

April 2014

Title News

American Land Title Association
Official Publisher of the
Owner's Policy Adopted 6-17-06
of the American Land Title Association

OWNER'S TITLE INSURANCE
E I I C O M W

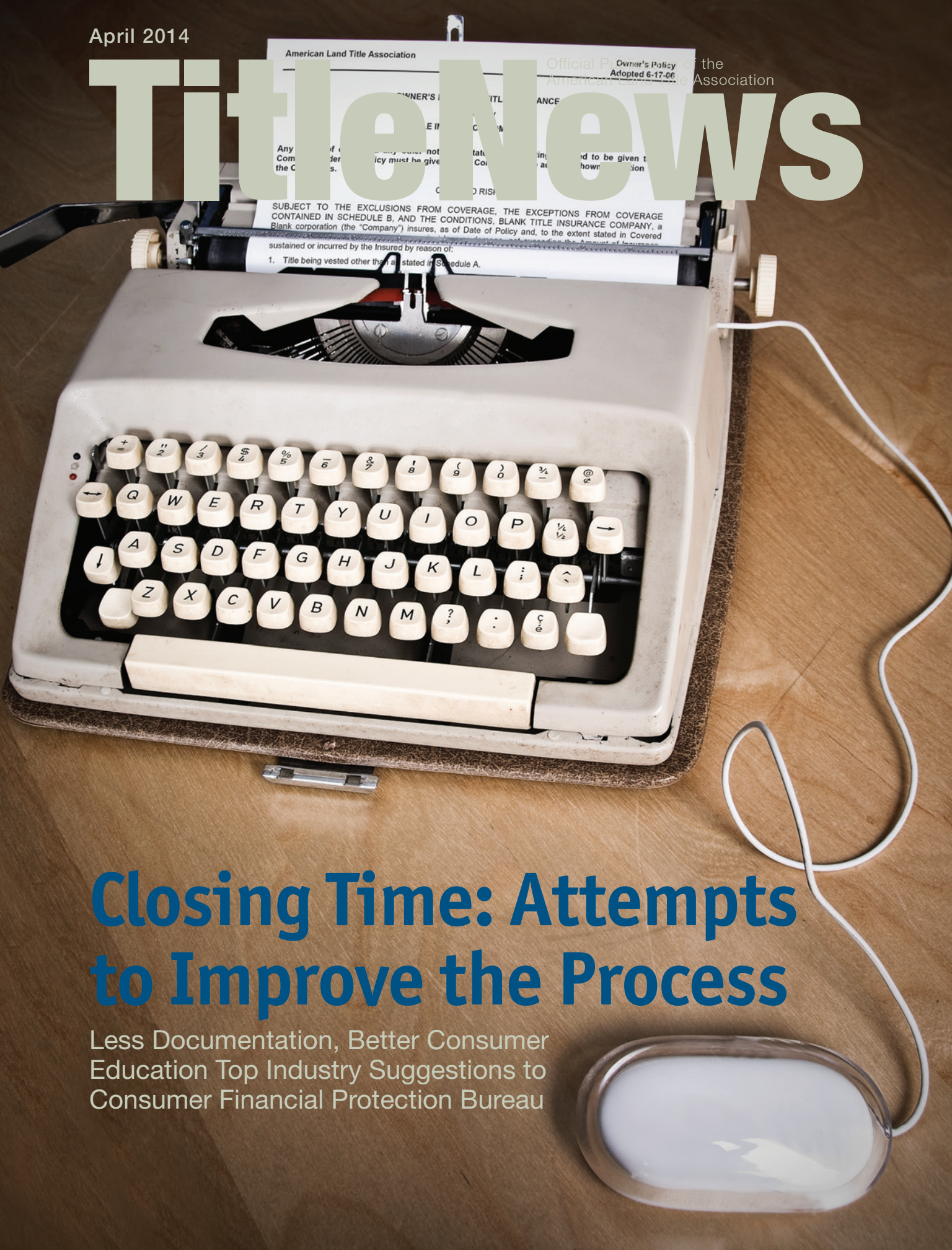
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1. Title being vested other than as stated in Schedule A.

Closing Time: Attempts to Improve the Process

Less Documentation, Better Consumer Education Top Industry Suggestions to Consumer Financial Protection Bureau





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So while we will never forget the challenges we’ve faced, we continue to look forward to the future and standing behind our commitments.

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April 27-29	California San Diego, CA
May 2-3	Iowa Cedar Rapids, IA
May 15-18	Arkansas Hot Springs, AR
June 1-3	Pennsylvania Hershey, PA
June 5-7	Virginia Herndon, VA
June 8-10	Wyoming Casper, WY
June 16-17	DC National Harbor, MD
June 16-18	Texas San Antonio, TX
June 18-20	South Dakota Deadwood, SD

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Look at What You're Missing
in this month's Digital Issue



Title Industry Preps for Lobby Day

Check out video of ALTA President Rob Chapman as he outlines the top issues title professionals will discuss with members of Congress and their staff during ALTA's 2014 Federal Conference and Lobby Day.

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Lenders Show Support for ALTA's Best Practices

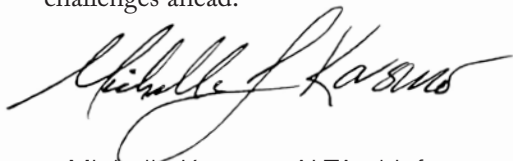
I watch over-the-air television and frequently find myself watching the Retro TV channel. About every third commercial has a celebrity urging me to buy a product that will make a difference in my life. There are so many endorsements that it makes you stop and think why do these companies hire celebrities to promote their products? It's because endorsements from people we know (or know of) serves as a powerful tool to persuade consumers to purchase products.

ALTA recently received a significant endorsement from a giant in the mortgage lending industry. In a March newsletter, Wells Fargo started by stating that it values local title and settlement providers that deliver a high level of professionalism, customer service and quality to the lender's customers. The fact that Wells Fargo makes the point about the value of your business is significant. Wells Fargo went on to indicate it will continue to enhance its third-party oversight capabilities for title and settlement companies in order to measure performance and protect their customers.

To help highlight the policies and procedures that are being followed, Wells Fargo encourages settlement agents to implement ALTA's Best Practices, which the lender considers guidelines for sound business practices. According to Wells Fargo, implementing Best Practices can help companies be recognized as a top performer. One of the goals in developing the Best Practices was to provide tools to help all ALTA members compete in the marketplace. We appreciate Wells Fargo's leadership and recognition of the valuable partnership between settlement agents and mortgage lenders throughout the real estate closing process. In addition to the support from Wells, several national and regional lenders recently met with ALTA leadership to discuss the Best Practices. It is clear lenders are hearing our story. The positive feedback and the support from Wells Fargo and other lenders prove this.

As you can read in this edition's cover article, we are also busy championing the industry's important role to the Consumer Financial Protection Bureau, which is attempting to improve the closing process. Figuring out ways to help consumers better understand their transactions is a central mission of the CFPB. If we as an industry focus on telling our story and emphasizing the valuable role settlement agents play, it has the potential to pay dividends down the road when the industry faces attacks.

I want to leave you with a message that was delivered by several speakers at our Business Strategies Conference last month: Compliance is not a destination, it's a journey. Being Best Practice compliant does not mean you've written your policies and put them on a shelf. Constant monitoring, review and improvement are necessary to compete in the new marketplace. This is a great industry with a strong future because of the initiative you have shown to meet the challenges ahead.



- Michelle Korsmo, ALTA chief executive officer



Farm Bill Protects More Than 900 Rural Communities Through 2020

The Farm Bill, signed by President Obama in February, includes an important provision enabling millions of Americans to maintain access to critical rural housing programs.

More than 900 communities were at risk of losing access to federal rural housing programs due to the USDA's revision of the eligibility list based on the 2010 census data. H.R. 2642, the Agricultural Act of 2014 (Farm Bill), provides a long-term solution because the legislation keeps the current maps and extends the population definition of a rural area to 35,000 until after the 2020 census.

The USDA's revised

definition was very restrictive and would have arbitrarily excluded rural communities that happened to be located in metro areas. According to the USDA, half of all rural residents live in metro areas.

The National Association of Home Builders estimates that this provision in the Farm Bill regarding the definition of a rural community will generate \$1.2 billion more investment in housing in these areas. The Rural Housing Service, which is part of the USDA, posted a 15 percent jump in volume for fiscal 2013. Almost all of the increase came from its homeownership guarantee program.

President Signs Flood Insurance Bill

In March, President Obama signed Homeowner Flood Insurance Affordability Act, which provides relief to property owners facing large flood insurance rate increases

The bill prevents the Federal Emergency Management Agency from increasing premium

rates when a property is sold or a new flood map is developed, and refunds some of the recent rate increases homeowners have paid.

If you have any questions, contact Ben Lincoln, ALTA's director of government affairs, at blincoln@alta.org.

