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TitleNews

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American Land Title Association

Wading Through the Mortgage Disclosure Quagmire

CFPB Rolls Out Initial Mortgage Disclosure Prototypes as Title Industry Braces for Another Painful Round of RESPA Reform

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Change in Leadership but Mission Remains the Same

Dwight D. Eisenhower is a hero of mine. Among his many talents was a knack for leadership. The five-star general, Supreme Allied Commander in WWII and the 34th president of the United States, called leadership the art of getting someone else to do something you want done because they want to do it.

Of course, following Ike's advice quickly boils down to demanding the best of yourself – and then inviting others to join you. Since taking the helm of ALTA in January 2008, we've built a team that is aggressive but respectful, disciplined yet entrepreneurial. Together, we have driven association membership and revenues to record levels and have dramatically increased ALTA's advocacy presence in our nation's Capitol.

These outcomes were not an accident; they were a product of effective teamwork backed by a decisive ALTA Board of Governors. The essentials remain unchanged with my departure precisely because the people involved are committed both to excellent performance and to the industry. Despite the challenges that will continue to face us, I have no doubt about ALTA's future.

Michelle Korsmo, my chief operating officer and right hand, is unquestionably the best choice to lead ALTA through its next chapter. There is no higher compliment to both of us than the Board's quick and unanimous "passing of the baton" to her. As you learn more about Michelle in the coming months, you will find she has the ability, knowledge and leadership to build on the association's success, and that she is backed by a world-class team whose focus remains clear.

I am so grateful for the opportunity to have served as ALTA's CEO at such a critical time for the industry. It has been an honor to represent companies that play such a vital role in the lives of American families. By far the greatest gift; however, has been the chance to be a part of this circle of dedicated professionals. Thank you for your wisdom, your faith and your friendship. Please know that you have mine.

Kurt Pfotenhauer

– Kurt Pfotenhauer
Chief Executive Officer, ALTA

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ALTA Urges Regulators to Revise Qualified Residential Mortgage Provision

ALTA joined more than 300 members of Congress and a diverse coalition of more than 40 organizations to urge federal regulators to go back to the drawing board on their proposed risk retention provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

As written, the Qualified Residential Mortgage definition violates Congressional intent, makes homeownership more expensive for millions of responsible consumers and jeopardizes the fragile housing recovery. In addition to not restricting credit to worthy borrowers, ALTA believes the QRM definition should include sensible underwriting features that are proven to reduce risk.

At the urging of ALTA and other associations, federal regulators extended the deadline to submit public comments on the QRM from June 10 to Aug. 1.

"The proposed regulation as written poses a significant risk because it does not require lenders to undertake commonsense underwriting steps to identify and establish who possesses the legal right to the property," said Justin Ailes, vice president of government affairs for ALTA. "ALTA strongly encourages regulators to protect consumers and investors by drafting a QRM that does not unnecessarily restrict credit and transfers legal title risks to state regulated insurance companies."

A portion of the Dodd–Frank Act sets out a new requirement that forces lenders to retain 5 percent risk for any loans they sell on the secondary market. Exempted from the act's risk-retention requirements, however, are mortgage-backed securities composed entirely of certain high-quality, lower-risk QRMs. A proposal by federal regulators would require future homebuyers to put down at least 20 percent of the purchase price of a home and meet strict income requirements to qualify for the loan with the lowest interest rates.

According to a whitepaper sent to federal regulators by ALTA and 11 other associations, it would take almost 9 years for the typical American family to save enough money for a 10 percent down payment, and fully 14 years to save for a 20 percent down payment, based on 2009 income and home price data. The proposed narrow QRM definition will only exacerbate conditions in states hit hardest by the housing crisis (Nevada, Arizona, Georgia, Florida and Michigan). As a result of price declines already suffered in these states, at least two out of three homeowners do not have at least 25 percent equity in their homes that would allow them to refinance with a lower rate QRM. Six out of 10 would not be able to move and put 20 percent down on their next home.

More than 300 members of Congress have called the proposed QRM regulation "unduly narrow" and reiterated that well-underwritten loans, regardless of down payment, did not cause the mortgage crisis and the proposed QRM would cause particular harm to first-time and minority homebuyers.

The purpose of the QRM was intended to define well-underwritten, safe and stable mortgages that would attract responsible liquidity back to the private market and be accessible to a broad range of borrowers. However, the proposed QRM definition will harm many creditworthy borrowers while hampering the housing recovery. Investors and consumers deserve a benchmark that includes protection of their legal right to the property.

"Underwriting the real property that will serve as collateral for the mortgage loan is a fundamental part of the underwriting process and can be achieved by utilizing a title search backed by a title insurance policy to investigate, identify and analyze the state of title to the collateral, thus reducing risk of loss for investors," Ailes said.

HUD Announces Several Rule Changes and Proposals

In response to an executive order issued in January by President Obama and following a two-month public comment period, HUD has issued a plan for periodic review of its existing regulations to determine whether any regulations should be modified, streamlined, expanded or repealed.

The executive order required federal agencies to seek more affordable, less intrusive ways to achieve policy goals and give careful consideration to the benefits and costs of those regulations. HUD's plan identifies an initial list of HUD rules initiated in response to the executive order.

Among the final rules, HUD has removed a regulatory restriction on FHA refinancing of existing mortgage debt by owners of multifamily cooperative projects, thus expanding the number of individuals eligible to participate in FHA programs. Although the statutory language authorizing such insurance does not distinguish between rental or cooperative multifamily projects, HUD's current regulations limit FHA insurance to existing rental projects. Given the current state of the capital markets and the significant downturn in the multifamily market, HUD determined it is an appropriate time to reconsider this regulatory imposed limitation with respect to the mortgage insurance for the refinancing of cooperative projects.

HUD also updated its regulations to reflect current legal requirements with respect to multifamily rental project closings. This final rule amends certain FHA regulations to reflect current HUD policy in the area of multifamily rental projects and accompany revised closing documents. According to HUD, the revisions to the regulations and the closing documents also help streamline the process of participating in HUD's multifamily mortgage insurance programs.

Among several proposed rules, HUD would remove the regulations for the FHA Inspector Roster, making it easier for lenders and borrowers to have inspections performed and streamlining the mortgage insurance application process. This would remove the outdated 10-year protection plan requirement for high LTV newly constructed single family homes securing FHA-insured mortgages. HUD said this change would eliminate an unnecessary layer of regulatory burden.

Another proposed change would enable direct lending institutions of the Farm Credit System to seek approval as FHA mortgagees and lenders, removing a regulatory barrier to participation in FHA programs. HUD said recent difficulties in mortgage finance markets have reduced the availability of housing credit in rural areas. HUD proposes to extend FHA mortgagee and lender eligibility to the Farm Credit System to provide an additional avenue for mortgage financing in these areas.

HUD also has proposed removing permanent time restrictions on resale of FHA-insured properties. HUD said this would lift regulatory impediments to receiving FHA mortgage insurance. Resale of a property recently acquired at an artificially inflated value for a considerable profit, often as a result of a lender's collusion with the appraiser, is referred to as property "flipping." In an effort to preclude this collusion with respect to mortgages insured by FHA, HUD regulations provide that FHA, with certain exceptions, will not insure a mortgage if the contract of sale is executed within 90 days of acquisition of the property by the seller.

