

The Real Estate Settlement Procedures Act imposes significant concerns for any bank title insurance activities. At the heart is RESPA Section 8(a), that prohibits any person from giving or accepting any fee, kickback, or thing of value for the referral of settlement service business involving a federally related mortgage loan (12 U.S.C. Section 2607(A)). Subsequently, RESPA was amended to permit certain controlled business arrangements that were defined to mean an arrangement in which: (A) a person who is in a position to refer business incident to or a part of a real estate settlement service involving a federally related mortgage loan, or an associate of such person, has either an affiliate relationship with or a direct or beneficial ownership interest of more than one percent in a provider of settlement services; and (B) either of such persons directly or indirectly refers such business to that provider or affirmatively influences the selection of that provider.

HUD adopted a regulation (12 C.F.R. 3500.15) which provides that a controlled business arrangement is not a violation of Section 8 and allows referrals to an affiliated settlement service provider so long as: 1) the consumer receives a written disclosure of the nature of the relationship and an estimate of the affiliate's charges; 2) the

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Company Information	Product Name	Status: Active Product In Use	Beta Testing For Imminent Release	In Development	Online Demo or Demo Media Available	Live Demos at 2001 ALTA Tech Forum	Live Demos at 2002 ALTA Tech Forum	Number of Customer Sites In: 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, KA, MI, MN, MO,
AH Communications, Raleigh, NC 919-848-2119, ahc@concentric.net	ClearTitle	•									25		
APSCREEN, Inc., Newport Beach, CA 800-277-2733, tomlawson@apscreen.com, www.apscreen.com	Background Checks	•						10	22	13	41	18	4
	Locate Missing Pension Plan Participants	•						44	88	54	33	109	2
Beacon Technology USA, LLC, Lancaster, PA 800-786-8776, sales@go-titlepro.com, www.go-titlepro.com	Titlepro, Windows V1.21	•			•		•		75	225		45	23
	Titlepro, Windows V2.X			•									
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	Real Estate Tax Serv.	•			•			5	5	10	10	10	10
	Tax Return Verification	•			•			5	10	10	5	5	5
	On-Line Appraisals	•			•			5	5	5	5	5	5
	Full Appraisals	•			•			10	10	10	5	10	10
ClosingCounsel.com, Wellesley, MA 800-248-0188, info@closingcounsel.com, www.closingcounsel.com	ClosingConnect for Title Agents	•			•	•		150			5	20	5
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Data Tree, San Diego, CA 800-789-7244, jmartinez@datatree.com, www.datatree.com	Data Tree for the Desktop	•			•	•	•	50	50	50		300	100
	Data Tree for the Web	•				•	•	10	10	10			
Digital Delivery, Inc., Dallas, TX 972-392-4646, john_leighton@digitaldocs.com, www.digitaldeliveryinc.com	Digital Delivery	•						1	1	1	1	1	1
	Digital Docs	•						1	1	1	1	1	1
DTC Software, Janesville, WI 800-637-3382, dtcsoftware@charter.net, www.dtcsoftware.com	TAP (Title Automation Package)	•		•	•			1				2	53
DTP Holdings, Inc., Honolulu, HI 808-521-0217, dpietsch@tghawaii.com,	TGExpress.com	•			•	•		1		1			
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Easy Soft, Inc., Watchung, NJ 800-905-7638, info@easysoft-usa.com, www.easysoft-usa.com	Easy HUD RESPA	•			•			1	1	1	1	1	1
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	Easy Amortization	•		•				1	1	1	1	1	1
First Data Systems, Inc., Nashville, TN 877-775-3134, info@firstdatasystems.com, firstdatasystems.com	AIM for Windows	•	•	•	•	•	•						
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	FinancialAccess	•	•	•	•	•	•						
	ClosingScheduler	•	•	•		•	•						
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hal Systems Corporation, Dallas, TX 850-893.6122 sales@halfile.com, www.halfile.com	halFILE Title Plant and Document Management	•			•	•	•						
	e.halFILE Internet / Intranet Gateway	•			•	•	•						
InfoStream, Tacoma, WA, 800-877-7667, info@InfoStreamUSA.com, www.InfoStreamUSA.com	StreamLine	•			•	•	•	1					8
Landata Group, Inc., San Antonio, TX 877-526-3282, sales@landata.com, www.landata.com	PropertyInfo.com	•			•	•	•						
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	BexarView	•			•	•							
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Special Features	Desktop Faxing
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	Security Levels
	Digital Signatures
	Integrated Imaging
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	Other
Electronic Commerce	Integrated Document Import
	Integrated Document Export
	Integrated Data Import
	Integrated Data Export
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	EDI — VAN
	EDI — X12
	EDI — Proprietary
	Other
Licensing	Per Workstation
	Per User
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Company Information	Product Name	Status						Number of Customer Sites In														Support/Service										Applications: Capabilities: Features & Functionality																															
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TitleSoft, Inc., Winter Park, FL 800-529-0585, info@titlesoftinc.com, www.titlesoftinc.com	Intellaclose & Intellastore for Windows	•	•		•	•	•	5	10	20	20	50	14	6	4	1	6	6				•	•	•	•	•	6		•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•		•	•												
UCLID Software, Madison, WI 877-778-2543, info@uclid.com, www.uclid.com	IcoMap V 2.5	•			•					5		10	5	10		10	5	5	15			•	•	•	•	•	3	•		•																												•	•				
Virtual Desktop, Inc., Dallas, TX 972-960-6400, info@vdimail.com, www.virtualdesktopinc.com	Application Service Provider	•			•	•		6	3	20	5	10	20	5	10	1		1				•	•	•	•	•	8	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
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American Land Title Association

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End User Custom Reporting		•	•	•		•	•		•		•		•	•	•					•	•	•	•	•	•	•	•						•	•
End User Custom Forms		•		•		•	•		•		•		•	•	•			•	•	•		•	•	•	•	•	•						•	•
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South (AR, KY, LA, MS, OK, TN)									136					1	1	1	1			11	1	1		50			5	5	5	10	10			121	67	
Texas						2			66					1	1	1	1				1	1		300		1	5	5	5	5	10			113	102	
Northwest (ID, NV, OR, WA)						168			52					1	1	1	1			1	1	1		50			5	5	5	10	10			65	117	
Rocky Mountains (CO, MT, WY)						2			98					1	1	1	1				1	1		50			5	5	5	10	10			99	31	
Desert Southwest (AZ, NM, UT)						1			50					1	1	1	1			6	1	1		300			5	5	5	10	10			77	88	
California						43			53					1	1	1	1			2	1	1		500			10	5	5	10	10			999	999	
Alaska/Hawaii						14			8					1	1	1	1	1	1		1	1		50			5	5	5	10	10		2	12	221	
Other/International														1	1																			999	999	

Support/Service

Conversion/Implementation Assistance	•	•	•	•		•	•	•	•				•	•	•	•	•	•	•	•			•	•	•	•	•	•	•	•	•	•	•			•
Integrated Application Help	•	•	•	•		•	•	•	•		•		•	•	•	•	•			•			•	•		•	•	•	•	•	•	•	•			•
Internet/E-Mail Based Support	•	•	•	•	•	•	•	•	•		•	•	•					•	•	•	•	•	•	•	•	•						•	•		•	•
Help Desk/Telephone Support	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•
On-Site Support	•	•		•		•	•	•	•	•	•		•							•				•		•						•	•			•
Number of Help Desk Employees						6	5	5	5	9	9	9	9	4	4	4	4			2			10	10		4						4	4	2	5	2
Toll-Free Support Line	•	•	•	•	•	•	•	•	•	•	•	•	•							•			•	•		•	•	•	•	•	•	•	•	•	•	
Online or Media-based Training				•		•					•									•			•	•		•						•	•			•
On-Site Training	•	•	•	•	•	•	•	•	•	•		•	•					•	•	•				•								•	•			•
Consulting Services	•	•	•	•	•	•	•	•			•	•	•							•			•	•		•						•	•		•	•