Title Action Network Helps Michigan Resolve Recording Issues Caused by Court Decision

The Title Action Network (TAN) partnered with the Michigan Land Title Association (MLTA) to send an alert urging land title professionals in Michigan to contact their state representatives to express support for House Bills 4638–4640.

The bills addressed a problem that was created in 2009 when a United States Bankruptcy Court Judge decided in *In re Neal* that a copy of an original instrument along with a verified affidavit does not satisfy the necessary requirements for recording

a real estate conveyance because it does not contain the original signatures as required by statute.

This impacted the ability to determine the chain of title on certain parcels. The legislation allows a copy of an original instrument that is verified by an affidavit by a person that has knowledge of the real estate document to be deemed recorded in compliance with recording requirements. The language was retroactive.

To join TAN, please go here: www.alta.org/tan/joinForm.cfm.

President Announces New Rules on Paying Overtime to Salaried Workers

President Obama in March signed an executive order directing the Labor Department to update its overtime pay regulations under the Fair Labor Standards Act. The goal of the president's action is to make more salaried employees eligible for overtime pay.

The Labor Department was expected to release a proposal that would raise the current \$455 a

week salary threshold for overtime eligibility. Some are calling for the Labor Department to just raise the threshold to \$970 a week (or \$50,440 a year). This would only impact ALTA members that operate in jurisdictions that have wages lower than this threshold.

Information about current overtime rules can be found here: www.dol.gov/whd/overtime_pay.htm.

Eight New ALTA Endorsements, Two Policy Form Revisions Published as Final

The ALTA policy forms approved by the ALTA Board of Governors on Oct. 10, 2013 passed through the comment period and were published as final with a publication date of Dec. 2, 2013. Any prior version(s) of revised forms that may exist are considered decertified. All ALTA policy forms are available at www.alta.org/forms.

- *ALTA Endorsement 11.2-06 (Mortgage Modification with Additional Amount of Insurance): This endorsement may be issued to increase the Amount of Insurance and to insure the priority of the Insured Mortgage if a Modification is executed.*
- *ALTA Water Endorsement Series: These endorsements are designed for issuance on commercial or residential property. Each of the Water Endorsements is similar to the recently adopted ALTA 35 Series "Minerals and Other Subsurface Substances" Endorsements.*
- *ALTA Endorsement 42-06 (Commercial Lender Group): This endorsement insures against invalidity, unenforceability or loss of priority of the lien of the Insured Mortgage because of transfers after Date of Policy of portions*

of the Indebtedness by the Participants (members of the Lender Group owning portions of the Indebtedness).

- *ALTA Endorsement 43-06 (Anti-Taint): This endorsement insures against loss of priority of the lien of the Insured Mortgage as security for the amount of Indebtedness advanced as the Term Loan (as defined in the endorsement) resulting from reductions and subsequent increases in the principal amount of the Indebtedness payable as the Revolving Credit Loan (as defined in the endorsement).*
- *ALTA Endorsement 44-06 (Insured Mortgage Recording): This endorsement may be issued after the Loan Policy if the Loan Policy does not contain recording information regarding the Insured Mortgage in order to insure that the Insured Mortgage was recorded as set forth in Section 3 of the endorsement (reciting the recording information).*
- *Revised ALTA Expanded Coverage Residential Loan Policy and ALTA Homeowner's Policy: The exclusions were revised to include*

contamination, explosion, fire, flooding, vibration, fracturing, earthquake or subsidence, and negligence by a person or entity exercising a right to extract or develop

minerals, water or other substances.

If you have comments or concerns, contact Kelly Romeo, ALTA's staff liaison for the Forms Committee, at kromeo@alta.org.

Senate Banking Leaders Introduce Bipartisan Housing Finance Reform Bill

In March, Senate Banking Committee Chairman Tim Johnson (D-S.D.) and Ranking Member Mike Crapo (R-Idaho) unveiled their long-awaited bipartisan legislation to eliminate Fannie Mae and Freddie Mac and build a new housing finance structure. The bill has been in the works since last fall. Johnson and Crapo were expected to mark-up (or and the pass the bill out of the Banking Committee as **TitleNews** went to print. It is unclear if the bill will get a vote in the full Senate or the House this year.

The proposal requires Fannie Mae and Freddie Mac to be wound down over five years and replaced with a new system that requires private capital to absorb the first 10 percent of losses before federally guaranteed insurance on mortgage securities kicks in. The insurance would be provided by a newly created Federal Mortgage Insurance Corporation. The FMIC

would be set up like the Federal Deposit Insurance Corporation and provide insurance, regulate the market and set standards for mortgages. The bill includes provisions to provide smaller lenders with affordable access to the new system and to provide incentives for affordable housing.

As introduced, ALTA was successful in ensuring that the bill includes standards requiring title insurance in the future housing finance system. In order to be deemed an eligible single-family mortgage loan, it must "satisfy standards related to establishing title or marketability of title, as may be required by the Corporation, which standards may include the required purchase of title insurance on the property securing the loan."

If you have any questions about the bill, contact Steve Gottheim, ALTA's legislative and regulatory counsel, at sgottheim@alta.org.



Photo Caption Contest!

During ALTA's Business Strategies Conference in Nashville last month, ALTA past president, Frank Pellegrini, took a ride on a mechanical bull during the Title Action Network late night event. ALTA staff has enjoyed creating captions for this photo and now we want to hear from you! What caption should this photo have? Email your caption ideas to social@alta.org or tweet us using the hashtag [#ALTAcaption](https://twitter.com/ALTAcaption) and we'll retweet the best ones.

Social Media Tip: Start Small

If you attended ALTA's inaugural Social Media Summit, you may have walked away with a notepad full of ideas to use for your social media strategy but aren't sure where to begin. There are two main considerations for your social strategy: audience and content. First, identify your target audience. Are you creating content to attract consumers, persuade lawmakers or regulators, stand out amongst your competition or inform your employees? Once you determine which groups you're targeting you can

better determine the types of content to post on your various social media channels. When considering content, remember that photos or images are the best source for interaction on your page. New products, office announcements, thoughts on local news, behind the scenes footage and office candid photos are the best sources for this kind of content. Remember, the first step to having good social media content is to start small. Have questions or want to offer your own tip? Email social@alta.org.

Show Us How You Work



In May, ALTA will be hosting a "Show Us How You Work" photo contest to see how you work. Are you more cluttered or are you a neat freak? Tweet your photos using the hashtag [#ALTAdesk](https://twitter.com/ALTAdesk) and we'll retweet the best ones. Not on Twitter? Email your photos to social@alta.org and include your name, date and location and you may see your office show up in Title News! Remember: be sure there is no NPI showing in the photo!

New Social Media Dictionaries

In March, ALTA added four new chapters to our Social Media Dictionaries! The new chapters included Yelp, Google+, Vine and Snapchat. ALTA members can access the dictionaries through our education eKit at www.alta.org/ekit. What chapter should we add next?

Social Media Summit on YouTube

The proceedings from ALTA's inaugural Social Media Summit are now available on our YouTube page at www.youtube.com/altavideos. Check out all four presentations and comment your thoughts on the video page. For copies of the individual presentations, email social@alta.org.

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of New
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Closing Time: Attempts to Improve the Process

Less Documentation,
Better Consumer Education Top
Industry Suggestions to Consumer
Financial Protection Bureau

Just two months after the Consumer Financial Protection Bureau (CFPB) released its final rule for integrated mortgage disclosures, the bureau turned its attention to improve the closing process. In January, the CFPB issued a request for information on key consumer “pain points” associated with mortgage closing and how the process might be improved through market innovations and technology, such as electronic signatures and developing paperless processes. >>

By Jeremy Yohe

OWNER'S POLICY OF TITLE INSURANCE

Issued by
TITLE INSURANCE COMPANY

Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at the address shown in Section 18 of the Conditions.

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SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, BLANK TITLE INSURANCE COMPANY, a Blank corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered

- sustained or incurred by the Insured by reason of:
1. Title being vested other than as stated in Schedule A.



The bureau was seeking comments to 17 questions broken into five categories: consumers and closing, errors and changes at closing, closing documents, other parties at closing and closing documents. The CFPB received 471 comments by the Feb. 7 deadline.

According to the National Association of Realtors, the median price of homes purchased in the United States is \$207,000. By comparison, the median household income is about \$51,000, according to the Census Bureau.

“It is crucial that consumers consider the numbers carefully before making this potentially long-term commitment, and closing is often their last opportunity to do so,” according to Christopher D’Angelo, the CFPB’s chief of staff. “However, closing can be stressful and confusing for consumers. The CFPB plans to conduct several initiatives in order to test and study various ways in which the closing process might be improved. This information will help inform those initiatives.”

ALTA’s comment letter promoted better consumer education and streamlining the closing process by encouraging better uniformity and less duplication of closing documents. ALTA’s Integrated Mortgage Disclosures Task Force—formerly the RESPA Task Force—offered comments for the letter.

