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TitleNews

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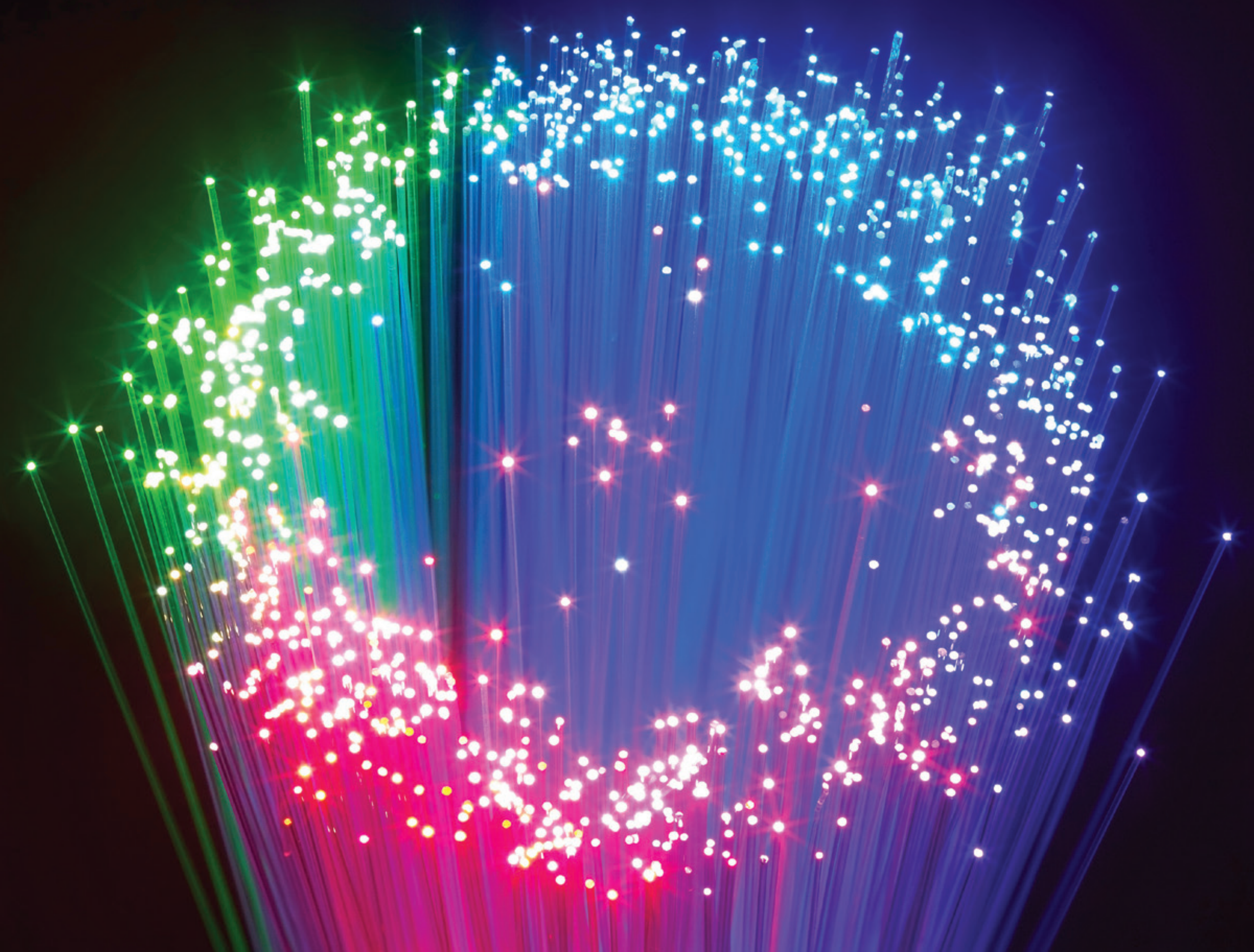
American Land Title Association

TRID Data Portals and Pathways

As Transaction Costs Continue to Increase from Origination to Closing, Technology Provides Answers to Needed Efficiency and Accuracy



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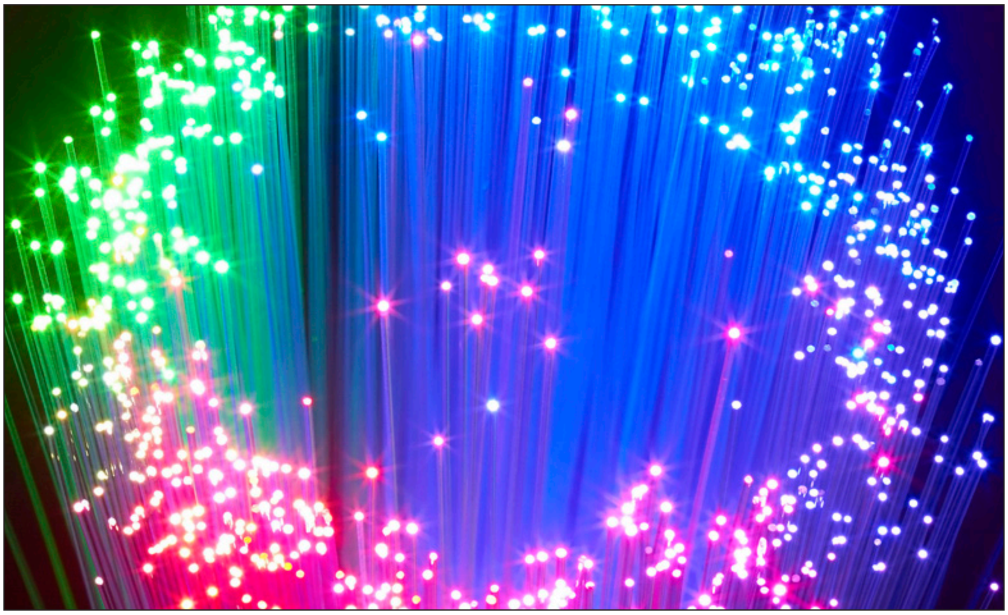