HUD said this rule was promulgated at a time when the housing market was inflated and consequently property flipping was more prevalent and profitable. The proposed rule would give HUD the discretion to reactivate the time resale restrictions if HUD determines that activation is necessary to protect the FHA insurance fund and consumers. HUD determined that the current market has changed to such a degree that the time resale restrictions are currently impractical and impede rehabilitation of foreclosed and abandoned homes. With the downturn in the housing market, acquisition and resale of properties is an important part of stabilizing the market.

ALTA will continue to follow these proposals. If you have any feedback regarding FHA's proposed plan, contact Justin Ailes, ALTA's vice president of government affairs, at *jailes@alta.org*.

ALTA Supports Efforts to create a U.S. Covered Bond Market

ALTA supported the efforts of U.S. House Financial Services Committee in considering legislation that would create a covered bond market to provide liquidity for commercial real estate.

Co-sponsored by Reps. Scott Garrett and Carolyn Maloney, the U.S. Covered Bond Act of 2011 (H.R. 940) would include high-quality commercial mortgages and commercial mortgage-backed securities (CMBS) as eligible collateral in a newly created framework for covered bonds.

ALTA encouraged the House Committee on Financial Services to move H.R. 940 forward in order to promote investor confidence in covered bonds, which in turn would provide liquidity and support credit availability in the commercial real estate (CRE) market. The committee voted 44-7 in June to approve the bill.

Last year, the CMBS market accounted for $11.6 billion in issuance. It's expected to reach $35 billion this year. These levels are insufficient to service CRE debt, and a covered bond market could provide additional liquidity to meet this need. A comparable covered bond market already exists in most European countries.

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ALTA Transitions to New CEO

ALTA announced July 27 the appointment of Michelle Korsmo as its new chief executive officer, effective Aug. 1.

Korsmo replaced Kurt Pfotenhauer, who took a position with a large publicly traded company as executive vice president and vice chairman.

Korsmo, who has been serving as chief operating officer for ALTA, joined the association in 2008 when she was named senior vice president, marketing and member programs. Since coming to ALTA, Korsmo has helped guide the association to record membership and revenues, while increasing contributions to the Title Industry Political Action Committee.

"Title insurance plays an important role in protecting homebuyers and I am honored to have been selected to lead an association for an industry that is essential to the home buying process," Korsmo said. "With record membership and financial stability, ALTA is well positioned to represent the land title insurance industry in a time when the real estate market remains fragile."

During her tenure, ALTA instituted an industry-wide licensing program providing non-dues during a critical time in the life of the association as the industry works through the depressed housing market.

"I look forward to building upon our strong foundation and continuing to improve our deliverables to members in the industry," Korsmo said.

Korsmo came to ALTA after serving as executive vice president of Americans for Prosperity Foundation (AFPF), where she doubled the size of the organization in two years by expanding its face-to-face grassroots capability, growing AFPF's state efforts, and strengthening AFPF's institutional resources. While at AFPF, Korsmo led several successful campaigns involving state and federal tax and budget policy issues.

For more on the CEO transition, please see Kurt Pfotenhauer's final publisher's message on Page 5 and a note from ALTA President Anne Anastasi on Page 30.

Wading Through the Mortgage Disclosure Quagmire

CFPB Rolls Out Initial Mortgage Disclosure Prototypes as Title Industry Braces for Another Painful Round of RESPA Reform

It's been nearly two years since the Real Estate Settlement Procedures Act (RESPA) was reformed and HUD began requiring the use of a new Good Faith Estimate (GFE) and a new Settlement Statement, which transformed the HUD-1 from a disbursement document to a form with aggregated lines designed to help consumers shop for settlement services. While it's debated whether or not this has helped consumers shop (it's been reported that 56 percent of buyers say they did no comparison shopping when obtaining a loan), one positive that came out of the new GFE was Owner's Title Insurance being quoted on the form. That led to a boon for some title agents. >>

By Jeremy Yohe

REDBUD
DOGWOOD
FICUS
PECAN

"It was totally unexpected, but I had one of my best years in 2010, and it was due to selling more Owner's Policies than ever before," said Pam Daley-Jennings, owner of First Lima Title Agency in Lima, Ohio.

The benefits seem to stop there, however, as Daley-Jennings echoes the thoughts of many in the industry that the forms have been a nightmare to use.

"Between dealing with various lender interpretations on where figures should go and contending with confused homebuyers at the closing table, it's been a frustrating transition," she said. "And now to think we may soon have to contend with new forms seems a bit daunting."

Authority over RESPA and the Truth in Lending Act (TILA) was transferred to the Consumer Financial Protection Bureau (CFPB) on July 21. Mandated by the Dodd-Frank Act, the CFPB is required to integrate and simplify mortgage disclosures by combining the two-page Truth in Lending disclosure and the three-page GFE.

The CFPB has taken a new approach in developing the integrated disclosure form and getting feedback from the industry and consumers. On its website, the CFPB said it would conduct five rounds of this testing in six cities to get feedback on its proposals. After consulting with other regulators and small businesses, the CFPB plans to issue a proposed rule and give the public a chance to submit written comments on the revised form. The Bureau will allow one final chance to weigh in on the proposed final design. After that, the CFPB will go through the comments, make any needed changes, possibly do one last test, and come out with a final rule unveiling the completed version of the form. Dodd-Frank requires the CFPB to produce an integrated form by July 21, 2012.

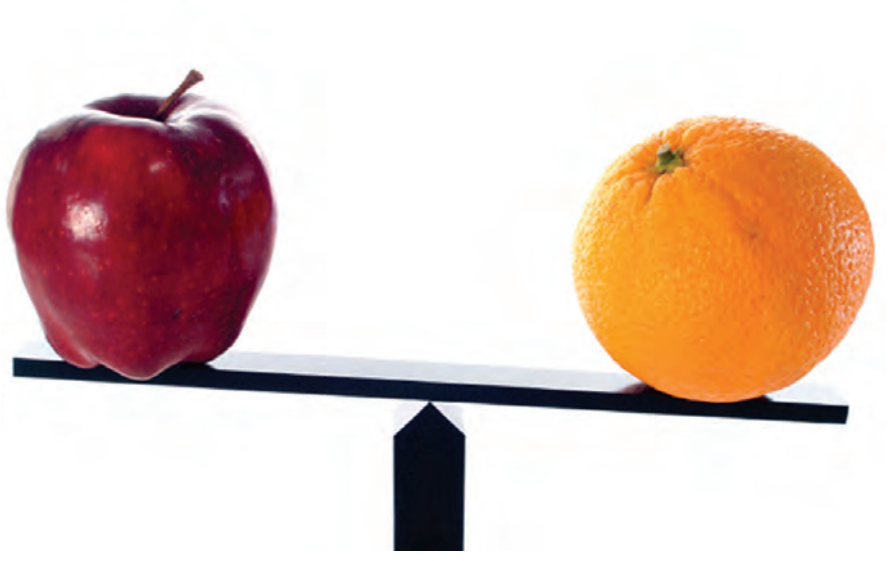
First Iteration

On May 18, the CFPB unveiled two versions of its initial mortgage disclosure proposal. The prototypes, called Ficus Bank and Pecan Bank, dealt with the origination of a 30-year adjustable rate mortgage. The CFPB received more than 13,000 comments from consumers and industry representatives who took the opportunity to review the first iteration of the disclosure.