“Based on our members’ unique vantage point working with all the parties at closing, we believe that the Bureau should not only focus its study on technological innovations but also on improving consumer education about the closing process and promoting greater uniformity and streamlining in the documentation to meet state

disclosure requirements and sell loans on the secondary market,” Michelle Korsmo, ALTA’s chief executive officer, said in the letter. “We believe that improved education and promoting uniformity have the potential to help consumers become better prepared for closing and allow them to focus on transaction-critical documentation and decision-useful information.”

“Based on our members’ unique vantage point ... the Bureau should not only focus its study on technological innovations, but also on improving consumer education about the closing process ...”

In its letter, ALTA said documents can generally be broken into three groups. The first group is the transactional documents, which include the deed, note, mortgage or deed of trust, the settlement statement, escrow agreements and insurance policies. The second group is the disclosures. Most of these documents are required by state law and have little uniformity. The last group is informational, which includes documents that verify information and evidence of disclosure. Additionally, this group will include numerous versions of the same document to provide maximum flexibility when selling mortgages on the secondary market.

ALTA also says consumers should receive ample time to review the closing documents in order to ask questions. But oftentimes, borrowers

see the closing documents for the first time at the closing table. These documents are not uniform and are fairly legal in nature. If borrowers have questions about the documents, their first chance to ask them is at the closing. Encouraging consumers to become better educated about the transaction prior to the closing will enable them to have many of their questions answered before they need

to sign their closing documents. In addition, education will help ensure that consumers are more comfortable with the obligations arising out of the transaction, ALTA stated in its letter.

“While there is some risk that this effort could lead to new regulations down the road, the Bureau’s focus on this topic can be a positive thing,” Korsmo said. “We look forward to continuing to work with the Bureau to help promote ways to reduce consumer ‘pain points’ at the closing.”

ALTA expects the CFPB to develop a whitepaper later this year based on the feedback it receives, followed by some pilot projects to promote streamlining the closing process through electronic documents. ALTA will keep membership informed as this process moves forward.

Title Professionals Share Perspective

The majority of letters and comments submitted to the CFPB were from industry professionals, including title and settlement agents, closers and attorneys. Thomas Richardson, general counsel for Michigan-based Liberty Title Agency, encouraged the CFPB to require face-to-face meetings when the consumer signs the loan application and during consummation or “closing” of the loan transaction.

“While this might be perceived as inconvenient, we believe that given the fact that a mortgage is usually the largest financial transaction consumers undertake in their lifetime, time can be taken to make sure everything is right,” Richardson said.

He added that consummation should not be done at the consumer’s residence or in a setting where the vast majority of non-public information is placed at risk of disclosure. In addition, Richardson said the integrity of the transaction can be maintained by ensuring the involvement of independent, community-based settlement agents.

“A real estate brokerage with an affiliated title agency and affiliated lender has too much riding on the deal to have a deal held up by pesky title issues like unreleased mortgages, boundary line issues, probate delays and getting proper authority documents for corporate entities,” Richardson said.

He added that “split closings,” which occur in various parts of the country, put consumers at a disadvantage. First, Richardson said the buyer is disadvantaged by being exposed to “gap” risk because a title policy is not issued at closing. There is risk that a title issue could arise between the



effective date of the commitment and the recording of the deed. This is a risk not present in a unified closing, according to Richardson. Sellers also are disadvantaged because they are not able to decide what company disbursed their proceeds and handled the payoff.

“The duplication of effort and economic waste involved in a ‘split’ (closing) goes without saying,” Richardson said.

Attorney Perspective

In its letter to the CFPB, the American Bar Association said confusion is amplified by repeated requests from lenders for the same data during the loan underwriting process and lack of firm mortgage terms and costs prior to closing.

The ABA said its members have found that the most effective aid to consumers is having the ability to talk with a closing attorney or settlement agent, if one is involved. David Tedder, chair of the Title, Conveyancing and Bar-Related Title Insurance Committee of the Solo, Small Firm and General Practice Division of the ABA, said many title companies that

act as settlement agents do a good job helping consumers negotiate the settlement process, but are unable to provide legal advice during the process.

“We must be mindful of frictions that may arise by virtue of differing unauthorized practice of law environments in differing jurisdictions,” Tedder said.

He suggested moving many disclosures online, so consumers can review in advance of closing. “This would reduce the number of documents executed at closing,” he said. ALTA also agrees that many of the disclosures signed at closing could easily be signed beforehand. Providing consumers with an easy way to review and sign these documents before closing would allow settlement agents to focus on the key terms and documents at the closing, according to ALTA.

Michelle Simons, president of the Real Estate Bar Association for Massachusetts, said consumers regularly receive the settlement statement at the last minute and don’t have enough time to properly review it.

“This is frequently the result of closing packages being delivered by the lender too close to the scheduled closing date and time,” said Simons, who added that consumers are typically confused about what the term “closing costs” encompasses compared to what is actually being paid at closing.

“They find it difficult to make the connection between the GFE, HUD and TIL,” according to Simon.

While consumers need to have time to review their documents and understand their transaction, taking time to explain the forms adds time to the closing. However, ALTA believes that promoting uniform documents, reducing document duplication and providing documents to consumers earlier in the transaction—as the new

integrated mortgage disclosures rule requires—will help closings become more streamlined and result in better informed consumers.

Use of Mobile Signers

Michelle Polly-Murphy offers a view from the notary perspective. The general counsel for Skye Closings—which provides title companies a platform to schedule and manage notary signings—said the days of the mobile notary are “here to stay because buyers have grown accustomed to the flexibility of the service. Because of this, notaries have been a key part of the transaction in many parts of the country.

“However, notary error has become one of the largest, if not the largest, contribution to title insurance

claims,” Polly-Murphy said. “Most notary error is not detected until after closing. Most notable errors include failure to notarize an essential recordable document and defective acknowledgement clauses. Such mistakes put the enforceability of a lender’s security instrument at risk of delay or even denial of a foreclosure action or avoidance of the mortgage by a bankruptcy trustee.”

With the increased use of mobile signers, Polly-Murphy said greater concern should be given to how information is shared between title companies and notaries.

“Given the multiple, high-profile, large-scale, disclosure of consumers’ non-public personal information experienced by companies recently, the issue of the security of the delivery

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and return of closing documents to and from the notary closing a loan, must change in order to provide the consumer peace of mind that everything is being done to protect the consumer's information," she added.

The third pillar of ALTA's "Title Insurance and Settlement Company Best Practices" addresses protection of NPI. Title and settlement companies should take reasonable steps to select and retain service providers that are capable of appropriately safeguarding NPI. To help ensure a title or settlement company is protected if NPI is stolen from a service provider, vendors and vendor personnel should be provided with a copy of the company's information security policy on an annual basis. The policy should be signed acknowledging that the vendor understands the policy and agrees to follow the policy.

Lending Community Chimes In

Many lender professionals also offered up advice as well to the bureau. Matthew Breston of Texas-based Iron Harbor Mortgage offered a suggestion on how to eliminate documents from the stack. He encouraged the CFPB to follow the Texas Property Code, which allows for the use of a mortgage master form. Breston wrote that according to Fannie Mae, 26 states allow a deed of trust master form, which is three pages compared to the 17 pages in a regular mortgage.

Jeff Bloch, association general counsel for the Consumer Bankers Association, said preparing the homebuyer for the closing is vital. Holding a pre-closing appointment to review documents and providing a checklist of documents that will be signed at closing could be helpful, Bloch said.

Ron Haynie, senior vice president of mortgage finance policy for the Independent Community Bankers of America (ICBA), offered perspective on the closing process from the community banks' point of view. Community banks originate roughly 20 percent of all mortgages in America.

Haynie said that community banks use a mix of outside closing agents, title companies, title attorneys and in-house settlement company to close transactions. He said community banks typically use their in-house settlement companies if they plan to retain the majority of their loans in portfolio.

"There is an old adage in lending that says 'a loan well closed, is half collected,'" Haynie said. "Community bankers know and understand this, as they want the borrower to clearly understand all of the terms of the loan and their responsibility to make their payments on time."

In his letter, Haynie said feedback from community banks revealed that consumers often sign too many documents at closing. He said many of these extraneous documents appear to be re-attestations confirming they signed another document—either affirming the signatory is them or that they told the truth on their loan application.

"This unfortunate situation has risen due to lenders and others having to protect themselves from overzealous mortgage loan investors, regulators, borrowers' attorneys and others that look to exploit any minor error in the transaction for financial gain, or be subject to a supervisory action from an examiner," Haynie wrote. "Until this issue is corrected, loan closing packages will only continue to get larger, more complex, with more opportunities for delays.

Some have suggested that technology could help improve the closing process, reduce or eliminate the 100 or so pages of a closing package. ICBA agrees that technology could assist in improving the closing process; however, ICBA also believes that the issues discussed above need to be addressed before the industry just automates a challenging and, in many ways, broken process.