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2016 ALTA CONFERENCES

October 4–7	Annual Convention *Scottsdale, AZ*

STATE CONFERENCES

July 14 - 16	Utah *Park City, UT*
July 17 - 19	Michigan *Boyne Falls, MI*
August 4 - 6	Kansas *Overland Park, KS*
August 4 - 5	Minnesota *Alexandria, MN*
August 7 - 9	Indiana *Indianapolis, IN*
September 8 - 10	North Dakota *Fargo, ND*
September 8 - 11	Maryland *Ocean City, MD*

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from the publisher's desk

The Value of Strategic Planning

More than two centuries ago, scientist Louis Pasteur said, "Chance favors only the prepared mind," when describing his breakthrough research. What he meant was that flashes of insight don't just happen. They are products of preparation.

According to MIT's Sloan School of Business, strategic planning is best thought of as a learning tool to create "prepared minds" within management—rather than as a tool to develop action steps. Most truly strategic decisions are made in informal conversations. The challenge for managers and leaders is to create the opportunities for these seemly casual conversations to happen. Preparing the minds of a leadership teams starts with challenging the current strategy by testing assumptions about the market. This ensures that a full range of strategic choices is considered, including potential opportunities and risks. It is hosting these conversations that make ALTA's Board of Governor's meetings valuable for leading the industry.

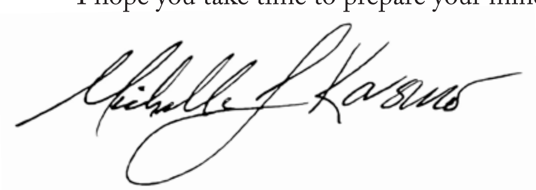
ALTA's Board met last month to continue the conversation about the association's strategic priorities, but board members also held deep conversations on emerging issues. ALTA President John Hollenbeck NTP highlighted the need for title and settlement companies to implement elder abuse policies and practices in place. Our industry is on the front lines dealing with people's biggest personal financial transaction. We'll focus on this issue in an upcoming edition of *TitleNews*.

Money laundering prevention is another emerging issue Hollenbeck encouraged ALTA's leaders to think about. Anti-money laundering efforts at the U.S. Department of the Treasury have touched our industry with the FinCEN's Geographic Targeting Orders in Manhattan, N.Y., and Miami-Dade County, Fla. Those of us in other parts of the country are thinking about what may come next.

Another conversation focused on promoting a culture of compliance within the industry. The best defense against critics is an industry that understands compliance and reflects that understanding in its practices. ALTA leaders have addressed this through the Principles of Fair Conduct that was created in 2007. Building on those efforts, the Board decided to review what else we can do to promote a culture of compliance. Be on the lookout for more information, and let us know if you have your own ideas to offer.

Meanwhile, this edition's cover article discusses the importance of being able to exchange data electronically to complete the Loan Estimate and Closing Disclosure. Regulatory requirements are driving this need, but there are significant efficiencies, cost savings and market growth opportunities available to companies who approach this strategically.

I hope you take time to prepare your mind and plan your strategy!



— - Michelle Korsmo, ALTA chief executive officer

ALTA news

ALTA Awards Two More National Title Professional Designations

Emma Jo "EJ" Brent and Joseph E. Powell were both recently awarded National Title Professional (NTP) designations from ALTA.

Brent is the third NTP designee from Texas, while Powell is the first from Alabama to receive the designation. Both join more than 60 other industry leaders from around the United States who have earned the professional designation.

The designation recognizes land title professionals who demonstrate the knowledge, experience and dedication essential to the safe and efficient transfer of real property.

Brent has served the land title industry for more than 30 years and received the Texas Land Title Association (TLTA) Certified Title Insurance Associate honor in April 2012. Brent is an agency representative and director of education for the agency team for First American Title Insurance Company in Houston. She is active in the TLTA serving at various times on the Certification Council, School Executive Committee and School Committee. She also is a frequent teacher/speaker for TLTA events.

Powell is area counsel for Fidelity National Title Group in Birmingham, Ala. With more than 18 years of industry experience, Powell is a frequent speaker for ALTA, the Dixie Land Title Association (DLTA) and several state bar associations. He is a member of ALTA's Liaison Committee with the National Association of Insurance Commissioners and State Legislative/Regulatory Action Committee and is active on the DLTA Government Affairs and Social Media committees. Powell is also a member of the Alabama Department of Insurance Title Industry Advisory Committee and other professional organizations.

Why Agents Should Know Their License Number—If You Have One

Has one of your lenders asked you for your license number? Wondering why they're asking for this information? Lenders need this information because the contact information section on page five of the Closing Disclosure asks for the settlement agent's state identification number. Licensing of title/settlement agents varies by state. Some states require companies to be licensed, while other states require each individual to be licensed.

ALTA's Title Insurance and Regulatory Survey (TIRS), the most comprehensive collection of regulatory information and practices of the title industry, includes licensing requirements for title insurers, title agents, abstracters and escrow and closing agents.

Here's a portion of TIRS, including the license-type requirement in Florida, Ohio and Texas:

State	License Type Requirement
Florida	Title agents; Title agencies
Ohio	Title Insurance Company
Texas	Title Agent

For more info, go to *www.alta.org/publications/tirsdownload.cfm*

Want to Join and ALTA Committee?