After an initial review of the forms, ALTA's RESPA Task Force (Task Force) preferred the layout of Ficus Bank compared to Pecan Bank, but one of the concerns the Task Force had with these prototypes was the use of the term "Non-Required Services" when referring to Owner's Title Insurance on Line D on the back page of the form. Phil Janny, a title insurance agent and certified land title professional for Plunkett & Graver, P.C. and president

Get Involved

If you remember the headaches caused by HUD's RESPA reform in 2009, it is vital ALTA members provide feedback to the CFPB on how these new forms will impact real estate closings and business operations. ALTA encourages members to engage in the process by signing up for CFPB updates and offering feedback when the bureau releases its next iteration of the disclosure form in August at *www.consumerfinance.gov*. Comments may also be sent to ALTA at *respacomments@alta.org*.



of the Pennsylvania Land Title Association, had the same concern, saying the CFPB's use of the term "Non-Required Services" is a strong choice of words.

"By reading those words, the average homebuyer is going to assume that the CFPB doesn't think this product has any value," Janny said. "Clearly, lenders want coverage and see the value of a Lender's Policy, one would think that the Consumer Finance Protection Bureau would also advocate for the best interest of the consumer."

The Task Force suggested using an alternative term such as "Additional Protections" or "Recommended Services," so the value of coverage can be better explained to consumers and it's consistent with HUD's Settlement Cost Booklet, which encourages consumers to purchase Owner's Title Insurance policy, indicating: "If you want to protect yourself from claims by others against your new home, you will need an owner's policy."

"Disclosure forms should avoid prejudicial phrases that could imply that a particular service is of less value to consumers," said Anne Anastasi, president of ALTA. "We know as a result of the robo-signing and foreclosure crisis that purchasing Owner's Title Insurance is a prudent decision that is in consumers' best interests. We encourage policymakers to find alternative terms when describing these types of services. How can we say we want to protect consumers when an unfortunate choice of wording could lead to a misinformed decision?"

To improve the look of the first round of forms, the Task Force suggested including the header (bank name, loan officer, etc.) on both pages. While this form is envisioned as a two-sided single sheet of paper, providers will likely distribute this sheet as two single sided sheets of paper. The Task Force said it would be useful to have the header on the first and second page for instances when the two sheets get separated. Further, moving the "Important Dates" information into the header might be useful to make that date more prominent to consumers.

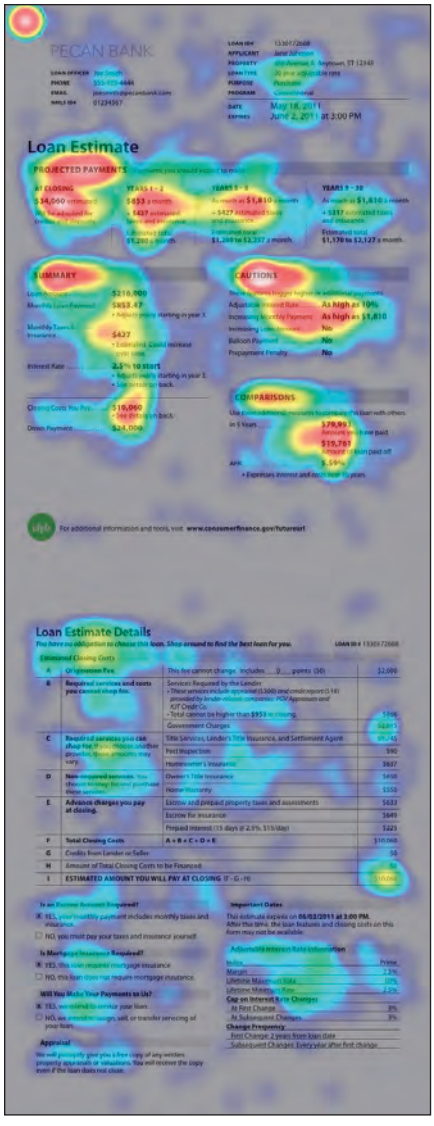
The Task Force concluded that neither form does a good job of disclosing the cost of mortgage insurance. Mortgage insurance payments should be clearly disclosed in Key Loan Terms, instead of being lumped together with other insurance, according to the Task Force. Further, the estimated date when the consumer will obtain enough equity to alleviate the requirement for mortgage insurance should be referenced in the Projected Payments section to help consumers better understand how and why their payments might change. Currently, the projected payments show a $110 dollar decrease in years 9-30, which appears to be attributable to the expiration of the mortgage insurance requirement.

Heatmap Highlights Trends

After the CFPB released its first round of forms, it compiled a heatmap, which displayed in a graphic what portions of the forms caused the most concern. This allows the CFPB to see, at a glance, what areas of the draft disclosures attracted the most and least attention.

Based off the heatmap, respondents were interested in the bottom line. The full loan amount at the top of the page, the projected payments section at the bottom of the page, and the estimated closing payment on the second page all received significant attention, the CFPB said.

The CFPB received 7,000 responses from consumers regarding the first round of the draft disclosures, while more than 5,000 responses came from industry participants. The Bureau



▲ The CFPB has tracked what parts of the prototypes attract the most attention.

said the Cautions, Key Loan Terms section on the Ficus form, and the Summary section on the Pecan form, collectively received 31 percent of the comments. Many thought these sections were useful, but that the information was not clear or easy to understand.

The second most talked-about part of the first wave of forms was the Projected Payments section, receiving 20 percent of the comments. Again, many people found this section useful; however, many found the way the CFPB presented the information was unclear.

The Comparisons section attracted a lot of interest (8 percent of comments), because it could be used in shopping for loans, but the CFPB used language in its first attempt that caused confusion.

Second Iteration

On June 27, the CFPB released its second round of prototypes, this time concerning adjustable-rate mortgages. In the first round, the back page was the same on both versions. The front page – the "shopping sheet" – was different. In this round, the first page was the same on both versions, and the CFPB's focus was on the back page, which deals with closing costs. The Bureau reported it received more than 4,000 comments during this round.

The revised first page featured the dark tabs and yes/no buttons from the Ficus Bank draft from Round 1. The CFPB said both Round 1 forms generally performed well, but some groups of consumers found the Ficus Bank format easier to use, so it kept many of the Ficus design elements.

Because these forms, called Redbud Credit Union and Dogwood Credit Union, were completely different than the first round of forms, it made it difficult for the Task Force to discern if the CFPB was responsive to feedback during the first found. After an initial review, the Task Force concluded that the layout of the Dogwood prototype makes it easier to read; however, the itemization and transparency of the Redbud prototype provides the consumer better information about estimated closing costs.

> The CFPB has once again marginalized the value of an Owner's Policy by indicating it is a service that is "not required" on the back of the second iteration of the prototypes.

The Task Force also concluded the CFPB took its advice on Page 1 and included a total number for the projected cash a borrower needs at closing. On the initial draft forms, the principal, interest, taxes and insurance were singular numbers and the consumer was left to add up the projected payments section.

While this was a small improvement to provide clarity, the Task Force believes the wording of these forms discourages consumer shopping and takes a step back in helping consumers understand closing costs. The CFPB appears to be taking items which are not uniform across the country and trying to make them uniform. Examples of this include Owner's Title Insurance, simultaneous issue pricing methods for title insurance, title commitment letter versus binder and surveys.

In the second round, the CFPB has once again marginalized the value of an Owner's Title Insurance Policy by indicating it is not required on the back page in Section F. This wording will discourage consumers from considering a service that will protect their investment. The Task Force questions why surveys and pest inspections are not marked in the same manner as these are services not required in every state. If a consumer is stretched financially to close a loan, and there is an opportunity to save $950, they will go for the house and not purchase an Owner's Policy, the Task Force indicated.