Meanwhile, the Mortgage Bankers Association, American Bankers Association and Housing Policy Council of the Financial Services Roundtable urged the CFPB to defer the next stage of its Know Before You Owe effort, saying it should wait until further disclosure procedures are implemented.

The letter said the CFPB should wait to examine the process until after the final rule for the integrated disclosures is implemented. The groups said postponing further work until this happens will allow the CFPB and the industry to evaluate how the new forms impact the closing process.

"We believe such deferral should last until after the RESPA-TILA integrated disclosure rule is implemented and its effects on the process can be fully appreciated," the letter said. "The new rule is intended to greatly simplify consumer disclosures, eliminate surprises at closing and broadly improve the consumer experience. We believe it makes more sense to wait until after the new rule is fully implemented before delving further into the closing process." ■



Jeremy Yohe is ALTA's director of communications. He can be reached at jyohe@alta.org.

Federal Conference Preview: A Strong, United Voice for the Title Insurance Industry

Impact of CFPB on Small Business, Tax Issues and GSE Reform Top Issues Title Professionals Will Address With Members of Congress

Last year, a record number of more than 250 Federal Conference attendees held 258 meetings with members of Congress and their staff advocating on behalf of the industry. With many of the same issues still impacting the industry, numbers are expected to be even higher at ALTA's 2014 Federal Conference and Lobby Day.

While in D.C., title professionals will address three issues with members of Congress: how to improve the way the Consumer Financial Protection Bureau (CFPB) works with small businesses, GSE reform and the importance of renewing tax relief for struggling homeowners who have lost their home to foreclosure or are considering a short sale. Specifically to GSE reform, Lobby

Day participants will discuss the importance of title insurance and how the product protects consumers, lenders and investors.

"If you care about your company, this industry and your livelihood, this is the conference for you," said Greg Kosin, president of Greater Illinois Title Co. and chair of ALTA's Government Affairs Committee. "There's no better opportunity to meet with your federal legislators and explain how their decisions on Capitol Hill impact the businesses in their district or state. Title professionals shouldn't pass up the chance to participate and tell our industry's story."

Amy Niesen, vice president and general counsel for Land Title Company of Alabama, has attended the Federal Conference in the past

and is attending again. She says it's important to stay abreast of federal legislative and regulatory issues. Face time with her legislators is also important to remind them of the "people back home."

"To me, the Federal Conference is the 'big dance' of all the ALTA conferences," Niesen said. "Title professionals from all across the country come together in our nation's capital to form bonds with its leaders and to spread the word about the unique value and specific needs of the title industry and the real estate industry as a whole. In the past several years, it seems we have come to recognize the effectiveness of grassroots and collective efforts in controlling our own destiny. The Federal Conference is a perfect opportunity for doing just that. It's literally the process in action—and who wouldn't want to be a part of that?"

'Protecting the American Dream' Dinner

To kick off the conference, ALTA will host a special dinner to honor Sen. Mark Warner (D-Va.) and Rep. Mike Fitzpatrick (R-Pa.). The members of Congress will receive the 2014 "Protecting the American Dream Award."

"Sen. Warner and Rep. Fitzpatrick are being recognized for their efforts to promote homeownership and protect property rights, and understand the important protection title insurance provides to

Schedule-at-a-Glance

May 5 - 7, 2014 | Grand Hyatt, Washington, D.C.

Monday, May 5

Noon – 3:00 p.m.	Regional Underwriters Meeting
4:00 p.m. – 5:00 p.m.	TAN Council Meeting
5:30 p.m. – 6:30 p.m.	New Member/First-Time Attendee Orientation
6:30 p.m. – 9:00 p.m.	Protecting the American Reception & Dream Dinner Sponsored by First American

Tuesday, May 6

7:30 a.m. – 9:00 a.m.	Breakfast – Sponsored by Fidelity
9:00 a.m.-5:00 p.m.	Federal Conference Sessions
9:00 a.m. – 12:00 p.m.	Government Affairs Forum
Noon – 2:00 p.m.	Lunch for All Attendees
Noon – 2:00 p.m.	Underwriters and Abstracter/Agents Section Lunches & Meetings
2:30 p.m. – 5:00 p.m.	Lobby Day Preparation
5:00 p.m. – 6:00 p.m.	TIPAC Reception – Sponsored by RamQuest
7:05 p.m.	TIPAC Top Donor Dinner/Event <i>(Invitation Only)</i> Washington Nationals Baseball Stadium

Wednesday, May 7

7:30 a.m. – 8:30 a.m.	Speaker Breakfast – Sponsored by Old Republic
10:00 a.m. – 5:00 p.m.	Meetings on Capitol Hill
10:00 a.m. – 5:00 p.m.	Lunch & Hospitality Suite at Bullfeathers – Sponsored by Old Republic
5:30 p.m.	Title Action Network Social

ALTA President Outlines Key Lobby Day Issues

consumers,” said Michelle Korsmo, ALTA’s chief executive officer.

Warner is a leader on housing issues on the Senate Banking Committee. His work spearheading efforts to find a bipartisan solution with Sen. Bob Corker (R-Tenn.) to reform Fannie Mae and Freddie Mac has been at the forefront of issues discussed in the Senate Banking Committee over the last year. Warner included language in his GSE reform legislation ensuring title insurance is a pillar of the real estate settlement process.

Meanwhile, Fitzpatrick is a member of the House Financial Services Committee, specifically the Financial Institutions and Consumer Credit Subcommittee, which has jurisdiction over the Consumer Financial Protection Bureau (CFPB). Routinely, Fitzpatrick has worked with ALTA during hearings to facilitate a thoughtful dialogue with the CFPB.

2014 Election Cycle Preview

Representatives from the Democratic Senatorial Campaign Committee (DSCC) and the National Republican Senatorial Committee (NRSC) will provide an overview of specific Senate elections coming up in the November 2014 election. National polling data and trends will be discussed and presented to attendees. An interactive Q&A session will follow.

What Does Dodd-Frank Reform Mean to You?

Justin Ailes, ALTA’s vice president of government and regulatory affairs, will lead a panel discussion on Dodd-Frank reforms that Congress could consider in the coming months. ■

Consumer Complaint Management: Making Your Business Better

Once a Good Business Practice, Responding to and Documenting Customer Issues Has Become an Important Compliance Metric

BY KRISTA ARCE

People do business with people they know and trust, so every interaction with a customer presents an opportunity to earn repeat business. When customers have great experiences, they are more likely to tell their friends or associates about them. But what if something didn't go as well as they expected? You still have an opportunity to build trust and keep your customer happy by the way you handle the complaint. The act of building and reinforcing positive customer relationships is at the very heart of the title industry, where all eyes are on consumers and their experiences with settlement service providers. These experiences are affected by the manner in which a company captures, manages and resolves complaints. What was once just a good business practice has now become an important compliance metric as well.

Title agents are part of consumer financial services and a third-party

provider to lenders in the mortgage industry. Agents can better serve their lender customers if they help them meet their third-party

■ “Feedback is the food of champions.”

— Ken Blanchard, author and management expert

oversight requirements—including the handling of consumer complaints. In 2013, the American Land Title Association (ALTA) released its Best Practices Framework to help its members highlight the policies and procedures the industry uses to protect lenders and consumers. Part of that framework includes guidelines for ensuring a positive and compliant real estate settlement experience for all parties to the transaction.

Best Practice No. seven specifically encourages agents to adopt and maintain written procedures for consumer complaint intake, documentation and tracking.

Effective Complaint Management is Just Good Business

Until recently, the title and settlement industry has not had guidelines in place for effective complaint management. Most title agents quickly resolve customer issues without documenting the actual complaint, the steps taken to resolve it or the final outcome. Often, companies notify customers that their complaints have been resolved, but do

not verify that they are satisfied with the resolution. Companies that fail to formally manage their complaints are missing an important opportunity to strengthen their business.

When asked what it really takes to improve a customer's experience, Paul Martin, director of compliance and strategic initiatives of United Lender Services Corp., “consumer complaints should be seen as an

opportunity for free and pointed process improvement advice.”

“The best way to improve a consumer’s experience using a complaint management process is to ensure genuine issues are quickly identified and properly handled. A speedy response to a complaint with a positive approach, and where possible, a demonstration that the issue provided process improvement is invaluable. Individuals like to be part of an improvement process, they feel their experience and opinion matter,” Martin continued. “In the rare instances where we have had

■ “The best way to improve a consumer’s experience using a complaint management system is to ensure genuine issues are quickly identified and properly handled.”

a complaint reported to us, the consumer sentiment after the matter has been resolved has generally been positive. Mobile phone companies learned this years ago—to great effect.”

By listening to your customers, you will gain valuable insight into their motivations, which can help you deliver better service. Customers like to feel they are part of the overall business improvement process.

A successful complaint management system allows you to analyze important information and apply lessons you’ve learned in the process, resulting in a more efficient and successful business operation.