ALTA is accepting volunteers for any of its 25 committees. Deadline to submit your name is Friday, July 22. Online application forms are located at *www.alta.org/about/leadership/index.cfm*

If you have a special area of expertise (real property records, claims, international development or industry technology, for example), or if you have an area of interest (such as membership, government affairs, public relations, research or employee and professional education, to name a few), there is a committee on which you can volunteer to serve.

The ALTA president-elect makes all committee appointments in the late summer for a term beginning after the Annual Convention in October.

ALTA Asks CFPB to Support Best Practices, Provide Clarity on Third-party Oversight

To help provide clarity and guidance to supervised entities, ALTA sent a letter to the Consumer Financial Protection Bureau (CFPB) asking the bureau to announce support of the association's Title Insurance and Settlement Company Best Practices.

While many lenders have adopted the Best Practices, others ask how the CFPB views the use of industry-developed standards to construct a compliance management program.

"A public statement in support of the ALTA Best Practices from the Consumer Bureau would provide much desired clarity and guidance to supervised entities," the letter to CFPB Director Richard Cordray said.

Confusion stems from the fact that in the majority of transactions, the lender does not select the settlement services provider. The letter points out that several state laws limit a lender's right to restrict consumer choice.

"As a result of lenders' uncertainty, some entities severely limit consumers' options," the letter said. "This is the wrong outcome."

ALTA also recommended that the CFPB modify its Supervision and Examination Manual to include the same requirements entities use in assessing internal processes. The letter says the manual should be modified to include the following statement:

The compliance management program for service providers is tailored to the size, nature and complexity of the service provider, and the number of consumers who may be directly impacted.

Finally, ALTA also encouraged the CFPB to instruct examiners to review the supervised entity's service provider policy to determine its impact on consumer choice. This could be accomplished by adding the following language to the "Compliance Management Review" section of the manual:

Review policies and procedures for the supervised entity's oversight of service providers to ensure it does not impair consumers' ability to select the service provider of their choice where permissible under the law.

The May 13 letter follows a meeting ALTA President John Hollenbeck and Chief Executive Officer Michelle Korsmo had with Calvin Hagins, the deputy assistant director for originations at the CFPB, to discuss confusion about third-party service provider oversight.

In addition, ALTA sent a letter in November to Patricia McClung, assistant director of mortgage markets at the CFPB, which outlined concerns regarding oversight of lenders' vendor management programs. ALTA urged the CFPB to provide further guidance and clarification about the bureau's role and expectations for third-party vendor management programs. Industry members have expressed confusion about how to develop robust vendor management programs for fear that they will not meet the bureau's expectations.

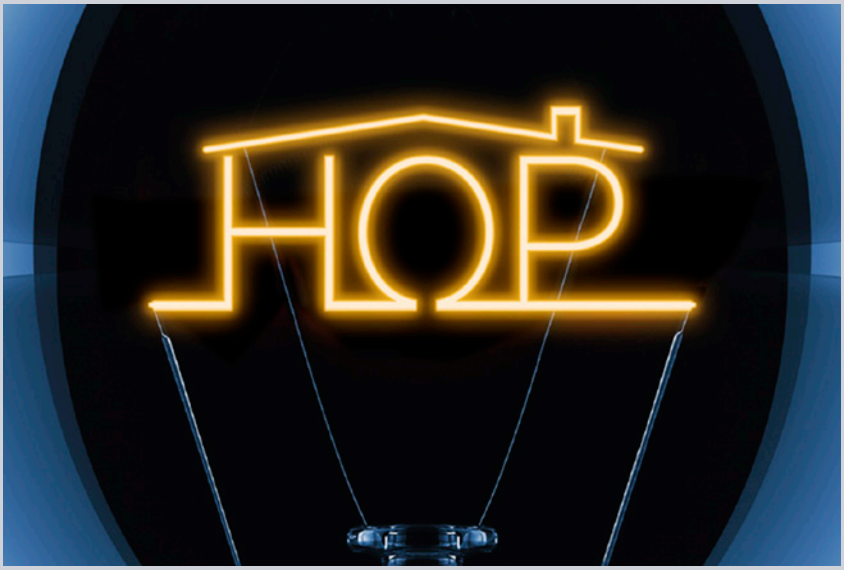
State Capital Title & Abstract Earns ALTA Elite Provider Status

ALTA announced that State Capital Title & Abstract has been named an ALTA Elite Provider.

ALTA's Elite Provider Program is comprised of premier service providers committed to offering comprehensive benefits to the title insurance and settlement services industry. Elite Providers promote the highest industry standards and provide effective solutions for ALTA members' critical needs.

Founded in 1925, State Capital Title & Abstract is a fourth-generation, family owned, independent document search and filing company providing searches in New Jersey and nationally. State Capital Title & Abstract provides upper-court judgment searches, litigation searches, UCC searches, corporate searches, chancery abstracts and New Jersey foreclosure review services.

The company offers ALTA members 10 percent off of New Jersey upper-court searches for the first year. Additionally, it provides ALTA members with 10 percent off the first order of any of their nationwide services. For more information about the Elite Provider program or to apply, please visit *www.alta.org/elite.*



Win A Trip to ALTA's Annual Convention!

Are you using ALTA's Homebuyer Outreach Program (HOP) materials in a unique way? Show us how you are educating consumers about the benefits of title insurance for a chance to win a free registration to an upcoming ALTA event. ALTA staff, Public Relations Committee and HOP Working Group will vote on the entries. First place will win a complimentary registration to ALTA's 2016 Annual Convention, Oct. 4-7 in Scottsdale, Ariz. Second place will receive complimentary registration to one of ALTA's 2017 Innovation Boot Camps. Email your submissions to *communications@alta.org today*!