Applications: Capabilities: Features & Functionality

1099-S REPORTING						•			•				•				•			•												•	•		•	
Order Entry						•	•	•	•				•			•	•	•	•	•					•	•	•	•	•	•	•	•	•			
Commitments & Policies						•			•				•			•				•												•	•			•
HUD Escrow Closing Documents						•			•				•				•			•												•	•			
Aggregate Escrow Reserve						•			•				•				•			•												•	•			
Desktop Fax						•	•	•	•				•				•			•												•	•		•	•
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Positive Pay						•							•							•												•				
Escrow/Trust Accounting						•			•				•		•					•												•	•			
Escrow/Trust Accounting — Bank Reconciliation						•			•				•		•					•												•	•			
Accounting — General Ledger											•																					•	•			
Accounting — AP & AR						•					•									•												•	•			•
Accounting — Bank Reconciliation											•				•					•												•	•			
Construction Disbursements						•					•									•												•	•			
Construction Disbursements — Bank Reconciliation											•									•												•	•			
Accounting -- Accepts Data From Bank for Reconciliation						•			•		•																					•	•			
File Tracking & Status						•	•	•	•				•					•	•	•												•	•		•	•
Online Order Tracking							•	•	•									•	•	•	•					•	•	•	•	•	•	•	•			•
Rate Calculations -- Policy Rates						•			•		•		•			•				•																•
Rate Calculations -- Title Premiums						•			•		•		•			•		•	•	•																•
Title Plant — Property Index				•			•	•				•				•	•			•												•	•			
Title Plant — General Index				•			•	•				•								•												•	•			
Title Plant — Fallout							•	•												•																
Title Plant — Property Taxes				•			•	•				•				•				•												•	•			
Title Plant — Double Key Verified				•			•	•				•																								
Title Plant — Integration w/Closing Escrow				•			•	•				•				•	•															•	•			
Title Plant — Integration w/Imaging				•			•	•				•	•			•				•												•	•			
Title Plant — Support for Joint Plant Administration				•			•	•				•								•																
Title Plant — REI Reports																																				

customer is not required to use the controlled entity; and 3) the only thing of value received from the arrangement, other than payment for services rendered, is a return on ownership interest.

Thus, a financial institution and its joint venture partners, whether attorneys, other banks or title companies, must be careful to ensure that all three conditions are met in structuring joint ventures for the sale of title insurance.

The consumer disclosure and consumer choice provisions are essentially operational issues. These operational issues are easily addressed with appropriate disclosures and loan processing procedures. The payment for services rendered and ownership interests bear on the structure of any joint venture arrangement.

Structuring Joint Ventures

A number of issues regarding structure, ownership interest, and banking law restrictions are important to structuring a viable title insurance activity for bank subsidiaries.

Venture Types. Several models for joint ventures are beginning to emerge. These include single bank agencies, attorney or title company joint ventures, and multi-bank agencies. Each are suited to different environments and particular circumstances. Most large banks, or multi-bank holding companies with significant volumes, will prefer ownership of their own agency. However, this may not be the exclusive method since some large banks will decide to diversify their holdings by participating in several multibank agencies. Smaller banks (under $1 billion in assets) are unlikely to form their own bank agency simply because of the volume needs of the business entity. These smaller banks are more likely to form a simple joint venture with their local bank attorney or an existing title agency. Alternatively, smaller banks have begun to form multibank title agencies. These multibank agencies have the advantage of spreading the cost of operations over a larger participant pool and increasing volume to share overhead expenses.

Organizational Type. While

any form of organization (corporation, limited liability company, partnership, or limited partnership) can be used, most ventures elect the LLC form. Some type of entity is essential for a bank since a limitation on liability is a required element of a business activity. The LLC form then allows for avoidance of a layer of federal and state corporate taxation and allows the profits or losses to flow back to the venture participants directly.

It should be noted that federal tax law allows limited liability companies (like partnerships) to have great flexibility in valuing and adjusting distributions, even at year-end. However, this adjustment would likely violate the controlled business provisions of RESPA.

Ownership Interest. Structuring the ownership interest of a joint venture, particularly a multibank venture, is particularly important. Because RESPA's Section 8 does not allow distributions based upon actual volume (the services rendered rule), the distribution can be based only upon the ownership interest. For most banks, structuring its ownership interest in proportion to its expected participation level is a major consideration. The ownership interest can be based upon virtually any criteria but is often tied to bank assets, historical loan volume, or some combination of the two factors. This permits the joint venture to be structured so that bank return should approximate bank participation. Otherwise, joint venture partners will either have more or less incentive to actually use the joint venture agency.

Structuring the ownership interest correctly on the front end is essential since RESPA does not let the LLC adjust distributions based on actual volume. In addition, RESPA would also prevent the organization from restructuring its ownership interest on any regular basis if the purpose was simply to adjust distributions to referral volume.

Bank Regulatory Concerns. Bank regulatory issues impact the structuring of joint ventures, and several key factors must be met. The activities of the joint venture must: 1) be limited to those activities in which banks are permitted to engage; 2) the bank must be able to prevent the joint venture from engaging in activities that do not meet the foregoing standard; 3) the bank's loss exposure must be limited as a legal and accounting matter; 4) the bank must not have open-ended liability for the obligations of the enterprise and 5) the investment must be convenient and useful to the banks in carrying out activities otherwise permissible for the bank.

In addition, the bank may need to create and qualify a financial subsidiary (meeting a well-capitalized, well-managed, and satisfactory CRA requirement). Regulatory requirements include notice to or prior approval from banking regulators and compliance with state insurance licensing laws.

Marketing Title Insurance

Bank entry into title insurance activities opens a new opportunity to provide much greater marketing resources to the title insurance industry. Surveys show that consumers simply do not understand the title insurance product. Banks can provide marketing support and a level of consumer education that has not previously been available in the industry. Therefore, bank affiliations will help resolve this lack of understanding, but only with the assistance and expertise of existing providers.

Like bank entry into other insurance fields, banks are not in a position to either reinvent the industry, nor to build organizations from scratch. They must rely on the expertise of professionals, either through joint ventures or through purchasing existing agencies in order to quickly enter the market. Title companies and existing agencies that are prepared to develop business models and marketing materials, and provide loan officer training will be essential to any successful venture.

In 1999, Congress recognized in the Gramm-Leach-Bliley Act that the market for financial services—banking, securities, and insurance—had been changed by technology and market forces. GLB adopted a new regulatory structure to adjust to that change. Title insurance is a part of that overall financial system.

Bank entry into the title insurance business will create new opportunities and can be successful for all participants—companies, agents, lawyers, and financial institutions—but only with the involvement and support of those already in the industry.

Timothy L. Amos is senior vice president and general counsel of the Tennessee Bankers Association in Nashville. This article is an excerpt from his presentation at the 2000 ALTA Federal Conference, in Washington, DC. Tim can be reached at 615-244-4871 or timamos@tnbankers.org.