Actively Solicit Feedback from Your Customers

In order to receive feedback from your customers you should ask specific questions. Posting a feedback form on your website is a great place to start. Let your customers know that you would like their honest feedback on the service your company provided.

With the wide use of social media, managing customer complaints quickly becomes more important. It also becomes more difficult. Social media complaints appear in an instant and require immediate response. Any

negative public comments put your reputation at risk, but those that appear on social media platforms can also negatively impact your search engine optimization. Not to mention that they are often the first thing a customer will see when they search for your company.

It’s important to think about how your customers might use social media to voice concerns. Questions to ask yourself when implementing an overall customer complaint strategy include: Do you have a process in place to review and respond in real time to comments on your social media platforms? Are you actively engaged with customers when

ALTA Best Practice Pillar No. Seven: Adopt and Maintain Written Procedures for Resolving Consumer Complaints

Purpose: A process for receiving and addressing consumer complaints helps ensure reported instances of poor service or non-compliance do not go undiscovered.

Procedures to meet this best practice:

- Develop a consumer complaint intake, documentation and tracking process.
- Creating standard procedures for logging and resolving consumer complaints helps ensure consumers provide the company with sufficient information to understand the nature and scope of the complaint.
- Develop a standard consumer complaint form that identifies information that connects the complaint to a specific transaction.
- Set a single point of contact for consumer complaints.
- Establish procedures for forwarding complaints to appropriate personnel.
- Maintain a log of consumer complaints that includes whether and how the complaint was resolved.

communicating your complaint management process to them?

“Client awareness via our website and each delivered product regarding a robust and effective escalation management process is essential to

Harmony Title Agency in keeping potentially negative feedback out of the social media world,” said Victor Hutchins of Harmony Title Agency.

Online rating sites such as Yelp, provide additional channels for customers to review their business relationships. A poor review can be difficult to overcome. Reputation management is often overlooked because it is so difficult to predict and control what others say about your company. As a result, social engagement suffers. By not addressing a negative post or a critical comment, you run the risk of endorsing the statement by staying silent.

The Need For a Complaint Management System

Business productivity author H. James Harrington said, “Measurement is the first step that leads to control and eventually to improvement. If you can’t measure something, you can’t understand it. If you can’t understand it, you can’t control it. If you can’t control it, you can’t improve it.” While he may not have specifically referred to customer interactions, this principle applies to an effective complaint management program. You need a system that captures, tracks, measures and understands what is happening when a customer brings a complaint to your company.

An effective complaint management system allows you to better track your own business while looking for ways to improve processes, customer service and overall efficiency. Without such a system, complaint resolution is left to chance and manual record keeping.

By analyzing the data created through a centralized complaint

management system, you can better determine your organizations’ strengths and weaknesses. This valuable information allows you to identify key opportunities to improve your business practices as well as overall customer service.

retain customers, which is always the cheapest way to build a business. It helps minimize legal risk, regulatory risk and reputational risk. That’s a very positive development and we are strongly encouraging and applauding that wherever we see it.”

The entire real estate finance

“In an industry where quality of service is a primary differentiator, it is essential for agents to establish procedures that measure the quality of their service from their customers.”

Putting It All Together

ALTA’s Best Practices were developed to help establish baseline business practice expectations for agents. These guidelines also provide agents with an opportunity to stand out among their peers by adopting a higher standard of service. In an industry where quality of service is a primary differentiator, it is essential for agents to establish procedures and systems that measure the quality of their service from their customers’ viewpoint. An effective complaint management system can help agents measure success, identify ways to improve their business and help their lender customers meet their compliance requirements.

When asked about the Best Practices, CFPB Director Richard Cordray focused his response on effective consumer complaint management, saying that “it builds excellent customer service and helps

industry has become intensely focused on the consumer. Title agents who intend to succeed in this new environment need to make complaint management a priority for their business. Not only is this important from a compliance perspective, but it also helps agents provide a level of service that distinguishes them from their peers.

The rules of engagement with the consumer have changed. Each company in the industry food chain is required to provide its customers with better service. This elevated standard of consumer care gives all firms an opportunity to improve their business. ■



Krista Arce is the business development manager for Rizolv Complaint Management System, which is a consumer complaint management system.

Arce can be reached at karce@rizolv.net.

ALTA Best Practice:

Information and Data Privacy



What it means from a customer's point of view:

“My non-public personal information is being protected.”

What it means for you:

fntg.com/bestpractices

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The New CFPB Rule, Data Sharing and Archive

Industry Must Work Together to Develop Standard for Passing Data Between Loan Estimate and Closing Disclosure

BY WYATT BELL

Data sharing and archiving has been a part of the title insurance and real estate settlement process since the beginning. The data stream—items such as names, addresses and numbers like the sales price and loan amount, have transmogrified from literally making handwritten duplicates to the modern digital XML documents which now stream between data centers via web services.

It is important to realize that the data has not changed. We still use and will continue to use names, legal descriptions, requirements, exceptions, notes and mortgages, etc. It is rather important to understand it is the transport underneath the data

which has changed. We have moved from pen and paper, to copy machines to fax machines to PDF documents to XML documents and so on. A rich data set rides atop whatever transport we find best suited to meet the needs of the transfer. One can even use the telephone to speak a name to a computer, which looks up an account.

The Consumer Financial Protection Bureau (CFPB) released its final rule for new integrated mortgage disclosures on Nov. 20,

2013. Effective Aug. 1, 2015, a new five-page Closing Disclosure will replace the HUD-1 and final Truth-in-Lending (TIL) disclosures, while a three-page Loan Estimate will replace the GFE and early TIL. The new disclosures, and the regulations that mandate them, will require settlement agents and loan originators to share information much more closely in order to be compliant.

The proposed CFPB Rule of July 2012, had mandated a digital archive of the Loan Estimate and Closing Disclosure data set in “machine-readable format.” It specifically noted that Word, PDF and text documents do not meet these requirements. On Page 8 of the CFPB’s final rule, the CFPB suspended this requirement, but noted:

“The proposed rule also would have required creditors to keep records of the Loan Estimate and Closing Disclosure forms provided to consumers in an electronic, machine readable format to make it easier for regulators to monitor compliance.”

Based on public comments it received raising implementation and cost concerns regarding [this] proposal[s], the Bureau has determined not to finalize [this] provision[s] in the final rule. The Bureau continues to believe [this] idea[s] may have benefits for consumers



Consumer Financial
Protection Bureau

and industry, however, and intends to continue following up on [this] issue[s]. For example, the Bureau intends to work closely with industry on private data standard initiatives to promote consistency in data transmission and storage. After additional study, the Bureau may propose rules”

It can be concluded, however, that a “machine-readable archive” will be implemented at some future point to meet the CFPB’s monitoring requirements. The CFPB wants to have the Loan Estimate and Closing Disclosure information—such as names, addresses, loan charges, title charges and other data—available in digital format so that it may be manipulated by a variety of applications such as an Excel spreadsheet or an Access database. This provides the basis for data mining and trending. Most software engineers agree that XML would be the document form to contain this dataset.

One note of reference is “Holder in Due Course.” This legal principle provides that one who is assigned a note from another does so free of defenses of the maker. The proof for such legal basis is an “original.” There has been no computer counterpart to the “original” devised so far that is as simple as the wet ink signature and paper. Many attempts at digital-key signatures have been attempted but their complexity and implementation has yet to achieve wide acceptance. Therefore, paper remains to this day. The CFPB does not mention this anomaly in its pursuit of digital commerce. Important issues such as this must be resolved to achieve a true digital transaction.

XML stands for Extensible Markup Language. This specification originated around the turn of the

GSEs Publish Uniform Closing Dataset to Support CFPB’s Closing Disclosure

If you’re a vendor or service provider supporting lenders’ closing processes, you’ll want to pay attention to the Uniform Closing Dataset (UCD), a common industry dataset developed by Freddie Mac and Fannie Mae (the GSEs). The UCD supports the Consumer Financial Protection Bureau’s (CFPB) Closing Disclosure, which will replace the current HUD-1 Settlement Statement. The GSEs recently published “Appendix B: Closing Disclosure Mapping to the MISMO v3.3 Reference Model,” the UCD mapping document supported by the Mortgage Industry Standards Maintenance Organization (MISMO). Vendors and service providers should develop a plan for how they will implement the dataset and support their lenders.

The UCD is a component of the Uniform Mortgage Data Program (UMDP), an ongoing effort by the GSEs, at the direction of the Federal Housing Finance Agency, to enhance the accuracy and quality of loan data. The GSEs’ support of the CFPB’s Closing Disclosure is a continuation of their ongoing UMDP efforts to standardize the way loan data is defined, captured, and delivered in the mortgage industry.

The GSEs intend to collect the UCD from lenders in the future. However, they have not yet determined the method or timeline for the data collection, but will provide more information when that decision has been made. The GSEs will not collect the UCD data until after CFPB’s Closing Disclosure effective date of August 1, 2015.