Another area on Page 2 that remains confusing is the information about the Index and Margin in the Adjustable Interest Rate Information section, the Task Force said. The reference to LIBOR will only cause

confusion. Consumers should be told the LIBOR rate they are getting. There is no way a consumer could figure this out without a computer and Google. Maximum interest rate and minimum interest rate are more useful than Index and Margin.

Ann Stuart of McColly Community Title in Chicago said the prototypes are a step in the right direction in making the TIL easier to understand. She said some borrowers bit off more than they could chew during the housing bubble, but believes "many were talked into loans they could not afford by greedy mortgage brokers."

"I've been explaining the TIL to borrowers for well over 25 years," she said. "It does need to be easier to understand without someone explaining it."

Banking Industry Reacts

Lending trade associations have chimed in as well. Both the Mortgage Bankers Association (MBA) and American Bankers Association (ABA) raise operational concerns and implementation challenges posed by the formatting of the forms.

"Many systems are incapable of providing a double-sided disclosure," said Stephen O'Connor, senior vice president of the MBA. "Also, we understand many systems are unable to provide the different sized and color fonts, shading, vertical dots and shapes including circles and arrows."

MBA members have indicated that programming gray circles with white text in them requires complex programming and is infeasible for many document systems. O'Connor also noted the MBA is concerned how different products and types of originations would be disclosed using these prototypes.

"It is unclear how temporary buy downs, one-time closing construction permanent loans, broker transactions and second-lien loans would be disclosed using these forms," he said.

The ABA agreed with the MBA's assessment on the difficulty in producing the forms, indicating the association's members said that many core processors and form vendors were unable to reproduce the tabular formatting requirements. The ABA recommended that the CFPB not require that the form be printed on one page, using the front and back of one sheet of paper, as this presents challenges for copying and electronic imaging of the form.

ABA members agree the form should include an itemization of estimated closing costs; however, the association is concerned the form may lack sufficient space to itemize all closing costs, and urges the Bureau to make the closing cost section expandable, as necessary to permit itemization.

"Bankers believe that to enhance consumer understanding of the costs of a mortgage transaction, the estimated closing costs section of the form should clearly delineate between closing costs, prepaid items and required services," the ABA said in a letter to the CFPB.

Credits Cause Confusion

In many parts of the country, a number of fees that must be listed on the GFE are actually paid for by the seller instead of the buyer in the transaction. Despite this, the latest RESPA regulation includes strict rules that require that these fees be disclosed to consumers as a buyer-pay. While appropriate credits are given on other lines of the proposed combined disclosure, this unnecessary confusion must be explained to consumers.

One example of this paradox is Owner's Title Insurance. The inclusion of Owner's Title Insurance in the prototypes as a borrower's cost is problematic given the differing local practices on the payment of the owner's title policy premium. In states such as California and Pennsylvania, rates are all-inclusive, meaning the search, examination

Questions For The Bureau

ALTA recently sent a letter to the CFPB seeking answers to several questions, including:

- How does the Bureau go about reviewing comments? Does it select a sampling of or read all of the submissions through the "Know Before You Owe" portal?
- Is the Bureau considering both substantive and formatting comments? If not, when should interested parties submit those comments?
- When will consumer testing of these forms begin? What processes will be used?
- What is your timeline for completing this project? Currently, the Bureau has only produced drafts of an initial disclosure combining the Good Faith Estimate and Initial TIL. When will a corresponding final disclosure be produced?

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and insurance costs are combined in the single premium number for the owner's policy issued.

According to Joseph McCabe, president of the California Land Title Association and executive vice president and general counsel for WFG Title Insurance Co., the premium for owner's title insurance is customarily paid by the seller in a purchase transaction in about half of California's counties, including all of the highly-populated counties of Southern California.

"Therefore, the inclusion of the entire owner's premium amount as a buyer's closing cost on the new form results in the continuation of the present confusion mandated by the GFE instructions of HUD and compounded by a convoluted adjustment process on the HUD-1," McCabe said. "More importantly, the inclusion of such charge in this new form would continue the confusion of borrowers, negating or at least ameliorating the benefits of a revised form."

Currently, lenders are instructed to place the entire owner's title premium amount in box 5 of the GFE "regardless of whether the providers are selected or paid for by the borrower, seller or loan originator." For completion of the HUD-1, settlement agents are instructed: "However, in order to promote comparability between the charges on the GFE and the charges on the HUD–1, if a seller pays for a charge that was included on the GFE, the charge should be listed in the borrower's column on page 2 of the HUD–1. That charge should also be offset by listing a credit in that amount to the borrower on lines 204–209 on page 1 of the HUD–1, and by a charge to the seller in lines 506–509 on page 1 of the HUD–1."

"Not only does this create confusion, but the consumer starts to question the honesty of the transaction when we have to say, 'we are showing this fee on your side of the sheet but you will get a credit back on another page,'" Anastasi said.

Disclosure of escrow or settlement fees also seems to be problematic due to custom and practice regarding who pays the fees. Transactions in more than 75 percent of California counties, by custom and practice, split the escrow fee evenly between buyer and seller, according to the CLTA.

"Therefore, unless the lender is instructed to include only the buyer's portion of such fees on the new disclosure, an inaccurate number, or cumbersome work-around of 'seller credits' similar to that used for owner's title insurance, will be required in order for borrowers to obtain an accurate amount for 'Cash Needed to Close' in the new combined form drafts," McCabe said.

Further research by the CLTA found that the buyer never pays transfer tax in any county in California. Therefore, the inclusion of such a charge on the initial disclosure as a buyer's settlement charge is a complete misnomer for the thousands of residential purchase transactions closed in California every year. Again, the inclusion of transfer tax as a buyer's expense in the new form would require yet another work-around to accurately reflect the final number for cash necessary to close the transaction.

"Usage of a disclosure form in which as much as 25 percent of the disclosed settlement charges are actually not a cost of the borrower, requiring subsequent credit adjustments to accurately reflect the actual transaction, is simply not a prudent direction," McCabe said. "We believe that the only borrower charges that should appear on either an initial disclosure or a final HUD-1 should be those likely to be charged and actually incurred by the borrower."

"Usage of a disclosure form in which as much as 25 percent of the disclosed settlement charges are actually not a cost of the borrower ... is simply not a prudent direction."

Where's the HUD-1?

One of ALTA's concerns is how these draft disclosures will interact with the HUD-1. Effective disclosure requires that consumers obtain necessary information throughout the mortgage and real

estate transaction. Thus, there should be some interplay between disclosures that provide initial estimates of a transaction and the disclosures that provide final costs.

ALTA's RESPA Task Force attempted to address these questions in draft disclosure forms that they developed at the request of CFPB staff earlier this year. In ALTA's draft disclosures, the Task Force took care to ensure that the forms looked as consistent as possible to make it easier for consumers to compare the initial and final disclosures. This consistency allows consumers to easily discern how accurate some estimates are, and this permits them to ask appropriate questions to understand the differences in quoted charges of their mortgage and real estate transactions.

Under current RESPA regulations, the GFE and HUD-1 work hand-in-hand to guide the consumer throughout the mortgage and real estate transactions.

Many of the line items on the HUD-1 include references to the GFE. Further, many of the estimates in the GFE are linked to the final figures in the HUD-1 through the concept of tolerance. ALTA recommends that the CFPB conduct consumer testing on the value of these links for consumers.