New Expanded Coverage Policies

By Clifford L. Morgan

The title industry's new Homeowner's and Expanded Coverage Residential Loan Policies provide coverages that—for the first time in our industry's history—the regular consumer can relate to. That is very important. These policies, as adopted by ALTA, were designed only for residential one-to-four family homes. The Homeowner's Policy was adopted on October 17, 1998. The Expanded Coverage Residential Loan Policy was adopted at the ALTA 2001 Annual Convention last October.

Many of our customers don't understand title insurance, and therefore they don't appreciate it. Likewise, they don't understand the real estate settlement process and how it relates to title insurance. Most homeowners will only go through the settlement process a few times in their lifetime. There are questions that arise about the relevance of title insurance, usually due to ignorance or changes taking place in the world. In either case it is important for our industry to continue to innovate and educate so there is no question about the true value we add to the real estate community.

These coverages should result in homeowners wanting their own policy of title insurance on every home they purchase.

When I speak to groups I ask the question, "How many of you have had your house catch on fire?" I have never had more than three or four people even in large groups of two to three hundred raise their hands. Most of the time nobody in the group has ever experienced such a frightening event. Why do those that have not had this experience continue to buy fire insurance when virtually no one has had their home catch on fire? It is because they can relate to the danger and the damage fire can cause. Even though it isn't likely they will ever experience such a loss they don't want to run the economic risk of loss if it does happen to them. They can relate to the coverage. It is real to them.

This should be the same attitude consumers have about title insurance. They should be able to relate to the coverage. The coverages should describe events, economic risk, and legal defense problems the common person on the street fears and wants to transfer to an insurance company.

This is why it is a good thing for our industry, in my opinion, that ALTA has developed the new Homeowner's and Expanded Coverage Residential Loan

Policies. We want to have products that our customers demand just as they do fire insurance. We want policies for homeowners that provide coverages relevant in today's world. No home purchaser should even consider buying their home without also demanding the Homeowner's Title Insurance Policy.

These policies provide all the protection of ALTA's other title policies, plus many other valuable and relevant coverages. Historically, our policies have been viewed as covering only those losses arising from defects in title existing at the time the policy is issued. That is good coverage but consumers and their lenders need more for residential properties. They need coverage for future events affecting their title which they haven't caused or created and have no real way to protect against.

We have seen many prime time television news reports of attempts to steal someone else's home or put a mortgage on it. These televised reports cover properties from Canada to Mexico and California to Connecticut and many places in between. None of the owners in these reports had the ALTA Homeowner's Policy so they were not protected from the forgery and fraud pertaining to their title. Why? Because the problem didn't exist when they purchased their home. It happened later. These new policies cover many such post policy title problems, which are not covered by the other available policies.

Both the Homeowner's and the Lender's Expanded Coverage policies provide new and very exciting coverages. These coverages should result in homeowners wanting their own policy of title insurance on every home they purchase. Below is a brief description of just some of the problems covered by these new policies:

a. Post-policy forgery or impersonation leaving you with no record title or with mortgages on your home you never made.
b. Someone claiming that during your ownership a prescriptive negative easement, such as a view easement, has been created over your land, limiting your use.
c. Neighbors building encroaching structures onto your land after you purchase it.
d. Anybody after you purchase your home recording a deed, mortgage, or other document that by mistake describes your property instead of the land intended, thereby leaving you with a clouded title and expenses and a hassle to get it corrected.
e. Lack of actual physical access for both vehicles and pedestrians to and from your home. (Other policies only provide coverage for lack of a legal right of access.)
f. Pre-existing violations of CC&Rs which someone is trying to force you to correct or remove. This coverage applies even if the CC&Rs are excepted from coverage in schedule B.
g. Subdivision law violations of previous owner. (In some areas the title is void if the subdivision laws have been violated. In others you cannot obtain building permits to make the desired improvements.)
h. Building permit violations of previous owners. (This is very valuable to the unwary purchaser because it is virtually impossible to know whether all portions of the home you want to purchase were constructed with a building permit.)
i. Zoning law or regulation violations of previous owners which the insured is forced to remedy or remove.
j. Encroachments of existing structures onto neighboring property or onto easements affecting your home. (There is even coverage for boundary wall or fence encroachments.)
k. The residence with the address shown in the policy not being located on the land described.

A few of these coverages are subject to deductibles and caps on the indemnity benefit that may be less than the stated Amount of Insurance. While this is new for title insurers, it is commonplace in the rest of the insurance industry. Additionally, the Homeowner's Policy gives coverage for renting a substitute residence if the insured can't use his/her home due to a covered claim. This policy also automatically increases in Policy Amount 10% per year for the first 5 years so coverage is increased to a maximum of 150% of the original Policy Amount (usually the purchase price). This provides the consumer with automatic inflation protection as well as increased value due to improvements.

One of the great benefits of the Homeowner's Policy is it solves a problem inherent in other forms. Other policies terminate when you transfer your title except as to warranty liability. This has been problematic for owners and estate planning professionals. If you purchase a policy when you buy your home and subsequently place the title in your trust for estate planning purposes, you may have very well lost your title insurance coverage. Not so with ALTA's new Homeowner's Policy.

The Expanded Coverage Lender's Policy has enhanced coverages similar to the Homeowner's Policy but does not have deductibles or limits on the indemnity benefit less than the Policy Amount. This loan policy does not provide the substitute rental benefit, for obvious reasons, and is supplemented with coverages that apply only to lenders just as the other ALTA loan policies.

Some of the additional benefits of the Expanded Residential Loan Policy not part of the owner's policy are:

a. An automatic increase in the amount of insurance to 125% of the amount stated in

Schedule A. This would, among other things, cover negative amortization loans.

b. Automatic revolving credit advance coverage.

c. Automatic coverage for advances made and different interest rates charged based upon a post-policy modification to the insured mortgage if the mortgage so allows.

d. Environmental protection lien coverage.

e. Coverage for failure of the land to have the address shown in the policy and be improved with a residential structure.