Next Steps for Vendors and Service Providers

If you are planning to implement the new Closing Disclosure or are involved in the exchange of Closing Disclosure data between business partners, be sure to review Appendix B: Closing Disclosure Mapping to the MISMO v3.3 Reference Model. In addition, you’ll want to visit the GSEs’ websites to sign up to receive future news and information to support implementation of the UCD. With these new requirements coming, title agents and lenders should take time now to verify that their respective systems can accept electronic information from the other.

For More Information

- Visit Freddie Mac’s (www.freddiemac.com/singlefamily/sell/ucd.html) or Fannie Mae’s (www.fanniemae.com/singlefamily/uniform-closing-dataset) UCD web pages to access Appendix B: Closing Disclosure Mapping to the MISMO v3.3 Reference Model, Q&As and more
- Send questions to: UCD@fanniemae.com or UCD@freddiemac.com
- Learn more about the Closing Disclosure on CFPB’s website at www.consumerfinance.org or www.alt.org/cfpb
- MISMO v3.3 Reference Model: www.mismo.org

century (year 2000) and it has become a standard by which data is stored and transmitted between systems. It has a very simple construct. It goes like this:

```
<Name>Mark Goodwin</Name>
<Address>123 Main Street</
Address>
<City>Denver</City>
<State>CO</State>
<Zip>98845</Zip>
```

The XML “tags” (enclosed in angle brackets) identify each item. These tags can mark any type of data, but there must be an agreement between the senders and recipients so each knows precisely how the data set is defined. In other words, if the sender uses “<LoanAmt>” and the recipient uses “<LoanAmount>” then no data agreement exists and the expected information exchange fails.

This is the most pressing problem with XML. Each sender or recipient can specify their own tags and there must be agreement between the two for data interchange to work.

Just imagine if each fax machine or email sender and recipient differed in their communication protocols. Your email or fax world would be severely

limited. That is the current state of affairs with XML.

The other issue that comes into play is how this XML file, once agreed upon, then moves throughout the cyber world. Most often, communication between systems is done according to web services. This is a process where one computer basically calls another computer by its unique phone number, so to speak, and commences a digital conversation wherein the XML file is sent by one computer and received and acknowledge by the other. Again, web services are designed such that each service is unique and programming must be done to accomplish the full duplex of communications.

The new CFPB rule does not identify any specification for the data sets comprising the Loan Estimate and Closing Disclosure. It has stated this will be left to the lending and closing industries to define. There are several schemes being proposed, one of which is being developed by ALTA’s Combined Mortgage Disclosures Forum.

The bigger issue is whether a single-point repository is going to

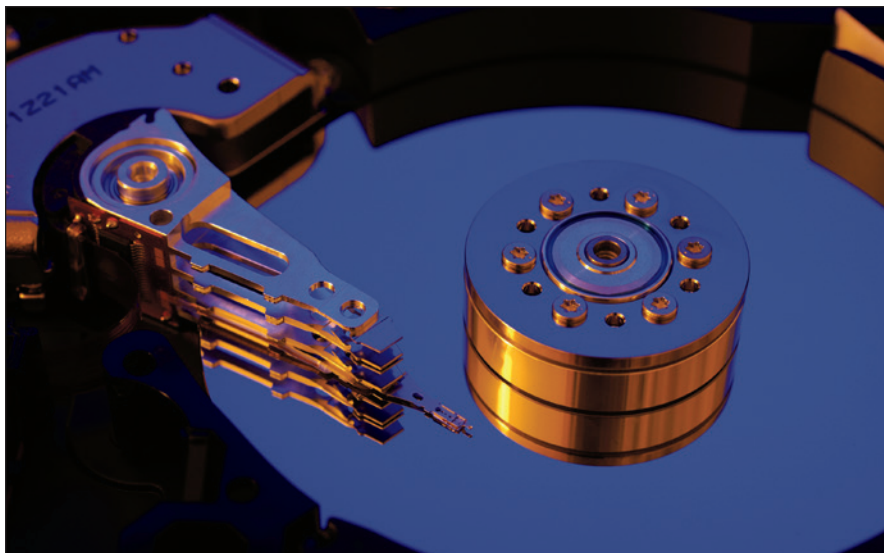
be developed for this data archive or if the commerce is going to splinter with each lender providing a different XML specification for the Loan Estimate and Closing Disclosure data-set thereby necessitating a different connection and collection center for each.

This is the turf of ALTA members. As settlement agents who collect and amalgamate data for real estate settlements, we should drive and specify the facility for this archive. Such repository should be an open specification that would allow the storage of the “machine readable” digital data-set.

As mentioned above, if attempts in meeting this requirement are cloaked in proprietary designs and specifications—together with varying degrees of cost and access tolls—then achievement of a smooth and transparent archive process which meets the goals of the CFPB will fail. It is important that a single-point repository be presented to the industry to remove this obstacle from the implementation of the CFPB’s data collection requirement.

Many software providers, including Landtech, provide a full complement of XML capability to meet any specification. However, an industry-wide solution would make an important imprint in the commercial landscape of real estate settlements. A central system developed via ALTA would send an important message to about the industry’s commitment and dedication to the real estate settlement process. ■

Wyatt Bell is president of Landtech Data, a software provider to the title and real estate industry. Bell can be reached at wbell@landtechdata.com.



'Big Four' Underwriters Complete Strong 2013

Title Premium Volume Increased to \$12.7 Billion Last Year as Market Starts to Slow and Refis Dry Up

While business has slowed during the first quarter of 2014, the publicly traded title insurance underwriters still closed out a strong 2013. For the year, the industry generated \$12.7 billion in title insurance premiums, up from \$11.4 billion in 2012.

According to Fitch Ratings, favorable trends for the industry were led by strength in purchase originations and commercial markets along with rising real estate prices in 2013. Fitch expects lower refinance activity and a slowing trend in home price appreciation and home sales to lead to a modest decline in title premiums in 2014.

Here's a recap of how each of the publicly traded companies performed last year:

Fidelity

Fidelity National Title Group generated \$821 million in pre-tax earnings for full-year 2013. This was up from \$776 million reported in 2012.

"The fourth quarter was a solid finish to a year of transition in

our title insurance business as we continued to move from a refinance-driven market toward what appears to be a more purchase-driven market," said Bill Foley, Fidelity's chairman.

A sign that mortgage volume was slowing toward the end of 2013, Fidelity reported it opened 392,000 direct title orders during the fourth quarter of Q3, a 42 percent decrease compared to the same period in 2012. This reflects a 60 percent decline in refinance orders in the fourth quarter of 2013 versus the prior year. The company closed 307,000 direct title orders during the fourth quarter, a decrease of 41 percent, compared with the fourth quarter of 2012. Overall, Fidelity's fee-per-file was \$2,082 during the fourth quarter of 2013, a 33 percent increase over the fourth quarter of 2012.

Of all opened orders during the fourth quarter of 2013, 55 percent were purchase related. Fifty-six percent of closed orders were purchase transactions. Raymond Quirk, FNF's chief executive officer, forecast that purchase orders could push toward 60 percent of all orders in 2014.

"With a significant decline in refinance volumes in the second half of 2013, we focused on our cost structure and staffing in the field offices," Quirk added.

During the fourth quarter, Fidelity reduced headcount by more than 700 positions, split relatively evenly between its local offices and ServiceLink. Since May 2013, Fidelity has reduced staff by nearly 2,400 with ServiceLink seeing more than a 50 percent reduction in staffing over that time period. In January, Fidelity removed an additional 300 positions in its operations.

Total title claims paid were \$100 million during the fourth quarter, a decrease of \$31 million from the fourth quarter of 2012. The company's loss provision rate is at 7 percent.

First American

First American Financial Corp. reported its title insurance and services segment recorded pre-tax income of \$350 million in 2013, down from \$474 million in 2012. During the fourth quarter of 2013, pre-tax income fell to \$88 million compared to \$153 million during the same period in 2012.

"In 2013, revenue grew by 9 percent, driven by strength in our resale and commercial businesses," said Dennis Gilmore, chief executive officer at First American Financial. "Revenue growth was led by our purchase business, which grew 26 percent, as both transaction volumes

and real estate prices increased. In the fourth quarter, however, we felt the full impact of the drop-off in refinance activity, with closed title orders declining to the lowest level of the year.”

Gilmore said that First American’s commercial business experienced its strongest year on record, with revenue up 23 percent. The company opened 30,200 commercial orders last year, while closing 20,900 orders. The average revenue per order was \$8,400.

First American’s direct operations opened 1,384,600 orders during 2013, compared to opening 1,634,900 orders during 2012. Meanwhile, the company’s direct operations closed 1,103,400 orders during 2013. This is down from 1,191,800 during 2012. Due to declining refinance volume, First American reduced headcount in its title segment by 600 during the fourth quarter, Mark Seaton, the company’s chief financial officer said during an earnings call.