Social Media Pro Tip: Save Time by Scheduling Your Posts

Title pros are extremely busy and thinking through your social media posts for scheduling can seem daunting. Utilize free programs like TweetDeck or Hootsuite to plan your social media posts on your own time. If your team comes up with several consumer education posts at once, use Hootsuite to schedule the posts over a week. If you have an event or conference next month, schedule your tweets using TweetDeck before you leave so you don't have to "live tweet" anything during the conference. Planning your strategy in advance saves you time and limits your frustration when trying to come up with new social media posts each day.

Email *social@alta.org* if you have any questions about Tweetdeck & Hootsuite or to have ALTA help host a training for your office.

Homebuyer Outreach Program in Missouri

ALTA's Homebuyer Outreach Program (HOP) is hosting a workshop in Kansas City, Missouri, on August 3. The HOP Workshop will focus on explaining the importance of an owner's title insurance policy to homebuyers, overcoming barriers to consumer communication in your market and marketing law pitfalls to avoid. For more information and to register, please visit *meetings.alta.org/hop*.

Looking for Photos from Federal Conference?

Check out ALTA's Flickr page for photos from the many events, receptions and Lobby Day meetings during ALTA's 2016 Federal Conference. Visit *www.flickr.com/altaonline* to download your photos today. Photos from the conference can be found on pages 24 and 25.

United We Protect Shirts Available

We've got great t-shirts for your entire staff! Our ALTA "United We Protect" t-shirts are available in men and women's sizes in the ALTA Store at *www.alta.org*. Purchase a few for your next office event today.


New, Enhanced & More Depth
Our Title Plants are Growing
At Data Trace, we're busy sprouting new title plants in Texas and Ohio, all while cultivating greater access in Utah and to 50 California title plants. We expanded our offering of property reports and continue to advance property research and title customer service with TitleFlex™. Data Trace can keep you out of the weeds and help your business bloom.
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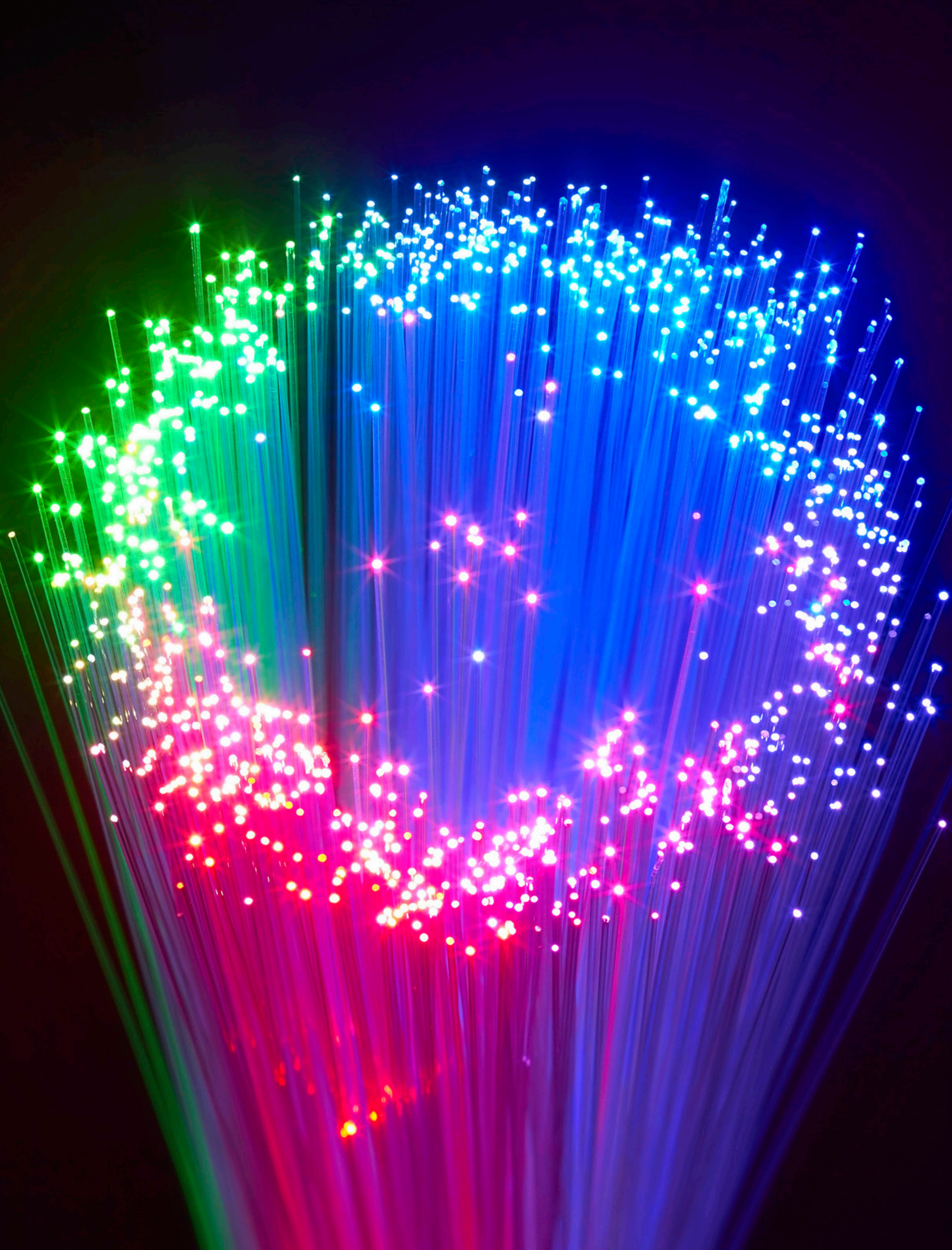
TRID Data Portals and Pathways