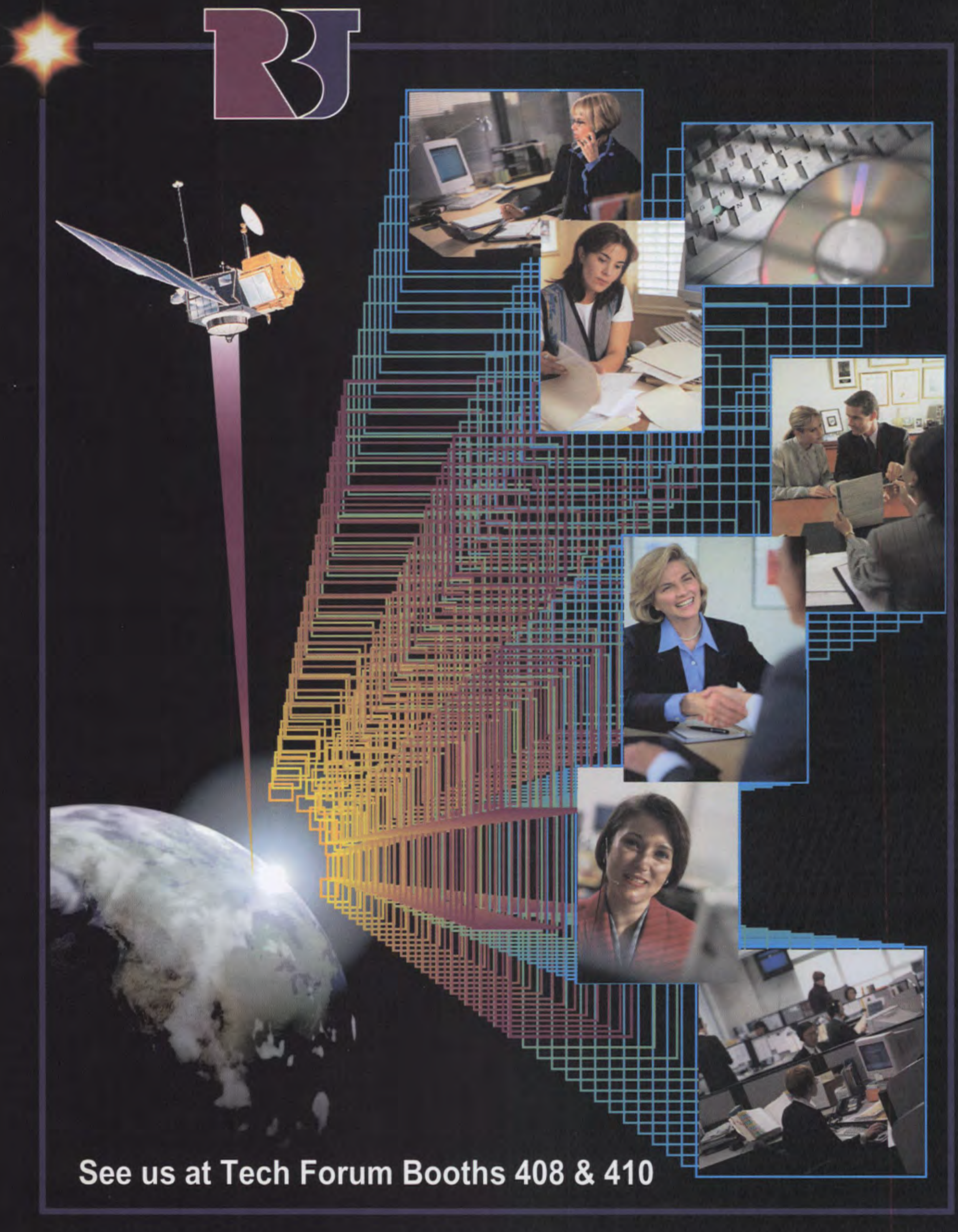
f. Usury coverage for violations of the state's laws where the land is located.

Unlike the 1992 ALTA Loan Policy, this policy has an insuring clause relating to survey matters thereby eliminating any question of whether or not survey coverage is provided. It is provided and in a very broad manner.

This loan policy also automatically includes various endorsement coverages such as the ATLA 4, 5, 6, 6.2, 8.1, and 9. This is a tremendous benefit from a practical level for both the insurer, issuing agent, and the insured. You don't have to check a box or attach the above-mentioned endorsements to the policy. The coverage already is there. This eliminates the potential for mistakes and unnecessary phone calls.

These are excellent new ALTA products and we can all be proud of the coverages and benefits given. It is very important for those who are looking to increase their market share to offer the new Homeowner's Policy. We need to take aim at the 31% of home purchasers that don't buy owner's policies. Explain the benefit of these tremendous new coverages to your clients and customers and watch your business grow!

Clifford L. Morgan is senior vice president and underwriting director for First American Title Insurance Company in Santa Ana, CA, and a member of ALTA's Title Insurance Forms Committee. He can be reached at: cmorgan@firstam.com or 714-647-4405.


See us at Tech Forum Booths 408 & 410

Abstracter & Title Agent Survey Focuses on Technology

by Mark A. Bilbrey and Richard W. McCarthy

This is the fifth annual survey in an American Land Title Association series designed to describe operating statistics and other characteristics of abstracter and title agent members. The information developed in these surveys has been helpful in tracking operating results, in comparing one company with another, and in evaluating changes in the industry. All abstracter and title agent members of ALTA are invited to participate in these surveys.

In addition to operating statistics, each survey focuses on a topical issue. The current survey introduces "The Title Business and Technology" as a topic and explores the number and variety of computers used by abstracters and agents, their access to and use of the Internet, and their routine use of computer software in the conduct of business.

As in previous years, all survey responses are reported by four categories of annual revenue.

The chart below shows the percent of respondents in each revenue category in the current survey (based on gross revenue in 2000) and in the two previous surveys (based on 1998 and 1999 revenue).

Revenue	'98	'99	'00
Less than $500,000	51%	58%	60%
$500,000-$999,999	21%	14%	17%
$1 million-$3 million	18%	18%	14%
More than $3 million	7%	10%	10%
Not reported	3%	-	-

Survey results are also reported by number of orders received in the preceding calendar year. In each of five categories, the percent of companies in the current survey (based on orders received in 2000) and in the two previous surveys (based on orders received in 1998 and 1999) is:

Orders Received	'98	'99	'00
Fewer than 500	11%	18%	20%
500-1,099	20%	24%	23%
1,100-2,499	13%	12%	12%
2,500-4,999	13%	12%	12%
5,000 or more	11%	11%	9%
Not reported	21%	16%	17%

In the current survey, participants reported a median of five full-time employees. A median of five full-time employees was also reported in 2000, compared with a median of six full-time employees in 1999.

Full-time employees range from an average of 4 in companies with revenue less than $500,000, to an average of 43 in companies reporting revenue greater than $3 million. The previous chart shows the percent of survey participants in each staff size category.

Full-time Employees	'98	'99	'00
1-2	18%	20%	20%
3-5	23%	33%	34%
6-10	26%	17%	22%
11-25	21%	19%	15%
More than 25	9%	10%	9%
Not reported	3%	2%	1%

The Title Business and Technology

A. Organization of Personal Computers. More than two-thirds of surveyed companies report their personal computers are networked to one or more servers. Companies with less than $500,000 revenue often have only one or two personal computers and 28% of these companies reported that all of their computers are stand-alone. Another 17% indicated their personal computers are networked peer-to-peer, without a central server.

One network serving all offices is the most common configuration, reported by 77% of companies with networks. Another 20% of survey participants reported multiple networks, either one network for each office or various combinations of networks serving multiple offices. (See Table 1 on page 33.)

Servers leased or purchased from local or mail-order vendors are most common, with 31% of surveyed companies reporting that their primary server is a "no-name" brand or a lesser brand of computer. Among name brand computers, 17% of respondents (including one-fourth of companies with revenue of $1 million or more) reported that their primary server is manufactured by Compaq. Another 13% of all surveyed companies reported their primary server is a Dell.

Most networks are operating under one or another version of Windows: 40% are running Windows NT; another 30% run under Windows 98/95. Six percent of respondents are running Novell NetWare. Approximately 3% each reported Windows 2000 and Unix.

Among better-known brands, 16% of respondents (including 35% of companies with more than $3 million revenue) reported that their primary personal computer is manufactured by Dell. Fifteen percent reported their personal computers are manufactured by Compaq, and 10% that their computers are manufactured by Gateway. Seven percent indicated their personal computers are primarily from Hewlett-Packard.

Like the servers, the most frequently reported "brand" of personal computer was a lesser-brand or a no-name clone, typically obtained via mail order or assembled by a local vendor. Forty-one percent of respondents reported a primary brand of personal computer that is not one of the leading market share brands. These smaller market share, but reliable brands, included such companies as Acer, Micron, Epson, and IBM.

Among the 353 companies that reported the total number of personal computers, including both desktop and laptop computers, there is an average of 17 computers per company. The average ranges from 5 computers in companies with less than $500,000 revenue to 82 computers in companies with more than $3 million revenue.

Almost two-thirds of those responding indicated that all of their personal computers are linked to the company's network. Among those reporting that not all personal computers are linked to the network, stand-alone computers appear to be the exception rather than the norm.