One of the drawbacks of the current HUD-1 is the lack of a simple closing statement or disbursement sheet. ALTA strongly encourages the CFPB to produce a new HUD-1 Settlement Statement that serves as a disbursement sheet to identify all disbursements in to and out of escrow.

"Improving transparency by itemizing costs will help consumers understand their entire transaction," Anastasi said. "Just like when you go out to dinner, your check doesn't just give you a total price. Rather, each item is listed giving you a breakdown of what you pay for."

The CFPB claims prototypes for a new HUD-1 are expected later this year.

"Improving transparency by itemizing costs will help consumers understand their entire transaction. Just like when you go out to dinner, your check doesn't just give you a title price. Rather, each item is listed giving you a breakdown of what you pay for."

Going Forward

Kelly Thompson Cochran, deputy assistant director for the CFPB, said the bureau will spend the next few months accelerating its work on regulations associated with the proposed mortgage disclosure forms and will consult with a panel of small businesses to discuss any unforeseen consequences the forms could have on the marketplace.

While this is only the first step in a long process, ALTA is encouraged that the CFPB has taken a collaborative approach by working with the industry because this disclosure form needs to be created in a way that is beneficial to consumers and industry stakeholders. ALTA will continue to provide feedback on future versions of the forms. The real test will be whether or not the CFPB is as collaborative and open to industry input at the end of this process as it seems to be at the beginning.

"Equally as important as the CFPB's willingness to listen to constructive feedback, is their desire to work together to make sure that they get this reform right and implement it smoothly," said Justin Ailes, ALTA's vice president of government affairs. "Once a new form is settled on, the industry will need enough time to prepare for its use. It was only last year that new settlement documents became mandatory due to changes to RESPA. This reform overturned 35 years of certainty in the form of law, practice and judicial opinions, and forced companies to spend a great deal of time and money overhauling operations in order to produce the new documents."

Title, Settlement Agents Must Pay Close Attention to Lender Instructions or Face Risk of Increased Liability

Many settlement agents do not read lender instructions. They simply look at the figures and what it takes to close the transaction. What they don't realize is that they could be incurring more liability than they know. To avoid this, settlement agents need to know how to interpret lender instructions to avoid potential pitfalls.

According to David Townsend, chief executive officer of Agent's National Title Insurance Co., lender's instructions should be reviewed very carefully before settlement agents accept and act on them.

"If a lender is new to an agent's area, the agent should ask for its standard closing instructions and review it before hand," Townsend said. "Agents should keep files of general lender instructions. It's a best practice to keep a bank of these because everyone wants something a little different. Such instructions are often carelessly drawn and incomplete."

Townsend said it's not unusual for the lender to require title insurance coverage which must be carefully considered prior to the closing. One of the most common dangerous loan instructions states: "You may close this loan when you are prepared to insure the mortgage as a valid first lien."

Instructions such as these are not satisfactory because there are almost always some exceptions which will be put in the title policy, and these instructions put the burden on the closer to determine which exception, if any, will be acceptable to the lender, Townsend said.

The failure to follow loan closing instructions explicitly may result in losses due to one or more of the following:

- Defects in the quality of the lien to be insured;
- Title insurance coverage unacceptable to the lender;
- Failure to qualify the loan for FHA insurance or VA guarantees when these are applicable; and
- Failure to qualify the loan for purchase by Fannie Mae or Freddie Mac on the secondary market.

When settlement agents undertake to close a loan for a lender, they do as the agent of the lender. This is distinguished from the mutual agency relationship agents have with a buyer and seller in a typical sale closing.

As the agent for the lender, title agents may act only at the direction and authorization of the lender. They may not accept instructions from any other party or the borrower to change the lender's instructions or the conditions of the closing. Settlement agents should not accept instructions from any other agency that would be in conflict with the obligation to the lender.

"As settlement agents we have no discretionary authority and should not deviate from the lender's instructions in our performance," said Bill Burding, executive vice president and general counsel of Orange Coast Title Co. "If unforeseen problems arise prior to the closing, a settlement agent should get additional instructions from the lender."

A settlement agency closing a loan for the lender has no relationship with the borrower for a transaction until it is closed. Settlement agents may not accept or act upon instructions from the borrower relative to the loan closing or on obligations to the lender.

"Once a loan is closed, the funds belong to the borrower and no longer belong to the lender," Burding said. "We may hold these funds under instructions from the lender which requires us to pay off prior liens, pay recording fees and pay other settlement charges, but it should be clear that we are doing so with the borrower's money."

Any failure on the settlement agent's part to make such payments carefully and properly may make them responsible to borrower and lender alike. The net loan proceeds held by the settlement agent (that is, those which are not held for lien pay-offs and settlement charges) are payable at the direction of the borrower after the loan closing.

Townsend said settlement instructions from lenders should be clear and complete. It is not proper for a loan to be closed on the basis of oral instructions or general understandings. As the settlement agent for the lender, agents should follow the instructions from the funding lender, i.e. investor, not the mortgage broker.

"Instructions that authorize you to close a loan when you are prepared to insure the loan as a 'valid first lien' are not adequate," Townsend said. "The lender should qualify this instruction by references to specific exceptions in the title policy or by a written acceptance of the title as shown in the preliminary commitment."

In many areas it is customary for the lender to authorize the loan closing when the transaction is insured as a "valid first lien." The funding of the loan is taken as acceptance of the title shown in the preliminary, which may have several special exceptions listed.

"This practice assumes that the lender will have objected to the title prior to the closing or will not fund the loan until the title is acceptable," Townsend said. "While this kind of negative acceptance practice is often routine, it is not a good manner of doing business. Closers should make every effort to secure an affirmative acceptance of the title even in cases in which the title appears to be within the past standards of the lender."

"If there are questions about the requested coverage, an agent should ask their office manager and advise the title underwriter of any special coverages required as soon as possible."

Burding added that settlement closers must be alert to the special title insurance coverages that may be required by a lender. Generally, these matters are disclosed in the loan instructions. However, a closer should be alert to the business practices of the lender, the matters disclosed on surveys or affidavits of the borrower, for the purpose of anticipating a title problem.

"If there are questions about the requested coverage, an agent should ask their office manager and advise the title underwriter of any special coverages required as soon as possible," Burding said. "Insurance related to zoning, usury, set back violations, restrictions and mechanic's

liens, etc., may require time and research to provide, if it is even available. Underwriters should be given as much lead time as possible."

Settlement closers should consider that invariably, when a loan is closed, they have insured it as shown in the preliminary commitment. Townsend advises not to close a deal until all underwriting matters and requirements have been resolved to your satisfaction.

Lenders must provide good funds in the form of a cashiers check, draft or wire prior to the closing of the loan. Closers should prefer a wire and all lenders funds should fall within the definition of good funds as defined in the state where the property is located. That is to say, no disbursements should be made by the settlement closer until the loan is funded.

If a loan is made for the purpose of purchasing real estate, then the settlement closer has a burden to properly coordinate the two transactions. Obviously, acquisition of the title by the borrower is a primary condition of the loan closing and the settlement closer must determine that this condition has been met.

"When a title or settlement agent is closing both the sale and the loan, coordination of the two transactions should be relatively simple," Townsend said. "However, if an agent is only closing the loan, then the settlement closer should be alert to special risks which may result."

Townsend added that if, as the settlement agent for the lender, an agent is asked to act on their own discretion to deliver funds or instruments to another settlement agent, which is closing the sale, "then the agent is probably assuming the risk of improper performance of the other settlement agent."