As Transaction Costs Continue to Increase from Origination to Closing, Technology Provides Answers to Needed Efficiency and Accuracy

Surveys show that the Consumer Financial Protection Bureau's (CFPB) TILA-RESPA Integrated Disclosure (TRID) rule has resulted in more homebuyers reviewing their mortgage documents before closing. That's great—more informed consumers lead to a stronger market. But with new regulations—especially ones that are 1,888-pages—come additional costs to comply and conduct business. However, from originating a loan to closing the transaction, it's clear that there's more expense involved in getting an order through the pipeline. >>

By Jeremy Yohe



According to the Mortgage Bankers Association's Quarterly Mortgage Bankers Performance Report, profits were $825 per loan during the first quarter of 2016. This compares to $1,447 per loan in the first quarter of 2015.

"Origination costs in the first quarter are elevated compared to quarters with similar production volume within the past few years," said MBA Vice President of Industry Analysis Marina Walsh.

Because of skyrocketing regulatory costs of doing business, many banks are deciding to leave the residential market. Earlier this year, BankUnited stopped writing residential loans for just this reason.

"We can't make money in the business," BankUnited CEO John Kanas said during the company's earnings call in January. "We realized that this was the lowest-margin, most volatile business we had and decided that we should exit."

Analysts say this movement is natural.

"The fact is that the cost of capital and compliance has convinced many bankers that making home loans to American families is not worth the risk," Chris Whalen, a bank analyst with Kroll Bond Rating Agency, said in a speech.

The cost to close an order continued on a similar track as loan origination costs during the second quarter of 2016. According to First American Financial's latest Real Estate Sentiment Index, title agents report an average increase of $184 per transaction in the second quarter. Agents note that the increases are not necessarily due to the TRID rule itself, but a result of the varied approaches to implementation taken by lenders. The survey showed that the increase in cost varied by geography. Title agents in New Mexico indicated the highest increase, at $313 per order, while title agents in Indiana indicated the lowest increase at $58 per transaction, according to First American.

"Change is difficult, and the implementation of the new Know-Before-You-Owe processes and forms was a challenge for title agents as well as lenders, requiring significant investments in new technology and time," said Mark Fleming, chief economist at First American.

TRID has forced lenders to rethink processes and turn to technology to originate loans more efficiently, according to Mike Vitali, senior vice president and chief compliance officer for LoanLogics. A challenge under TRID is that lenders need to be able to handle communications with various closing agents for any changes at the closing table so that an accurate final Closing Disclosure may be provided for the closing.

"Technology makes it possible for lenders to build in safeguards to help eliminate the possibility of closing loans with recurring defects and regulatory risks," Vitali said. "The proper application and use of advanced technology will go a long way toward the manufacture of quality, compliant loans that will perform as expected and be saleable in the secondary markets. If a defect is missed, there is a very good possibility that many of the loans in the lender's pipeline may suffer from the same defect."

On the flip side, title and settlement agents typically conduct business with several lenders. This can be daunting. Leslie Wyatt, director of industry relations for SoftPro, said that while a lender may select one system to exchange data, settlement agents must adapt to each lenders' preference.

"It's up to the settlement agent to find out what delivery method each lender uses," Wyatt added. "Each portal has different requirements on how data is uploaded or manually entered. And then you need to know how to register and how you will receive orders."

"The fact is that the cost of capital and compliance has convinced many bankers that making home loans to American families is not worth the risk."

Rise of the Portals

Bank of America, which already discontinued the use of email, fax and other document delivery methods, requires the use of RealEC Technologies' Closing Insight technology for all loan applications and for settlement agents to receive orders. All documents, data and information must be exchanged through Closing Insight. Additionally, all settlement fee data must be uploaded to Closing Insight either through the settlement agent's software or through RealEC's Exchange, which is available on the web. After uploading fees, Exchange will generate codes for initial fees (406) and subsequent fee updates (433).

Bank of America expects fees to be uploaded into Closing Insight using the appropriate Exchange event codes no later than the next general business day unless otherwise contracted with Bank of America. Uploading a fee sheet or a mock-up of a Closing Disclosure as a PDF document does not circumvent the requirement to use of Closing Insight, Bank of America said in communication to its settlement agents.

In addition, agents should notify Bank of America via Closing Insight of any fee variances or changes that are identified post-closing. The lender will review the request and reply via Closing Insight and issue a revised Closing Disclosure if necessary. Settlement agents must notify Bank of America immediately when a signing will not take place as scheduled. Similarly, Bank of America will notify the agent via Closing Insight when a signing date is rescheduled.

Meanwhile, Wells Fargo informed settlement agents in its June 2 newsletter that the use of Closing Insight was expected to increase. The company reported that updated training materials, tools and support are now available at *www.closinginsightresourcecenter.com*.

According to Wells Fargo, "As updated training is delivered across the country, you will begin to receive a transaction-level '222' message via Closing Insight letting you know that your Wells Fargo closer is ready for you to provide fee and closing information needed for our borrower CD preparation."

"We appreciate your support and partnership as we continue to move forward to make Closing Insight the standard for interaction with Wells Fargo closers to exchange fees, status and other information needed for the borrower CD and closing preparation," Wells Fargo wrote in its settlement agent newsletter.