B. Peripheral Equipment. More than one-half of surveyed companies reported that all of their personal computers are equipped with a CD-ROM or DVD drive and speakers. Another 14% reported that more than one-half of their computers are equipped with these multimedia drives.

Almost all companies reported printers and fax machines. Among 347 companies, there is an average of six printers per company. Among 314 companies, there is an average of three fax machines. Most companies also have one or more photocopiers, with 283 companies reporting an average of three photocopiers. More than one-half of surveyed companies reported a scanner. Among 194 companies, there is an average of two scanners per company.

Relatively few companies reported a multifunction (fax/printer/copier) machine.

In a list that included personal digital assistants (PDAs), cell phones with e-mail, and two-way pagers, relatively few companies reported owning any equipment other than standard cell phones (that is, without e-mail capability or Internet access). Among the 211 companies reporting, there is an average of 5 standard cell phones, ranging from 2 cell phones among the smallest companies to 16 cell phones among the largest companies.

Sixty-four companies reported one or more personal digital assistants, with an average of four per company. PDAs are used for contact management and address keeping, for scheduling and calendars, and for personal organization and time management.

Fifty-three companies reported one-way pagers, with an average of three pagers per company. Forty-three companies reported cell phones with e-mail capability, with an average of four such cell phones per company. Thirteen companies reported cell phones with Internet access. Only eight companies reported either two-way pagers or two-way pagers with e-mail capability.

Forty-three percent of surveyed companies have a company Web site, including 17% that host a Web site in-house and 26% whose Web site is hosted by a service company.

C. Using the Internet. The largest number of surveyed companies, 42%, have regular dial-up telephone access to the Internet. Another 21% have access via DSL (a digital subscriber line). Although only 13% of all companies have access via a dedicated or shared T1 line, 65% of companies with more than $3 million in revenue have access via a T1 line. Another 6% of all companies have access via cable modem.

The local phone company and other local and regional Internet service providers are commonly used by surveyed companies. Relatively few companies use the more consumer-oriented MSN (7%) or AOL (4 %).

Forty-three percent of surveyed companies have a company Web site, including 17% that host a Web site in-house and 26% whose Web site is hosted by a service company. All but 11% of companies with more than $3 million in revenue reported a Web site.

Most company Web sites present information about the company and allow visitors to e-mail the company. More than one-half include links to related Web sites. Approximately one-third allow visitors to download information about the company and its services. Among other capabilities, 30 companies (8% of those surveyed) reported that their Web site allows customers to place orders. Miscellaneous capabilities include bells-and-whistles such as real estate-oriented calculators, a link to UPI wire service, and access to local news and weather.

The majority of surveyed companies (70%) reported that they use virus protection software. As protection against intrusions from the Internet, approximately one-half of companies deploy one or more firewalls, either resident on an internal server or provided by the Web-hosting service company or by the Internet (access) service provider.

The majority of surveyed companies are using the Internet to obtain business or receive orders. Forty percent report they receive e-mailed orders or solicitations from banks and similar sources. Approximately one-third receive orders or requests via e-mail from real estate agents. Four percent, including 14% of the largest companies, receive orders via intranet or VPNs (virtual private networks) run by their customers. Only three percent of companies, however, report they use the Internet to "bid" for business. Eleven percent of the largest companies report they bid for business over the Internet.

Thirteen percent of all companies participate in a referral network with other title professionals or real estate service providers, either via the Internet or telephone. Among larger companies, more than one-fourth participate in a referral network.

Almost one-half of all surveyed companies are using the Internet (or dial-up) to transmit or receive electronically completed legal forms. These forms are typically exchanged with networked service providers and customers. However, only 6 of the 167 companies exchanging forms electronically utilizes electronic signatures. Electronic signatures are not legal in the particular jurisdiction or the company's customers insist on manual signatures.

D. Electronic Access to Public Records. Although public records (the records to which the abstracter/title agent primarily needs access) are available electronically to less than 40% of survey participants, the great majority of orders received in 2000 were completed by companies with electronic access to public records. While 77% of companies with less than $500,000 revenue report they do not have electronic access to public records, only 22% of companies with $3 million or more revenue indicate the records they need are not available electronically.

The relationship between company size and electronic access to public records is even stronger when measured by number of orders received in 2000. Eighty percent of companies that received fewer than 500 orders do not have electronic access to the records they need. Eighty-three percent of companies that received 5,000 or more orders have electronic access to the records they need.

Smaller companies with electronic access to public records are handicapped (in relation to larger companies) in that the computer-based records available to them are often not available via dial-up access or through the Internet. In contrast, 90% of the largest companies have access to these electronic records from the convenience of their offices.

E. Automated Closing Systems. Approximately three-fourths of surveyed companies have an automated closing system and 235 respondents named or described the software they use to automate closings. The most frequently mentioned systems included Soft Pro (54), AIM (33), SMS (13), First Data Systems (12), and Genesis (8).

Relatively fewer companies, 39%, have a computer-based workflow system such as document control and tracking software. However, almost two-thirds of the largest companies have these systems. Of the 146 companies that reported having a workflow system, 112 named the software they use for the purpose of document control. The most frequently mentioned applications used for this purpose included AIM (17), Soft Pro (16), and SMS (12).

F. Other Business Software. In addition to specialized systems for maintaining title plants, automating closings, and tracking and controlling workflow, surveyed companies use a variety of off-the-shelf software for routine and common office tasks. Forty-seven percent, for example, use Microsoft's Word and another 30% use WordPerfect. Forty-six percent use Microsoft Excel. For database applications, 26% use Microsoft Access and 20% use a variety of other software. Most companies do not use presentation software; Microsoft's Powerpoint is used by the 15% that do use presentation software.

FaxServe is used by the relatively few companies (11%) that employ computer-based faxing. Another 10% use a variety of other applications for this purpose. The small number of companies that use contact management software use either ACT or Microsoft Outlook. One-half of all companies use Outlook for e-mail and one-fourth use Outlook for a calendar. Almost no companies use project management software.

Mark Bilbrey is president of Warranty Title and Abstract, Inc., in El Reno, OK, a member of the ALTA Board of Governors and chair of the ALTA Abstracters and Title Insurance Agents Section. He can be reached at mbilbrey@wtatitle.com or 405-262-3093. Richard McCarthy is director of research for ALTA. He can be reached at rich_mccarthy@alta.org or 1-800-787-ALTA. To order additional copies of the survey, call ALTA at the 800 number or visit the ALTA Store on the Web site at www.alta.org.

TABLE 1 Organization of Personal Computers

		Gross Revenue				Orders Received				
	Total Survey	Less than $500,000	$500,001-$999,999	$1 Million-$3 Million	More than $3 Million	Fewer than 500	500-1,099	1,100-2,499	2,500-4,999	5,000 or More
Number Surveyed	378	225	64	52	37	74	85	73	45	35
HOW ARE COMPUTERS ORGANIZED IN THIS COMPANY?										
Stand-alone personal computers	62	62	-	-	-	28	14	3	1	-
	16%	28%	-	-	-	38%	16%	4%	2%	-
Networked peer-to-peer; no server	40	38	2	-	-	12	12	9	1	-
	11%	17%	3%	-	-	16%	14%	12%	2%	-
Networked, one or more servers	259	111	60	52	36	29	57	58	43	34
	69%	49%	94%	100%	97%	39%	67%	79%	96%	97%
Varies	6	4	1	-	1	1	1	1	-	1
	2%	2%	2%	-	3%	1%	1%	1%	-	3%
Not reported	11	10	1	-	-	4	1	2	-	-
	3%	4%	2%	-	-	5%	1%	3%	-	-
IF COMPUTERS ARE NETWORKED, HOW MANY SEPARATE NETWORKS ARE IN USE?										
Number Reporting	305	153	63	52	37	42	70	68	44	35
One network, all offices	234	134	40	38	22	36	59	56	30	23
	77%	88%	63%	73%	59%	86%	84%	82%	68%	66%
Multiple networks, one each office	44	13	13	9	9	3	7	8	10	7
	14%	8%	21%	17%	24%	7%	10%	12%	23%	20%
Multiple networks, each office varies	17	1	8	3	5	-	4	3	3	4
	6%	1%	13%	6%	14%	-	6%	4%	7%	11%
Not reported	10	5	2	2	1	3	-	1	1	1
	3%	3%	3%	4%	3%	7%	-	1%	2%	3%

Viewpoint

by R.K. Arnold

We're proud to say that 2001 was a phenomenal year for MERS. We exceeded our financial and transaction goals well ahead of schedule.