During Q4 2013, First American’s average revenue per direct title order was \$1,878, an increase of 34 percent compared with the fourth quarter of 2012. This was due to the shift in the mix of revenues to higher-premium commercial and purchase transactions, as well as an increase in the average revenue per closed order for commercial and purchase transactions.

First American paid \$296 million in title claims last year, compared to \$285 million in 2012. The provision for policy losses and other claims was \$56.1 million in the fourth quarter, or 5.8 percent of title premiums and escrow fees, compared with a loss provision rate of 7 percent in the same quarter of the prior year.

Old Republic

Old Republic International’s title insurance group reported pre-tax income of \$124 million during 2013, compared to \$74 million in 2012. During Q4 2013, the company reported pre-tax income of \$25.7 million compared to \$20.2 million in 2012’s fourth quarter.

Purchase money transactions helped Old Republic mitigate the reduction in refinance activity.

“That’s why our results are better than they were last year,” said Rande Yeager, chairman and CEO of Old Republic Title Insurance Companies. “There will be more challenges in 2014, but we are very optimistic about the title business’s progress and our opportunities. There is a lot of excitement amongst our people with regard to the near- and long-term prospects of our operations.”

Old Republic’s title group paid \$134 million in claims during 2013. This is up from \$121 million in paid claims in 2012. The ratio dropped from 7.2 percent in 2012 to 6.7 percent in 2013.

Stewart

Stewart Information Services Corp. reported its title segment posted pre-tax earnings of \$212 million during full-year 2013. This was up from \$162 million in 2012.

Pre-tax earnings for the fourth quarter 2013 were \$47 million, which held fairly steady compared to the fourth quarter 2012. Stewart attributed the decline to a \$15.7 million decrease in earnings from its mortgage services segment.

“Our title operations delivered another solid year of earnings, as we managed the business to maximize profitability in the face of increasing interest rates,” said Matthew W.

Morris, Stewart’s chief executive officer.

Morris said title segment revenue was impacted by the weakening in refinancing title orders and a significant decline in total opened orders due to harsh winter weather conditions in the last month of the year. However, the company’s outlook for 2014 is optimistic as the industry adapts to a smaller origination market dominated by purchase transactions.

“We will maintain our focus on ensuring our network of independent title agencies represents the best in the industry,” Morris said. “We recognize that exceptional customer service sets us apart, and so we will continue to invest in innovative, high-quality, cost-effective service delivery. Most importantly, we will maintain our focus on reducing our cost structure and improving the efficiency of our operations to expand margins.”

Due to a decrease in refinance activity, Stewart’s opened title orders declined to 392,400 in 2013 from 430,400 in 2012. Meanwhile, the company closed 296,300 title orders last year, compared to 316,100 closed title orders in 2012.

Title policy loss development improved in 2013. For the year, title losses as a percentage of title revenues decreased to 5.9 percent in 2013 from 8.1 percent in 2012. The decrease in the title loss ratio was due to lower provisioning rates in 2013 compared to 2012, while higher losses in the current year relating to large title losses were offset by non-large loss reserve reductions of a net \$2.8 million for the year, Stewart reported. ■

Thank You to Our 2013 Strategic Partners

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Platinum Partner



First American

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stewart

Bronze Partners



To become a Strategic Partner, contact Claire Mitchell at cmitchell@alta.org or 202-296-3671.

Pennsylvania Land Title Association Helping to Correct New Lien Law Impacting Searches

The Pennsylvania Land Title Association is working to help correct legislation that recently went into effect that enables a taxing district to file a judgment lien for delinquent taxes on one property against all other properties owned by a taxpayer.

House Bill 388, which went into effect Jan. 26, amends Pennsylvania's Municipal Claim and Tax Lien Law and provides for the collection of delinquent property tax claims through judgment liens as opposed to municipal liens.

A judgment also can be filed on properties in other counties that the taxpayer owns. As a result, a judgment for real estate taxes on one taxpayer's property—once it is filed/indexed in the Prothonotary's Office—becomes a judgment on all properties owned by the taxpayer in the county where it was filed. This means that until the legislation is corrected, searchers will need to discover all properties

owned by the taxpayer in the county.

The PLTA is helping craft a trailer bill to correct the problem. The proposed language in the bill says that once a judgment lien is properly filed separately from the tax lien and indexed in the Prothonotary's Office, it can be indexed in the county where the tax lien originated. It can then be indexed in any other county.

The impetus of the legislation came from legislators attempting to resolve delinquent property tax issues in Philadelphia. As of now, the legislation has many unintended consequences on the title industry and could impede real estate transactions.

Before HB 388 was passed in November 2013, PLTA sent a letter to state Sen. Mike Folmer informing the legislator that the association supported efforts to collect delinquent real estate taxes, but that the bill would make it more difficult to discover judgment liens.

First American Acquires Loan Quality Analytics Company

In March, First American Financial Corp. completed its \$155 million acquisition of Interthinx Inc., a provider of loan quality analytics, decision support tools and loan review services for the mortgage industry, from Verisk Analytics Inc.

Established in 1996, Interthinx provides solutions designed to help clients minimize risk, increase operational efficiencies, satisfy regulatory requirements, manage data verification and ensure compliance.

"The integration of Interthinx's analytic services with First

American's title and settlement processes will benefit our lender customers, as they work to meet the demanding loan-quality requirements brought on by recent regulatory changes," said Dennis Gilmore, chief executive officer of First American Financial. "By tightly integrating First American's title and settlement processes with the analytic services of Interthinx, we're in a unique position to provide the industry's most robust loan-quality assurance solution—from application to closing."

North American Title Expands into Hoosier State

North American Title Co. expanded into Indiana and opened an office in the northwest portion of the state in Merrillville.

"We have been looking to open offices in a new state," said Michael Montalvo, division president of North American Title Co. "The close proximity to our Illinois offices will make it

much easier to grow this new market."

North American Title named Celeste Zajac as its northwest Indiana sales manager. She worked as a real estate agent for more than 10 years before taking a position as manager of transaction management software and the processing division for a national title company.

Fannie, Freddie Launch Programs to Assist Housing Transactions

Fannie Mae and Freddie Mac both announced programs aimed at spurring home sales.

Fannie Mae reported that homebuyers may receive up to 3.5 percent in closing-cost assistance when they purchase a HomePath property in 26 states and Puerto Rico.

To be eligible for the incentive, the initial offer must have been submitted before March 31 and closed on or before May 31. The incentive offered qualified buyers up to 3.5 percent of the final sales price to pay closing costs.

For more details on the program, visit www.HomePath.com. The states where the incentive is available are Arizona, California, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oregon, Tennessee, Virginia, Washington, West Virginia and Wisconsin.

Meanwhile, Freddie Mac offered a sales promotion that paid cash incentives to real estate agents who listed or sold HomeSteps homes in 23 states through April 15. To be eligible, the

home must have been sold as a primary or secondary residence and the closing settled on or before May 30. The promotion does not apply to investor purchases, auction sales, sealed-bid sales or bulk sales.

Selling agents will receive a \$1,000 incentive, and listing agents a separate \$500 incentive, when they sell HomeSteps homes located in one of the 23 target states. Additionally, homebuyers are given a choice of \$500 incentives they can use toward condominium association dues, flood insurance premiums or the home warranty of their choice.

States where the 2014 HomeSteps Winter Sales Promotion is now active include Alabama, Connecticut, Colorado, Iowa, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, North Carolina, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Utah, Virginia, Washington and Wisconsin.

For HomeSteps Winter Sales Promotion details and conditions, see www.homesteps.com/homesteps/real/promos.html.

WFG to Launch Compliance Management System for Agents

WFG National Title Insurance Co. has introduced technology that will enable title agents to implement key compliance safeguards as well as demonstrate to the agents' clients that they have done so. The Compliance Management System (CMS) will soon be available nationwide.

According to Joseph Drum, executive vice president overseeing WFG National Title's agency division, the CMS software meets and surpasses the American Land Title Association's (ALTA) "Title Insurance and Settlement Company Best Practices" requirements. "(The software) addresses some of the concerns that many mortgage lenders have expressed about partner compliance that rise above and beyond those

areas covered by the Best Practices," Drum added.

WFG National Title's CMS will enable agents to implement the necessary compliance safeguards and demonstrate to clients that those safeguards are in place. A WFG agent will be able to deliver to a concerned lender a notebook detailing the agent's CMS and how it works, the company said in a release.

"Our agents have been asking for several months what it takes to be compliant," Drum said. "This CMS has been reviewed and approved by many of the country's leading lenders and GSEs. Providing this tool to our agents is merely an ongoing part of our responsibility to collaborate with them. It will help them not only to stay in business, but to grow their businesses as well."

TSS Adds agentTRAX to Vendor Network

TSS Software, a technology solutions provider to the title and settlement services industry, announced the integration of its TitleExpress software with Fidelity National Title Group's agentTRAX product. This integration is designed to provide a

process for requesting, updating and voiding policy jackets directly through TitleExpress.