Data Drivers

Two key items are driving the need for lenders to have access to digital data. First, the CFPB's rulemaking related to the Home Mortgage Disclosure Act (HMDA) goes into effect in 2018. The new regulations require most lenders to report certain information about mortgage applications and loans in efforts to create transparency in the mortgage lending process. The HMDA rule adds some new required data points including information about the property securing the loan and features of the loan, such as total loan costs or total points and fees, origination charges, discount points, lender credits, interest rate, prepayment penalty term, loan term, introductory rate period and non-amortizing features. All the data will need to be submitted through a web-based portal.

"The electronic exchange of data is critical," said Ben Harpenau, senior vice president and business controls manager for Bank of America. "We will continue to drive the adoption and usage of Closing Insight more than we are today because we need to get accurate data. There's little tolerance for inaccuracies. The CFPB is a data-driven organization and lenders are starting to think about additional data that will need to be delivered."

Harpenau compared the use of portals with the initial rollout of the Transportation Security Administration (TSA) in 2001. At first, travelers needed to arrive at the airport four hours before a flight. Over time, airports became more secure and the process became more efficient. Now, there's TSA PreCheck and travelers can show up an hour before a flight.

"Much like the TSA, adoption of portals is an evolving process," he added. "We will continue to see other lenders using some type of portal or direct integration. The desire to rekey data from a PDF is not there. With integrated technology you have logic that can catch some errors so you have much higher data integrity on the back-end."

The second force spurring the need for electronic data is the development of the Uniform Closing Dataset (UCD) by the government-sponsored entities (GSE). Fannie Mae and Freddie Mac will require delivery of the

UCD in the third quarter of 2017 for all loans acquired by the GSEs.

The UCD is a common industry dataset that allows information on the Closing Disclosure to be communicated electronically. Fannie Mae and Freddie Mac have developed the UCD at the direction of the Federal Housing Finance Agency as part of the Uniform Mortgage Data Program (UMDP), an ongoing initiative to enhance loan quality and consistency through uniform loan data standards for the single-family loans the GSEs purchases.

"We can't just buy any loans," said Lisa Mitiguy, product development manager of single-family strategic initiatives for Fannie Mae. "They must fit certain parameters, and we have seller guides. We must be particular in what we buy. This means we require a lot of data. Title and settlement agents sit in a critical part of the process because lenders need to provide this data electronically to the GSEs."

She added that data speeds the ability to do all the checks and calculations at each point in the process. "When you're sitting at the table and waiting to get a clear to close, the lender has a better ability to give approval if they have data," Mitiguy said.

"Lenders don't want to be in the business of rekeying information to send to the GSEs. They want to be able to pass it along electronically, which is the GSE requirement. Lenders are trying to examine their processes and asking how they will provide data in a consumable way. So, this will be passed down the chain," Mitiguy added.

Seller credits are one example of why the GSEs need data. Mitiguy said there are guidelines that limit interested party contributions. Seller credit falls into this area, and the UCD will help with data calculations. If a settlement company prepares the seller Closing Disclosure, the same seller credit should appear on the buyer's Closing Disclosure prepared by the lender.

"If data is digital, we can do these checks much faster," Mitiguy explained.

The most important thing to note about the UCD is that the dataset will be a required format for all loans acquired by the GSEs beginning in the third quarter of 2017. This is not something title and settlement agents are going to be able to ignore if they want to continue doing business with lenders that sell their loans to the GSEs.

"To prepare for UCD collection, title and settlement agents will want to talk with their lenders to learn how they plan to collect the UCD," SoftPro's Wyatt said. "Agents will want to also ask their title production software providers if their system has the ability to produce the standard data format. Many title production systems already have this ability."

Bumps in the Road

It's no secret that the use of portals has caused frustration in the title and settlement agent community, but the need for electronic data won't subside.

According to Brooks Yeager, executive vice president and chief strategy officer at RamQuest, "The use of portals has moved from a nicety to a necessity and, while the initial transition has caused some frustration, this is only temporary. The need for electronic data is on the rise and once agents become acquainted with sending fee information digitally through a portal or direct integration—rather than sending a fax or email—not only will it get easier, but they'll also realize some true efficiencies and cost savings in their process."

Yeager encourages title agents to find out what platform their lenders use because "not all portals work the same so it is important to be communicating with your lender to find out how their process should work and what they require from agents."

"You need to ask questions to find out from your lender everything that is involved with communicating and collaborating through their portal," he continued. "Are there costs? What training is offered/needed? Is your software fully integrated or do you need to use the lender's website?"

Wyatt added that communication is vital because a title agent doesn't want to find out down the road that a lender is sending orders through a particular platform and learn that their system isn't compatible. She added that title and settlement agents must understand the fee structure when using a portal or a direct integration. Some companies have a per-file charge or charge a routing fee. For others it doesn't matter how times data is inputted or exported, while some charge for every click.

"One company may look like it's charging you less, but if you update data on a form many times it may end up costing more," Wyatt said. "You could also get walloped with a fee if you don't meet a certain volume level."

The Hunt for Efficiency

To overcome the challenges created by TRID, lenders and settlement agents need to rethink their methods of communication and adopt a more streamlined, consistent method that enables real-time electronic collaboration and supports compliance, according to Nancy Alley, vice president of strategic planning for Simplifile. If information is being communicated via multiple channels, it's impossible to know how information is going to be communicated at any given time. Alley provided an example of a lender expecting a phone call from the settlement agent regarding an updated fee. If the agent sends an email instead, the lender may not be checking his or her inbox for that information, thus creating a delay that could affect the closing.

"Using email or phone for communicating also prevents both sides from working with real-time data," she said. "What may have been true on Thursday afternoon at 4 p.m. when the information was initially communicated may not be true by Friday morning at 10 a.m. when the information is received. Not only does this create additional complexity, but it also opens the door for additional errors and wasted effort."