Our members registered more than 4 million loans on the MERS® System this year. Thank you for doing business with MERS.

We earned our first profit in the spring of this year and we've already begun to pay back some of the debt we accumulated during our start-up.

With over 7 million loans on the MERS® System now, and about one-third of all new loans originated in the United States being registered on the system, MERS has become an established industry standard.

Our members are really the ones who accomplished this, which is why this issue of *Inside MERS* focuses on member services and benefits for you. We know our job is to deliver value to our members and make sure we listen to you.

This newsletter includes a MERS® System update listing the newest functionality features. We've also included a review of an exciting feature of MERS® OnLine, called "My MERS."

You'll notice we've totally moved away from the desktop functionality which was the platform we used to launch online access to MERS in 1997. Since then a lot has changed technologywise, and we've transitioned fully to browser based access because our members wanted it.

As always, you'll also see our feature column *Straight Talk*, which tackles the latest legislative topics and challenges. This issue deals with getting satisfactions recorded in Colorado when MERS is the beneficiary.

I hope these articles help make working with MERS more efficient so we can pass the benefits on to you. We look forward to another year of doing business with you.

Desktop is Dead...Long Live the Browser!

Effective November 26, 2001, we replaced the MERS® Desktop Client Application with MERS® OnLine (www.mersonline.org), our browser-based access to the MERS® System. You now have the ability to perform all processes through MERS® OnLine, which is also accessible from the MERS homepage at www.mersinc.org. MERS® OnLine is compatible with Netscape Navigator 6.0 or higher and Microsoft Internet Explorer 5.0 or higher. If you are operating on an earlier version of either of these browser applications, please update your browser to enable full MERS® OnLine functionality.

Effective November 26, 2001 the following major enhancements were made to the MERS® System with Release Version 4.0:

- TD 1767 - Streamline Transfer of Servicing
- TD 1768 - Flow TOB/TOS via X12/Flat File
- TD 1920 - Transfer from Current Subservicer to New Servicer
- TD 1856 - Delete a User ID Instead of Disabling
- TD 1881 - "Subordinate Lien" Replaces Lien Type of "2nd Lien"
- TD 1884 - Convert Printable Reports to PDF Format
- TD 1959 - Enhance Broadcast Messaging with Overdue TOS/TOB Batches

We also updated the MERS® Integration Handbook, Volume I & II, Version 8.0, MERS® Procedures Manual, Version 8.0, MERS® Quality Assurance Procedures Manual, Version 1.0, MERS® Lite Tool Kit, Version 3.0, MERS® OnLine User Guide, Version 1.0, and the MERS® EDI Implementation Guide, Version 8.0.

For complete documentation on the changes effective with the MERS® System Release 4.0, please visit the MERS Web site at www.mersinc.org or contact Jeff Purvis, Product Development Manager at jeffp@mersinc.org or 703-761-2114.

Did You Know?

"My MERS" is a feature in MERS® OnLine that allows you to customize the organizations displayed in the Member dropdown lists on the Registration, Transfer of Beneficial Rights, and Transfer of Servicing Rights windows.

You define the business relationship in your Member Information profile by choosing other active Members for the following lines of business: Servicer, Subservicer, Investor, Custodian, Interim Funder, Collateral Agent, FHLB/FRB, Government Housing Agency, Trustee, Master Servicer, Mortgage Insurance Company.

To customize the organizations that will be displayed in the dropdown list, choose the "Administration Menu" and select "Member Information," then "Relationships." From this menu, selecting the appropriate relationship type and company Org ID adds the Members you do business with to the dropdown list.

For further information or to request training on the "My MERS" feature, please call Donna Jones, Product Performance Manager at 318-397-2502 or via e-mail at donnaj@mersinc.org.

Straight Talk

by Sharon Horstkamp

Lost in Colorado

Recently some members have experienced problems getting satisfactions recorded in Colorado when MERS is the beneficiary. This only occurs when the original promissory note of the mortgage loan has been lost or misplaced.

The reason is because Colorado has a public trustee system that follows certain guidelines. If the original promissory note cannot be produced, an indemnification agreement is used. Only specific entities are allowed to sign this agreement; like a bank, a savings and loan association, a FHA-approved mortgagee, any agency of the government, and some other categories. MERS, being the unique organization that it is, does not fit into any of the authorized categories.

Most mortgage servicers sign the agreement because of their status as FHA-approved mortgagees. MERS does not have a FHA number. MERS has attempted to obtain a FHA number, but because MERS is not a mortgage lender, we do not qualify without waiver. HUD is not willing to grant us the waiver at this time. As a result, some members have attempted to use their own FHA number when submitting satisfactions executed by MERS. This does not work and the satisfactions are rejected.

How should this be handled? The ideal solution is to produce the original note and the satisfaction from MERS will be accepted. If you cannot do this, then you will need to assign the loan from MERS back to yourself prior to submitting the satisfaction. Now, the indemnification agreement can be used and the mortgage servicer can sign it.

If you have any questions regarding satisfactions recorded in Colorado when MERS is the beneficiary, please feel free to contact Sharon Horstkamp at 800-646-MERS (6377) or via e-mail at sharonh@mersinc.org.

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Communications Manager
Kathleen McNeilly,
kathleenm@mersinc.org.

member news

Movers & Shakers

California

First American Title Insurance Co., Santa, Ana, has announced several appointments. **Larry Godec** has been appointed chief information officer. Prior to this, he served for First American Real Estate Tax Service as chief information officer.

Thomas Huffman has been named vice president of the interactive division. He joined First American in 1997 as chief information officer for the company's appraisal group.

Roger S. Hull has been appointed senior vice president and chief information officer. Hull joined First American in 1998 as senior technology officer for First American Title Insurance Co.

Illinois

Michael T. Mills has been named vice president and state manager for Illinois for First American Title Insurance Co., Warrenville.

New Jersey

Frank A. Melchior, Esq., has been named vice president and senior underwriting counsel for New Jersey Title Insurance Co., Parsippany. Melchoir, a 40-year veteran of the title insurance industry, has underwritten title insurance throughout the U.S.

Virginia

Russell W. Jordan, III has been named executive vice president and general counsel for LandAmerica Financial Group, Inc., Richmond. Jordan joined Lawyer's Title Insurance Company in 1969 as a title attorney in the headquarters office. Most recently, he was senior vice president and general counsel for LandAmerica.

Gary L. Opper, senior vice president, Midwest operations, will expand his responsibilities. In addition to overseeing direct and agency operations in Michigan and Ohio, Opper will also assume responsibility for all operations in Indiana, Illinois, Wisconsin, Minnesota, and the Dakotas. Opper is past president of the Michigan Land Title Association.