"For example, if the sale closer is to pay off a prior lien and fails to do so, the agent very well may be responsible unless the lender has authorized them to deliver funds to the sale closer," Burding said. "Procedures regarding split closings vary depending on what region of the state your office is located. Agents should contact their escrow manager or underwriter if they have questions."

In today's market everyone is seeing more short sales, which is

usually a long and complex process and the closer must work closely with the real estate agent and the lender. Settlement agents also should read carefully through lender instructions for short sales as there are some lenders putting increased liability on agents. Settlement agents should make suggested changes and discuss these with the lender before signing anything they feel unsure about.

"The short sale lender approval letter and instructions must be complied with – if they aren't then a payoff may be rejected," Burding said.

Some short sale addendums to the purchase agreement include clauses indicating the parties agree that the property is being sold through an arm's length transaction. The clause requires that the buyer and seller are unrelated, have never done business before and don't know anyone that might relate back to the transaction. Lenders are requiring escrow and closing agents to sign varying interpretations of these instructions putting liability on the closing agent that the deal is on the up and up and there is no collusion. These types of addendums to the purchase agreement are popping up across the country, including California, Florida and Ohio.

"Title companies have no idea if the buyer and seller are related, yet lenders are asking us to sign the documents," Burding said. "In many instances, lenders are putting in language that the escrow officer will be signing on behalf of the company and occasionally will be signing in a personal capacity."

While it has made transactions more difficult, Burding has instructed Orange Coast escrow officers not to sign these addendums without prior approval from senior management or the legal department. Orange Coast works closely with its lender clients to modify the addendums where possible.

"We have this issue on almost a daily basis, but have been able to make standardized changes," Burding said. "On the whole, our lenders have been receptive to this, but there are some lenders where they will not modify their instructions and we have to make a business decision whether to close the transaction."

Burding advised that closing agents and escrow officers work with their lender clients because more are allowing modifications and to carrot in changes to the instructions.

Lenders are requiring escrow and closing agents to sign varying short sale addendums to the purchase agreement putting liability on the closing agent that the deal is on the up and up and there is no collusion.

"We've made changes, and then six months later, see the changes adopted into their general forms," he said. "We work closely with our lender clients in order to have documents that protect every party to the transaction."

Preserving Your Agency's Value in a Crisis

When your title agency hits a business iceberg, gaps in legal agreements, accounting practices and daily operations can damage your negotiating position and create bottomless pits of legal bills.

Joe Piernock, president of Corporate Development Services, said there are simple, day-to-day behaviors that a title agency owner should follow to prepare for an eventual sale, lawsuit, shareholder/partner dispute, owner's divorce, retirement or estate resolution. He warned that title agencies can lose large blocks of cash in these extraordinary events if they do not pay attention to a few ordinary details.

"Please prepare in advance. Business value determinations are required more often than you think," he said, "Unfortunately, once you need a valuation, it's too late to get your house in order."

The stakes are high even under friendly circumstances. For example, in a sale to a third party, the business value being purchased must be absolutely clear to the buyer. Uncertainty decreases the buyer's confidence in expected return, increases resources to conclude the sale, extends the negotiation period and pushes risk-averse buyers away from the table.

"I was involved in a deal where both parties knew that a company was profitable, but the books were disorganized and the buyer walked away," Piernock said.

Things become more serious in unfriendly negotiations. More parties become involved, and gaps quickly become expensive. Piernock urges title agency owners to continuously allocate amounts of resources to maintain tight tolerances and clarity within the company. Uncertainty in operations can result in less return in a sale, wasted resources on negotiations, runaway legal bills or unfavorable court outcomes.

"Once you get into court, it is amazing what they misunderstand," Piernock said. "Especially regarding an industry they know nothing about."

Piernock warned that uncertainty weakens your argument, opens the door for unnecessary compromises, requires more expert testimony and allows the opposition to pick and choose between different positions taken by the company.

Sources of uncertainty can be found in a title agency's paperwork, finances and owner's actions. Small weaknesses in these areas are magnified by the varied interpretations always found in applicable case law. Piernock advised that, "Good fences make good neighbors."

Corporate contracts and shareholder/partnership agreements often include value provisions. They normally specify a method to calculate company value if it is dissolved or if one of the partners dies. If your paperwork includes such a provision, Piernock recommends finding an expert to help your attorney clearly define your intent. He said agents should not gamble on generic definitions used within a state or legal jurisdiction. Agents should guarantee their wishes cannot possibly be misunderstood. In particular, he cautions that these agreements often describe a

company's worth as "fair market value."

"Fair market value has a very specific legal meaning that is often unfair," Piernock said. "Title agency owners should be very careful if a contract includes this wording since it often is meant to guide income and estate tax calculations not the true value of a company."

He also said that agent/underwriter agreements are usually less risky since they are normally boilerplate. However, they can include outdated provisions that should be negotiated away. The most serious example is a "Most Favored Nation" clause that requires an owner to offer any negotiated sales price to the underwriter too. This can poison other negotiations since the underwriter must be presented with any deal settled with the outside party.

"This dilutes the value of your title company if it exists in your underwriting agreement," Piernock said.

Operational behavior also affects certainty. To reach the Holy Grail of financial reporting, revenue and variable cost should be linked to every piece of business.

"For every order that comes in, you should know how much you made or spent on that order," Piernock said.

Although only 5 percent of his clients achieve such performance, Piernock recommends that agents measure profitability by customer, region, project and market segment. Period costs also should be clearly tied to business decision points. Items such as marketing and auto expenses should be labeled with detail. Company funds must be clearly segregated from client funds. In complex organizations with affiliated businesses, it is important to match income and expense entries between related entities so that they balance.

"You would be surprised what brothers, sisters and partners who have known each other for 30 years will do to each other when they get into a fight."

It might seem counterintuitive, but it is important to avoid scattering quasi-personal expenses all over the P&L. "When a company is owned by a handful of people, owners spend company money on things that the opposition might construe to be personal," Piernock said. "This is fine, but be consistent. If you put that expense in Account A once, do it that way every time. If it bounces around, it looks like you are trying to hide expenses, and such sloppiness plays out as a conscious effort to deceive the court."

On the balance sheet, Piernock recommends retiring fixed assets that no longer exist. Simple depreciation can create controversy between expert witnesses. Piernock also said to make sure to track leaseholder improvements separately and deduct escrow liability from escrow funds to show only the net amount.

"Many agencies feel that it is OK to list all escrow deposits as an asset on the balance sheet as long as they include the offsetting escrow liability," he said. "This makes the balance sheet look strong with extra assets, but it unconsciously raises the high bar in the opposition's mind. The net difference between escrow deposits and liabilities is all that should appear on the pro forma balance sheet."

Piernock said that consistent management behavior is essential. Title company owners must remain consistent in their financial and operational actions so that someone cannot take instances of differing behavior and play them off each other.

"I've seen owners get hammered because they innocently treated similar incidents in different ways over the years," Piernock said. "This opens the door for interpretation. Once the disputing parties start arguing the intricacies of title operations, court decisions can go either way."

Piernock warned that business is business and all agreements must be in writing.

"You would be surprised what brothers, sisters and partners who have known each other for 30 years will do to each other when they get into a fight," he said. "If they had negotiated clear paperwork when things were calm, there would have been less of a battle when things got difficult."

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A.M. Best Affirms Ratings of Fidelity, First American Underwriters

A.M. Best Co. has affirmed the financial strength rating of A- (Excellent) and issuer credit ratings (ICR) of "a-" of Fidelity National Financial Group (Fidelity) and its four title insurance members as well as First American Title Insurance Group (First American) and its member companies.