Traditional ways of sharing information pre-TRID are insufficient to ensure compliance, inefficient to keep costs down and ineffective to protect non-public personal information. While implementation of digital collaborative approaches has been slower for purchase orders, adoption of portals or direct integration with a lender's loan origination system has been much higher in the managed provider space, especially for refinances.

> "This really takes a behavior shift in how data and fees are exchanged. We'll never get away from talking to each other, but portals help efficiency in spades."

"You may have an agent that initiates a loan with Wells Fargo in January and closes the loan in January with Closing Insight, but they may not get another order until June," said Gerardo Caceres, senior vice president of Client Delivery and Regulatory Strategy for RealEC Technologies, a division of Black Knight Financial Services. "The key is that agents need to get familiar with the system. Once they've used it a few times, they will get comfortable with it and have a more efficient experience."

Caceres says registration issues with Closing Insight have been enhanced and RealEC has made it easier to speak with the right people to get questions resolved.

"The new process is a shift in how data and fees are exchanged," Caceres said. "We'll never get away from talking with each other, but portals help productivity in spades."

Improved efficiency is what attracted Shawn Murphy to integrating ValuAmerica's platform to Closing Insight.

"The integration creates an efficient and secure electronic method of communicating with any lender using Closing Insight while producing the Closing Disclosure," said Murphy, executive vice president of ValuAmerica. "By using the closing collaboration data transfer, the analytics, change tracking and systemic documentation will help keep all parties informed and in sync on a real-time basis."

There will be a continued learning curve as businesses in the lending and settlement space move from a manual process to full integration between software systems or portal usage. The ultimate goal is for data to be exchanged efficiently and consistently to help lenders comply with various requirements.

"We are coming to the end of what seems like a marathon of new regulations," Harpenau said. "The title and settlement space has been great in this partnership. Once the market stabilizes, it will be more fluid." ■

Jeremy Yohe is vice president of communications for ALTA. He can be reached at *jyohe@alta.org*.

1031 Tax Deferred Exchange Trends in 2016

Title Agents Must Be Aware of Closing Nuances When Handling These Transactions

BY SCOTT R. SAUNDERS

The familiar adage, *"It's not how much you make, but how much you keep,"* rings truer than ever for real estate investors facing today's high capital gains tax rates. Fortunately, IRC Section 1031, a provision in the tax code since 1921, provides critically needed tax relief for real estate investors and helps stimulate transactional activity for all parties involved in the sale and purchase of investment properties—including the title segment. With the increase in the maximum federal capital gains tax rate to 20% and the addition of the "net investment income tax" added to the tax code with IRC Section 1411, real estate investors can face a combined tax rate up to 58% higher than the previous rate.

In addition, appreciation in both the commercial and residential markets has been very strong in recent years. Commercial real estate (CRE) values are currently 24% above the previous market peak. According to the National Association of Realtors (NAR), median home prices are up 6.3% year-over-year and have increased in 50 consecutive months. Zillow has stated that "rents will soar in 2016, bringing the highest median rents ever." The combination of strong CRE and residential property appreciation coupled with higher capital gains taxes has led to the "perfect storm" for real estate investors facing large gains and higher taxes. Fortunately, 1031 exchanges provide an ideal solution to this problem and exchange activity has increased significantly.

It's a Seller's Market, Which Is Challenging for 1031 Investors

The inventory of investment properties in many markets nationwide is very tight. Properties sell quickly and remain on the market only a short time. These market conditions prove to be very challenging for 1031 investors, as they only have 45 calendar days from the sale of their relinquished property to identify potential replacement properties. This 45-day identification period is statutory and can be very challenging for those who do not execute efficiently. One way investors can avoid losing the tax benefits of 1031 exchanges is by looking for replacement property at the time their relinquished property is listed for sale.

Another noticeable trend is an increase in the number of reverse exchanges. A reverse exchange provides a much-needed solution for investors facing limited inventory of suitable replacement properties, who may have found an ideal purchase opportunity or an off-market transaction at favorable pricing. In this case, the investor may park the replacement property prior to the sale of their relinquished property through a reverse exchange using an Exchange Accommodation Titleholder who purchases the replacement property on behalf of the investor.

Increase in Delaware Statutory Trust Replacement Property Transactions

Many closers are aware the definition of "like-kind real property" for 1031 exchange purposes is very broad in scope. Like-kind property includes any real property used for productive use in a trade or business or for investment purposes. The types of real property which can be exchanged include vacant land, single-family rentals, commercial, industrial, retail, shopping centers and multi-family property. In addition, other creative like-kind 1031 properties can include easements, air rights and vacation homes held for investment. (See Revenue Procedure 2008-16 for guidance on qualifying exchanges of vacation properties.) A recent trend is an increase in the number of investors seeking Delaware Statutory Trust (DST) replacement property, which represents fractional ownership of a larger commercial property. A DST is an investment that is considered real property for 1031 exchange purposes. A DST is also treated as a Regulation D security offering by the Securities and Exchange Commission (SEC) and is sold by licensed securities financial advisors.

Closing Issues with 1031 Exchanges

Closers and other professionals involved with closing real estate transactions should be aware of some important issues with respect to 1031 exchanges. A 1031 exchange must be set up prior to closing on the sale transaction. When investors close on the sale of an investment property without an exchange in place, they are considered to be in either actual or constructive receipt of the proceeds, which renders the transaction a fully taxable sale. Constructive receipt means that although the investor does not have physical possession of the money, they are legally entitled to the proceeds being held in an escrow or trust account for the investor's benefit. However, a 1031 exchange can be set up immediately prior to the closing and thus successfully convert an otherwise taxable sale into a tax-deferred exchange.