As a result, mutual customers may use data from existing TitleExpress orders to request services through agentTRAX, eliminating the need to rekey information.

CFPB Fines Mortgage Lender for RESPA Violations

The Consumer Financial Protection Bureau (CFPB) ordered Connecticut-based lender First Alliance Lending LLC to pay an \$83,000 civil money penalty for violating federal law by illegally splitting real estate settlement fees.

First Alliance self-reported these violations to the Bureau, admitted liability and provided information related to the conduct of other actors that has facilitated other enforcement investigations, the CFPB said in a release.

“These types of illegal payments can harm consumers by driving up the costs of mortgage settlements,” said CFPB Director Richard Cordray. “The Bureau will use its enforcement authority to ensure that these types of practices are halted. We will, however, also continue to take into account

the self-reporting and cooperation of companies in determining how to resolve such matters.”

According to the CFPB, First Alliance started using a hedge fund to finance its loans in 2010. Under this arrangement, First Alliance split revenues and fees with affiliates of the hedge fund. In 2011, First Alliance secured less costly financing and ended its arrangement with the hedge fund and its affiliates. Although the hedge fund and its affiliates no longer financed First Alliance’s mortgages, First Alliance continued to split origination and loss-mitigation fees with them, the CFPB reported. The hedge-fund affiliates received payments from 83 First Alliance loans made between August 2011 and April 2012.

Appeals Court Dismisses Illinois Recording Fee Case Against MERS

The Seventh Circuit of Appeals affirmed a district ruling and dismissed a recording fee case against MERSCORP. In *Macon County v. MERSCORP, Inc.*, the county claimed that recording fees should have been paid when promissory notes are

transferred and by not paying such recording fees, MERSCORP and Mortgage Electronic Registration Systems. (MERS) were unjustly enriched because MERS deprived the county of revenues it would have otherwise received.

Escrow Accounts Vulnerable to Hidden Virus in Photos

A newly discovered version of a well-known computer virus disguises a configuration code in a digital photo that can steal online account information.

Known as ZeusVM, the virus downloads a configuration file that contains the domains of banks that the malware is instructed to intervene in during a transaction, according to Jerome Segura, a senior security researcher with Malwarebytes.

Once an infected user visits their banking website, the Trojan

can empty accounts in discretion. A bank cannot tell these are illegal money transfers since the customer entered their system using proper authentication credentials.

After being decrypted, the file shows that Deutsche Bank, Wells Fargo and Barclays were targeted.

Writers of malicious software have used this steganography technique for years. By embedding code in a file format that looks legitimate, there’s a chance a computer’s security software will overlook the virus.

Indiana Bill Drops Requirement for Consumer Comparison Shopping Tool

Indiana’s House Insurance Committee amended and passed legislation that would have required the state develop a tool to help consumers compare title insurance rates.

The amendments to HB 1224 removed all provisions relating to the comparison shopping tool. The bill would have required the state’s department of insurance to create a title insurance consumer comparison tool. Filed rates of all insurers would have been

included on the tool. The tool would have been required to be made available to the public free of charge on the Department of Insurance’s website by Sept. 1, 2014.

While the Indiana Land Title Association supports providing tools to help consumers comparison shop, the association opposed the bill prior to being amended due to legislation that passed last year requiring the establishment of a rating bureau.

Long-time Member of ALTA, WLTA Passes Away

At ALTA Conventions, Tom Rostad enjoyed working his way onto the stage to sing one of his favorites. It was usually “New York, New York” or “Mack the Knife.”

“It wasn’t unusual for the Wisconsin contingency attending ALTA conventions to notice that Tom would quietly ‘disappear’ from the group,” said Karen Gilster, executive director of the Wisconsin Land Title Association (WLTA). “The next thing we knew, there he was on stage trying to talk the band into letting him sing.”

Rostad, who was president and co-owner of Dane County Title Co., passed away on Feb. 8 after an 11-year battle with prostate cancer. A long-time member of the WLTA, Rostad, was a member of ALTA for 20 years and a strong supporter of ALTA’s Title Industry Political Action Committee. He attended many ALTA meetings, including nearly every Annual Convention from 2000 to 2011.

After earning his undergraduate degree at the University of Minnesota, Rostad earned his law degree in 1974 from UW-Madison. He

then launched his own firm—Smoler, Albert and Rostad—with two other attorneys. Known for his expertise in real-estate law, Rostad was recruited in 1986 to join Dane County Title.

“Tom had a deep love and concern for the title industry,” Gilster said. “If there was a looming Wisconsin title issue, he regularly called the association office with suggestions or offers to assist in any way he could.”

In 2008, Rostad volunteered to be a part of Wisconsin’s newly formed Title Advisory Council. Sean Dilweg, former Wisconsin insurance commissioner, appointed Rostad to chair the Advisory Council. One of his first acts on the job was to invite the council and commissioner to tour his company’s title plant.

“He wanted everyone to be able to grasp the importance of the role the industry played in the real estate transaction,” Gilster said. “He sincerely respected the integrity of a good title product from search to closing and defended the practice of doing things right in many of the conversations we had over the years.”

An avid sportsman and outdoorsman, Rostad annually joined a group of friends at the same lodge in Alaska to fly fish for silver salmon. Two weeks before entering hospice care, Rostad played 18 holes of golf. He shot a 92.

Rostad was devoted to his family. He met his wife, Genie, in 1980 while cross-country skiing. They married six months later. Despite battling cancer, Tom and Genie traveled to Norway and New Zealand with their two daughters in recent years.

The Rostads were close friends with Mike and Marilyn Wille. Mike tragically passed away in September 2006 when his twin-engine aircraft crashed in North Sioux City, S.D., after he left the Nebraska Land Title Association’s annual convention. He was to be installed as ALTA president during the 2006 Annual Convention.

The two couples first met in 1988 during a trip to Australia for Chicago Title agents. With time before their flight, they took a quick tour of San Francisco. The friendship blossomed from there and the couples spent more time together at conventions and vacations.



“We would often pick them up with our plane in Madison, and we would fly to the conventions stopping where we wanted on the way,” Marilyn Wille said. “Tom soon became a great co-pilot.”

Marilyn turned to Tom for business advice following Mike Wille’s plane accident.

“When Mike suddenly passed away, Tom was the second person I called,” she said. “I had been with the company since 1971, but never in the role of owner. I relied on Tom for advice in those early days after Mike passed. Sometimes when a spouse passes away, your friends soon disappear. Tom and Genie have been in constant touch with me since Mike’s accident. Tom cared very much about the industry and his employees.”

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People Power Drives Grassroots Success

People tend to pay a little more attention when issues impact them directly. For couples that have children, school issues become much more important. When you have family members or friends serving in the armed forces, you tend to pay more attention to items impacting the military.

It is human nature for people to only get involved when there's a personal reason. To relate this to the title industry, I find it interesting that title professionals seem to only get involved and reach out to ALTA or the state associations when legislation is enacted that hinders their business.

Here's a perfect example. A new law in Pennsylvania requires that delinquent taxes on one property create liens on all of owners' other properties in that county. This makes searches more complicated and has unintended consequences. You can read more about the legislation, the ramifications and what the Pennsylvania Land Title Association (PLTA) is doing to fix the issue on page 28.

Rest assured that the PLTA's Legislative and Judicial Committee is on top of this and is working expeditiously to remedy this difficult piece of legislation.

During any legislative session, there are many proposed bills that would have direct and indirect implications on real estate transactions. This is a reason why all title professionals should be involved in their trade associations. There are nearly 4,000 licensed title agents in Pennsylvania, yet only 400 belong to the Pennsylvania Land Title Association. When the PLTA holds its Lobby Day in Harrisburg, only about 20 agents participate. Only about five Pennsylvania agents participate in ALTA's Federal Conference and Lobby Day in Washington, D.C., walking Capitol Hill and meeting with our legislators.

Trade associations are only as strong as membership involvement. Whether in Pennsylvania or on the other side of the country, Pennsylvania's legislation impacting liens is a perfect case study of why title professionals must continuously advocate for their industry. Issues percolate at the local and national level.

You never know when a bill may be proposed in your state that could impede business. Get engaged with your state association. At the federal level, we have a great opportunity to protect our industry by attending ALTA's 2014 Federal Conference and Lobby Day (Go to www.alta.org for more info). The closing process is changing, GSE reform is happening. We must explain the value we provide to the real estate transaction.

A trade association can have all the resources in the world, but without its members being seen and heard, its voice remains silent in times when it needs to be heard. Remember, the most important victory is for the group itself.



- Phil Janny, CLTP, NTP, member of ALTA's Government Affairs Committee, past president of the Pennsylvania Land Title Association and member of PLTA's Legislative and Judicial Committee

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- ☛ *Consumer website*
- ☛ *Details about steps in a home purchase and a refinance*

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