Linda J. Rehak has been promoted to vice president, underwriting counsel for LandAmerica Exchange Co. Most recently, she served as vice president and commercial retail manager for LandAmerica's Southern Ohio direct operations.

Washington

Angela Sherman has joined Transnation Title Company, Puyallup, as sales representative. She was most recently a licensed realtor with Weyerhaeuser Real Estate Co.

new ALTA members

ACTIVE MEMBERS

Colorado

Richard Riebel
Alpine Title
Telluride

Florida

Michael Echevarria
Echevarria Title, L.L.C.
Tampa

Georgia

Margie Ray
Professional Title Research, Inc.
Macon

Kansas

Steven Kimball
Pottawatomie County Abstract Co.
Westmoreland

Louisiana

Michael Uter
Uter, Michael J.
Baton Rouge

Maryland

Neil Gurvitch
East West Title, LLC
Bethesda

Lynn Krause
Krause & Ferris
Annapolis

Robert Quinlan
Robert E. Quinlan Chartered
Gaithersburg

Darci Troese
Troese Title Group, Inc.
Upper Marlboro

KUDOS

Landata Wins Marketing Award

Landata Systems, Inc., a wholly owned subsidiary of Stewart Information Services Corp., brought home its fifth award for the "Trust Your Instincts" jungle trade show display. The International Association of Business Communicators presented Landata with the District 5 Silver Quill Award of Merit in the non-publication design category.

The overall "Trust Your Instincts" campaign has won 13 marketing awards since its introduction in 2000. Details: Alisha McMillen, 713-871-9222.

SoftPro Awarded for Growth

SoftPro Corporation has been named to Deloitte & Touche's "Technology Fast 50" program for North Carolina, a ranking of the 50 fastest-growing technology companies in the region. Rankings are based on the percentage of growth in revenues from 1996-2000. 2001 marks SoftPro's second year on the list. Details: Tyler Townsend, 919-829-1122.

Mergers & Acquisitions

Equity Title Insurance Co., Orem, UT, has acquired Gateway Title Insurance Agency.

First American Corporation, Santa Ana, CA, has acquired Fusion MLS, LLC, the nation's premier producer of Internet-based Multiple Listing Service solutions.

Lawyers Title Insurance Corp., a subsidiary of Richmond VA-based LandAmerica Financial Group, Inc., has acquired Property Title Insurance Corp. in Puerto Rico.

New Offices

American Title Insurance Agency of Arizona, Inc., has opened a new branch office in Meza, AZ.

Metropolitan Title Company, Howell, MI, has opened its first office in Florida, in Maitland.

Send Us Your News

Do you have news to share about a new job, promotion, or award you have won? Send it to the *Title News* Editor at ALTA, 1828 L St., N.W., Suite 705, Washington, DC 20036 or lorri_ragan@alta.org.

new ALTA members

Massachusetts

Louis Nicolosi
Paralegal Services
Haverhill

Mississippi

Ronald Taylor
Taylor, Jones, Alexander & Sorrell, Ltd.
Southaven

Missouri

Maureen Dalton
Monarch Title Company, Inc.
Columbia

Day Miller
Robison & Miller, P.C.
Maysville

New York

Marvin Simms
Guardian Land Abstract Corp.
Great Neck

Steven Rubertone
Intrastate Property Corp.
Manhasset, NY

Norman Horowitz
Register Abstract Company, Inc.
Bayside

Robin Goldsand
R. G. Agency
Peekskill

John Giacoppi
Titleworks Abstract, Inc.
Huntington

Ohio

Patricia Kearney
Title Professionals
Warren

Marketplace

Situations wanted or help wanted ads are $80 for the first 50 words, $1 for each additional word, 130 words maximum. Insertion rate drops to $70 for first 50 words for three or more consecutive placements. For sale or wanted to buy ads are $250 for 50 words, $1 for each additional word, 130 words maximum. Insertion rate drops to $225 for 50 words for three or more consecutive placements. Placing a box around an ad costs an extra $20 for help wanted or situations wanted, $50 for sale or wanted to buy. Blind box service available upon request.

To place a classified ad in Marketplace, send ad copy and check made payable to American Land Title Association to: *Title News* Marketplace, ALTA, 1828 L Street, N.W., Suite 705, Washington, DC 20036.

SAMPLE: HELP WANTED
Lead Abstracter wanted for three-county Kansas operation. Must be licensed or comparably qualified. Send resume, particulars, to PO Box 888, Kansas City, KS.

SAMPLE: SALE
Title Plant for sale. Florida location. Microfilm, documents, and tract books cover county for more than 50 years. Computerized posting.

Title News Advertisers

new ALTA members

Pennsylvania
James Schneider
American Property Abstract, Inc.
Hazleton

R.Shanelle Hawk
Falcon Research Settlement Inc.
4181 Brookville St.
Mayport

South Carolina
Becky Parris
Palmetto Title Agency, Inc.
Pickens

Virginia
Kenneth Wilson
Central/South West Virginia Title Examiners, Inc.
Forest

Amy Wolfe
Wolfe Title, LLC.
Mechanicsville

ASSOCIATE MEMBERS

Maryland
Bryan K. Smith
Frederick

Richard L. Stup
Frederick

2001-2002 ALTA Membership Directory Errata Sheet

Listed below are members whose address information was incorrectly printed or inadvertently omitted in the 2001-2002 ALTA Membership Directory. We sincerely regret the errors and hope you will make note of these corrections.

Product Symbols

A - Abstracts
G - Guarantees
T - Title Insurance

Service Codes for Associate Members

A	=	Abstracts
T	=	Titles
G	=	Guarantees
AD	=	Agency Disputes
AP	=	Adverse Possession
BK	=	Bankruptcy
CA	=	Claims
CL	=	Closings
CN	=	Counsel
CO	=	Commitments
DF	=	Defalcations
ED	=	Eminent Domain
ES	=	Escrows
EX	=	Examinations
FA-CA	=	False Claims
LI	=	Litigation
OP	=	Opinions
QT	=	Quiet Title
RC	=	Recoupment
UPL	=	Unauthorized Practice of Law
ZO	=	Zoning

Arizona

Pima County

•Tucson

American Title Agency of Pima County
VP & Cty. Mgr.
6245 E. Broadway
Suite 400
85711-4091
520-747-7373
Fax: 520-747-4616
Jim Kaiser

California

Los Angeles County

• Burbank

Bello, Doug
D. Bello Associates, Inc.
Member Since: 1997
1610 W. Burbank Blvd.
91506
818-848-5910
FAX: 818-848-3152
dbainc@altavista.net

Granite Software, Inc.
Member Since: 2000
7530 N. Glenoaks Blvd.
91502
818-252-1952
FAX: 818-252-1952
http://www.iclosingsdirect.com

Title Temps, Inc.
Member Since: 1999
105 W. Alameda Ave., Ste. 230
91502-2254
818-238-0333
FAX: 818-238-0444
matt@titletemps.com
http://www.titletemps.com
Matt Johnston
-Other Counties Served-
Serving Every County in the United States

WWW.TITLEBOARD.COM
105 W. Alameda Ave., Ste. 230
91502
877-846-5478
FAX: 818-238-0444
dprince@titleboard.com
http://www.titleboard.com
Diane Prince, Pres.