According to A.M. Best, the ratings reflect Fidelity's adequate capitalization and strong market profile as the largest title insurance group in the United States. The stable outlook is based on Fidelity's improved trend of risk-adjusted capitalization, lower premium leverage and the support it receives from FNF.

In 2009 and 2010, the group was able to reduce premium leverage measures through organic surplus growth from improved operating earnings, along with a moderate decline in premium writings, according to A.M. Best. FNF's financial leverage measures, which had been elevated in recent years primarily due to increased borrowings to support liquidity levels, have been reduced mainly due to the issuance of more than $300 million in new common stock in 2010, the proceeds of which were used exclusively to pay down a portion of the company's existing debt.

Meanwhile, A.M. Best said the ratings reflect First American's significant market presence within the title industry as well as its significantly improved underwriting leverage measures. The group maintains a strong franchise value and benefits from the financial flexibility and operational support from First American Financial, which maintains modest financial leverage. First American's underwriting leverage measures improved significantly in recent years, due to surplus growth combined with declining premium volume, the rating company said.

These positive rating factors are somewhat offset by First American's challenging operating environment, which is reflective of ongoing profitability concerns due to a significant softening in real estate markets that has negatively impacted title premium revenues in recent years.

Title Company Obtains License in 14 states

Advantage Title, a provider of title insurance and escrow services, announced its national expansion with full licensing in the following additional 14 states: Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, New Jersey and New York. These markets are in addition to California.

Currently, Advantage Title has licenses pending in 10 additional markets.

"Advantage Title's national expansion is an important piece of our ability to service national lender and REO clients," said Michael Tafoya, CEO of Advantage Title and Title365.

Stewart Subsidiary Helps Belize Empower Land Owners

The Ministry of Natural Resources and the Environment of Belize, in collaboration with Inter-American Development Bank (IADB), have awarded Stewart Global Solutions, a division of PropertyInfo Corp., a wholly owned subsidiary of Stewart Information Services Corporation, the Land Management Program III–Expansion of the Land Information System contract. This contract is part of the third phase of Belize's National Land Management Program (LMP), intended to develop a national land policy framework focusing on both private and public sector development through secure land tenure. Stewart began work in Belize in 2006.

FinCEN Reports Mortgage Fraud up 31 Percent in the First Quarter of 2011

Suspicious activity reports (SARs) relating to potential mortgage loan fraud shot up 31 percent in the first quarter compared to the same period last year, the Financial Crimes Enforcement Network (FinCEN) reports.

FinCEN reported 25,485 SARs related to suspected mortgage fraud in the January-March period. That was up from 19,420 in the same quarter a year earlier.

The increase was attributed to large mortgage servicers performing thorough reviews of loan files after receiving demands from mortgage investors to repurchase mortgages that have fallen into default. In January, Bank of America agreed to pay Fannie Mae and Freddie Mac $2.8 billion to cover bad mortgages the government-controlled agencies purchased from the bank's Countrywide Financial mortgage unit.

Repurchase requests covered in the fraud report mostly involve activity that occurred in 2006 and 2007, James Freis Jr., FinCEN's director, indicated in a statement. In the January-March period, 86 percent of mortgage-fraud reports involved activities that occurred more than two years ago.

"The industry is slowly making its way through the most problematic mortgages," Freis said.

The report also noted that fraud is occurring among newer loans. For example, the report identified instances in which foreclosed properties are sold at an artificially low price to a straw buyer, who turns around to sell the property for a quick profit.

Top Metro Areas for Mortgage Fraud Per Capita
1. San Jose/Sunnyvale/Santa Clara, Calif.
2. San Francisco/Oakland/Fremont, Calif.
3. Los Angeles/Long Beach/Santa Ana, Calif.
4. Riverside/San Bernardino/Ontario, Calif.
5. Sacramento/Arden/Arcade/Roseville, Calif.
6. Miami/Ft. Lauderdale/Pompano Beach, Fla.
7. San Diego/Carlsbad/San Marcos, Calif.
8. Las Vegas/Paradise, Nev.
9. Atlanta/Sandy Springs/Marietta, Ga.
10. Salt Lake City, Utah
11. Chicago/Naperville/Joliet, Ill.-Ind.-Wis.
12. Washington/Arlington/Alexandria, D.C.-Va.-Md.-W.Va.
13. Tampa/St. Petersburg/Clearwater, Fla.
14. New York/Northern New Jersey/Long Island, N.Y.-N.J.-Pa.
15. Orlando/Kissimmee, Fla.
16. St. Louis, Mo.-Ill.
17. Seattle/Tacoma/Bellevue, Wash.
18. Phoenix/Mesa/Scottsdale, Ariz.
19. Richmond, Va.
20. Denver/Aurora/Broomfield, Colo.
Source: FinCEN

Data Trace Increases Geographic Coverage

Data Trace Information Services LLC, a national provider of data services to the settlement services industry, announced the integration of Nazca Solutions' eVTP platform into its suite of products.

Available on the Web, NazcaeVTP.com is a platform that allows for virtual searches of property data and title records in more than 72 counties. This addition increases Data Trace's geographic coverage to more than 320 counties.

Colorado Names New Insurance Commissioner

Gov. John Hickenlooper announced that Rep. Jim Riesberg will be the state's new commissioner of Insurance. He resigned his House seat June 30 and assumed the commissioner's post July 1.

"Colorado title industry professionals welcome the new commissioner and look forward to working with him," said Cindy Compton, president of the Land Title Association of Colorado. "Jim Riesberg has a reputation as a legislator who 'does his homework' and asks thoughtful questions. These traits will serve him well as Commissioner of Insurance."

Riesberg replaces John Postolowski, who was appointed as interim insurance commissioner on Dec. 1. Postolowski joined the Division of Insurance in 1998, and was eventually promoted to his current deputy position in 2004.

OLTA Asks Ohio Supreme Court to Reject County's Excessive Fees for Electronic Documents

The Ohio Land Title Association (OLTA) urged the Ohio Supreme Court to uphold the Public Records Act and preserve the public-private system of computer-enhanced property title assurance by rejecting Cuyahoga County's excessive reproduction fees for electronic real estate records.

OLTA's amicus brief, filed in Data Trace Information Services, LLC, et al. v. Recorder of Cuyahoga County, Ohio, argues that the $2 per page fee charged by the Cuyahoga County Recorder's Office for electronic copies of public records is astronomical in comparison to the office's actual cost.

The county stores all of its recorded instruments digitally, and makes a digital back-up on optical compact disc. The companies that sued, Data Trace and Property Insight, have asked for copies of the back-up CDs. Citing a law that requires the county to charge $2 per page for "photocopying a document," the county has demanded $2 for every paper page whose image appears on the back-up CD.

According to the brief, since the Cuyahoga County Recorder's Office went electronic 11 years ago, it charged $50 each day to provide digital images of all deeds, liens, mortgages and other instruments recorded in the county. This equated to roughly $1,100 for an average month's data, given 22 business days per month. The county is now requiring a fee of $2 per page (or electronic image of a page). This averages out to more than $208,500 to obtain CD copies of two months' worth of documents.

The brief argues this fee violates Ohio's Public Records Act and that the dramatic rise in fees would result in higher fees passed on to clients for accessing and searching databases.

"These astronomical fees would essentially constitute a tax on real estate transactions that likely would prevent valuable transactions from ever taking place," OLTA said in its brief. "Recorders' offices were created to facilitate commerce by providing access to documents so parties can check titles. By charging a price that will drive up the cost of transactions and drive businesses out of the market, the Cuyahoga County Recorder's Office would undermine the very reason for its existence."

ALTA's position is that the cost to obtain a reproduction of a public record or document in any format should be the public record custodian's actual out-of-pocket cost to produce the reproduction.

A whitepaper recently released by the Property Records Industry Association, "Access to and Sale in Bulk of Land Records," includes ALTA's position on land records, and supports OLTA's position as well.

The whitepaper concludes that land records are public records and public access to the land records is a well-accepted and practiced policy where recorders are responsible for making the documents and the indexes to these documents publicly accessible, in accordance with federal, state and local laws.

Foreclosures Reportedly Delayed as HUD Lacks Funds to Pay Closing Agents, Attorneys

The Department of Housing and Urban Development (HUD) has delayed the sale of several hundred foreclosed properties because of lack of funds to pay closing fees.

Because of high demand for foreclosures, HUD had insufficient funds to pay attorneys and other closing agents responsible for closing the transactions, according to a report on June 30 by *The Wall Street Journal.* HUD indicated it is negotiating new closing contracts.

More than 540 properties in New England have been affected, including more than 190 in Massachusetts, according to the report. HUD said it's reviewing the situation to see if there are problems in other states.

According to the report, closings have resumed in Massachusetts, while closing agents and attorneys should expect only temporary delays in other states.

It was reported a HUD official said deadlines for sales will be extended when necessary and will provide information when "funding becomes available for closings, and a closing date will be established as soon as possible thereafter."

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ALTA Positioned Well for Continued Success

Most in the industry may not know of the nickname I gave to Kurt Pfotenhauer when he became chief executive officer of ALTA in 2008.

With my fondness of football and his undergraduate degree from the University of Notre Dame, I knighted Kurt with the moniker "Rudy." If anyone remembers the plot of the 1993 movie, the main character, Rudy, was always told he was too small to play college football. But he is determined to overcome the odds and fulfill his dream of playing for Notre Dame.

Kurt brought that same mentality to ALTA, as we are now on the same playing field as a trusted and respected voice with legislators and regulators in Washington, D.C. When Kurt announced he was leaving for another opportunity, ALTA's Board of Governors didn't skip a beat. We knew "Rudy's" handoff could be to only one person. The Board unanimously selected Michelle Korsmo as ALTA's next CEO.

Michelle has helped carry ALTA to record membership and revenues, while increasing contributions to the Title Industry Political Action Committee. Her strategic vision and management skills, pared with ALTA's professional staff, ensure the association is on the right track to build on its legacy and pile up more victories.

Michelle knows how to lead and has experience on Capitol Hill. Prior to joining ALTA, she was the executive vice president of the Americans for Prosperity (AFP) Foundation, where she managed a team of 52 people and a $10 million budget, and grew the organization from one state chapter to 21 in four years. She helped build the foundation's grassroots capability to promote solution-oriented policy to local, state and federal government. Michelle also served three years as deputy chief of staff to U.S. Secretary of Labor Elaine L. Chao, where she managed non-political agency heads, served as a member of the budget committee, exercised approval authority on all departmental action to be published in the Federal Register.

We are genuinely sorry to see Kurt leave ALTA, but he has built an extremely talented staff that is completely capable of keeping the association on a positive path to future success. I am delighted to have Michelle leading ALTA and I expect her leadership will immediately benefit our members, demonstrate our value to prospective members and continue ALTA's tradition of strong advocacy on behalf of the title industry.

Anne Anastasi
President, ALTA

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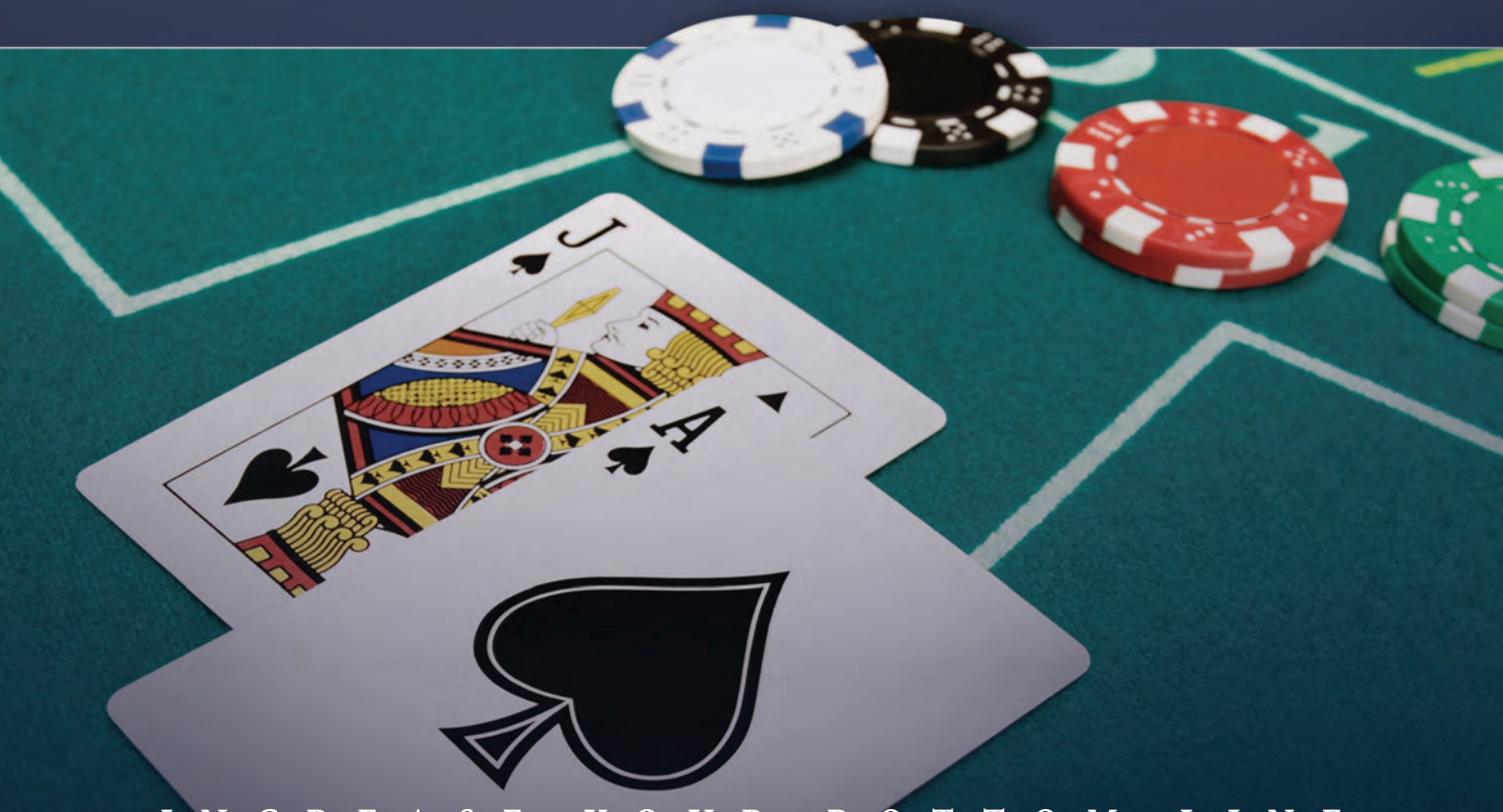

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