• Los Angeles

Hosack, John L., Esq.
Arter & Hadden, LLP
Citicorp Plaza
725 South Figueroa St., Ste. 340
90017
213-430-3000
FAX: 213-671-9255
jhosack@arterhadden.com

Nava, Ruben D.
Deloitte& Touche LLP
Member Since: 2001
350 S. Grand Ave.
90071
213-688-5541
FAX: 213-673-6308
rnava@deloitte.com
http://www.deloitte.com

Navarro, Ralph C.
Coudert Brothers
333 S. Hope St., 23rd Flr.
90071
213-688-9088
FAX: 213-689-4467

Rubin, Sheldon
Rubin, Eagan & Kane, LLP
Member Since: 1979
1801 Century Park E., Ste. 2222
90067
310-788-0983
FAX: 310-788-0984
rubineagan@aol.com

• Los Angeles, cont.

Snyder, Patricia M.
Marcus Watanabe, Snyder & Dave
Member Since: 1997
1901 Avenue of the Stars, No. 300
90067
310-284-2020
FAX: 310-284-2025
psnyder@mwsdbw.com

• Monrovia

RBJ Computer Systems, Inc.
Member Since: 1993
1000 South Magnolia Ave.
91016
626-357-9725
FAX: 626-303-1511
800-725-9725
sales@rbj.com
http://www.rbj.com
Raymond E. Bence

• Pasadena

Pahl, Kurt G., CPA, CCM
Pahl Consulting, P.C.
1122 E. Green St.
91106
626-795-0392
FAX: 626-795-0913
kpahl@compuserve.com

• Sun Valley

P.F.A. Incorporated
Member Since: 1981
9980 Glenoaks Blvd., Ste. F
91352
818-504-1996
FAX: 818-504-2011
jim@pfainc.com

• Van Nuys

Litster, R. Gregory
Safechecks
Member Since: 1993
P.O. Box 8372
91409
800-949-2265
FAX: 800-615-2265
greg@safechecks.com

• Woodland Hills

Henley, Donald E.
Donald E. Henley & Associates
Member Since: 1998
5944 McDonie Ave.
91367
818-883-1249
FAX: 818-883-0833
donehenley@aol.com

Marin County

• San Francisco

Caetano, William E.
Imperial Bank, Financial Services
Member Since: 1993
275 Battery St., Ste. 1100
94965
415-954-5062
FAX: 415-954-5066

Orange County

• Costa Mesa

Meadows, Lisa D.
Comercia Bank - California
Member Since: 1999
611 Anton Blvd., 2nd Flr.
92626
714-424-3809
FAX: 714-435-3988
lisa_d_meadows@comerica.com
http://www.comerica.com

• Irvine

Bender, Larry
Wells Fargo Bank
Member Since: 2001
2030 Main St., Ste. 700
92614
949-251-4177
FAX: 949-863-9445

Casicola, Gail S.
Option One Mortgage Corporation
Member Since: 2001
3 ADA
92618
949-790-3600
FAX: 949-790-7566
gcasciola@oomc.com
http://www.oomc.com

Ketcham, Nancy
Option One Mortgage Corporation
Member Since: 2000
3 Ada
92618
949-790-7577
FAX: 949-790-8636
nketcham@oomc.com

Kohl, William H.
Bank of America
5 Park Plz., #500
92614
949-260-5716
FAX: 949-260-5642
bill.kohl@bankofamerica.com

Indiana

Bartholomew County

•Columbus

Royal Title Services - Statewide
223 Washington St.
P.O. Box 323
47202
812-376-3313
columbus@royaltitle.com
www.royaltitle.com
Susan R. Jones

Michigan

Saint Joseph County

•Sturgis

Professional Abstract & Title Guaranty
301 N. Nottawa St.
616-651-9532
FAX: 616-651-1260
Constance J. Dugan

Minnesota

Ramsey County

•St. Paul

Commonwealth Land (Br)
Br. Mgr.
255 Park Square Ct.
400 Sibley St.
651-227-8571
FAX: 651-227-1708
Antoinette L. Reichow

North Carolina

Wake County
•Raleigh

North Carolina Land Title Association
1500 Sunday Dr., Ste. 102
27607
Penney De Pas, CAE, Exec. Dir.

New York

New York County
• New York

Collins, Richard S.
Metropolitan Life Ins. Co.
Member Since: 1997
One Madison Ave., Area 7G
10010
212-578-2600
FAX: 212-578-3916
rcollins@metlife.com

Einsidler, Karen
The Guardian Life Ins. Co. of America
Member Since: 1986
7 Hanover Sq., 23-B
10004
212-598-8792
FAX: 212-919-2694

Jakoby, Arthur G.
Herrick, Feinstein, LLP
Member Since: 1999
2 Park Ave., 20th Flr.
10016
212-592-1438
FAX: 212-592-1500

Lebensold, Linda R.
Swidler Berlin Shereff Friedman, LLP
Member Since: 1981
405 Lexington Ave.
10174
212-891-9548
FAX: 212-891-9598
llebensold@swidlaw.com

Lubell, Harold A.
Robinson Silverman Pearce, ET. AL.
Member Since: 1980
(BK CA CL CN CO LI)
1290 Ave. of the Americas
10104
212-541-2130
lubell@rspab.com

Paquin, Guy D.
Title Insurance Rate Service Assn.
Two Park Ave., Ste. 310
10016
212-683-6400
FAX: 212-683-6257
tirsany@aol.com

Robbins, Betty B.
Teachers Ins. & Annuity Assn. of America
Member Since: 1990
730 Third Ave.
10017
212-916-4264
FAX: 212-818-1670
brobbins@tiaa-cref.org

Queens County
• Kew Gardens

Quinterno, Christopher
ClosingGuard.com
80-02 Kew Gardens Rd.
11415
347-328-8150
FAX: 718-575-0082
cquinterno@closingguard.com

Richmond County
• Staten Island

Hall, Thomas J., Esq.
Hall & Hall, Esqs.
Member Since: 1993
57 Beach St.
10304
718-447-1962
FAX: 718-273-3090
hallsilaw@aol.com

Rockland County
• New City

Schwall, Leanord
Schwall & Becker
Member Since: 1987
(AP BK CA CL CN ED LI OP QT RC UPL)
49 Maple Ave., P.O. Box 796
10956
914-634-3696
FAX: 914-634-3019
-Other Counties Served-
Hudson Valley Area of NY State

Rockland County
•New City

Commonwealth Land (Br)
17 Squadron Blvd., Suite 302
10956
845-634-7070
FAX: 845-634-8513
Linda S. Houser, Mgr.

Texas

Crane County
•Crane

Crane County Abstract Company
Gen. Mgr.
304 W. 6th St.
P. O. Box 686
79731-0686
915-558-3112
FAX: 915-558-3131
Mr. James Preslar

Rating Bureaus

New Jersey Land Title Insurance Rating Bureau
264 Fisher Place
Princeton, NJ 08590
609-452-1166
FAX: 609-452-8377
Joseph M. Clayton, Jr., Manager

Title Insurance Rate Service Association, Inc.
Two Park Ave., Ste. 310
New York, NY 10016
212-683-6400
FAX: 212-683-6257
tirsany@aol.com
Guy D. Paquin, Exec. Dir.

Ohio Land Title Insurance Rating Bureau
2941 Donnylane Blvd.
Columbus, OH 43235
614-761-8602
FAX: 614-761-0906
joe@demotech.com
Joseph L. Petrelli

Title Insurance Rating Bureau of Pennsylvania
200 Eagle Rd., Bldg. 2, Ste. 106
P.O. Box 395
Wayne, PA 19087-0395
610-995-9995
FAX: 610-995-9997
tirbop@yahoo.com
Gordon M. Burlingame, Jr., Exec. Dir.

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