The general guideline is that the entity on title to the sale of the relinquished property should be the same entity that is on title to the replacement property. However, the key issue in a 1031 exchange is that the "tax owner" must remain the same on the relinquished and replacement property. Sometimes in a commercial closing, it is necessary to distinguish between federal tax ownership, state-law ownership and vesting. An investor can be on title to the relinquished property as an individual and acquire ownership of the replacement property as a single member LLC that is considered a disregarded entity for federal tax purposes since this is essentially the same "tax owner." There are other vesting issues that can potentially create problems when a husband and wife own property separately but want to acquire replacement property on title together. These issues should be discussed with their tax/legal advisor before closing.

Finally, the preparation of the closing statement is a critical aspect of a 1031 exchange. It is important to distinguish between "exchange expenses" (transaction costs) and ownership or other costs. An exchange expense is a transaction cost defined in Section 1.1031(k)-1(g)(7) and includes closing/escrow fees, real estate commissions, the qualified intermediary fee, transfer taxes, attorney fees, recording fees, title insurance fees, transfer taxes and notary fees. The payment of exchange expenses with exchange proceeds will not generate taxable "boot." However, the payment of certain non-exchange expenses and/or ownership costs, such as the following items could result in taxable "boot": pre-paid rents, security deposits, credits for lease deposits, mortgage points and assumption fees, lender's title insurance, loan fees and loan application fees, property taxes, utility charges, association fees and hazard insurance. ■

Digital TitleNews Extra:

The Power of Exchange: Closing Issues Handling 1031 Exchanges

Scott R. Saunders is a senior vice president with Asset Preservation Inc., a Stewart Title subsidiary and national 1031 exchange qualified intermediary. He can be reached at 800-282-1031 or *scott@apiexchange.com*.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Lobby Day Attendees Canvass Capitol Hill Influencing Change

Title Professionals Drum Up Support for Dear Colleague Letter Urging CFPB to Fix TRID

More than 250 ALTA members attended the 2016 Federal Conference and Lobby Day in Washington, D.C., holding more than 200 meetings with members of Congress and staff.

Lobby Day participants took time explaining the important role the industry plays providing peace of mind to homebuyers by protecting their property rights. The main priority was to inform Congress that the TILA-RESPA Integrated Disclosure (TRID) rule requires consumers in over half of the United States to receive inaccurate information about their title insurance costs on the new disclosures. Attendees encouraged members of Congress that the Consumer Financial Protection Bureau (CFPB) should provide additional guidance to the regulation and correct the faulty disclosure of title insurance fees when policies are issued simultaneously. The current disclosure calculation is inconsistent with the bureau's mission to inform consumers about the true costs of their real estate transaction.

Title professionals on Capitol Hill encouraged their representatives to sign a bipartisan "Dear Colleague" letter that was sent to House members by Reps. Dennis Ross (R-FL) and Ed Perlmutter (D-CO). These letters are sent by a member of Congress to other congressional offices to encourage others to co-sponsor, support or oppose an upcoming matter, such as a bill. The letter from Reps. Ross and Perlmutter encouraged their fellow representatives to use the TRID rulemaking process to fix the inaccurate disclosure of title insurance premiums on the new disclosures.

"Due to the efforts during Lobby Day, 75 members of Congress have signed the Dear Colleague letter," Korsmo said. "This is a testament to the dedication of title professionals who understand the value of advocating for the industry and helping to ensure consumers understand the true cost of their mortgage."

Marianne Mathieu NTP, vice president and agency representative for Fidelity National Title Group, agreed that participating was a powerful experience and encouraged others to attend.

"This wasn't a weekend in Vegas, but rather three days on the Hill with the opportunity to raise the voice of the title insurance agent and real estate professional directly with key members of Congress," said Mathieu, who also is president of the New York State Land Title Association. "More importantly, what became crystal clear was that advocacy works. I encourage anyone interested in the future of this industry to join us in this event."

CFPB Must 'Provide More Detail Before Going Retail'

During the Congressional Liaison luncheon, U.S. Rep. French Hill (AR-02) stressed that the CFPB should provide additional formal guidance to help industry comply with the TILA-RESPA Integrated Disclosure (TRID), or the Know Before You Owe, rule.

Specifically, Congressman Hill urged CFPB to correct the inaccurate disclosure of title insurance fees when policies are issued simultaneously. Because of the regulation, consumers in over half of the United States receive confusing information about their title insurance costs on the new mortgage disclosures.

"Informal guidance is of no value," Congressman Hill said. "The lack of formal direction from the

ALTA Rebrands Advocacy Conference

Signifying how its Federal Conference and Lobby Day has evolved over the years, ALTA announced it has rebranded the meeting as the ALTA Advocacy Summit for 2017.

"For 20 years, ALTA has brought members to Washington to amplify our voice in the industry and to advance our interests," said Michelle Korsmo, ALTA's chief executive officer. "Advocacy is in ALTA's mission as an association, and we are prepared to lead the way, but our members are the heart and soul of our advocacy efforts. Whether you're a state leader, first-time attendee or you've attended 20 events in the past, the Summit will be the cornerstone of the title industry's advocacy efforts where we leave a legacy of contributions for future generations."

ALTA ADVOCACY SUMMIT™

CFPB has resulted in uncertainty on how to interpret the rules. We need transparency so we can ensure consumers receive the peace of mind they deserve when buying a home or refinancing a mortgage. The CFPB needs to make sure it provides the detail before going retail with Know Before You Owe."

Last year, Congressman Hill, House Financial Services Committee leadership and industry representatives cautioned the CFPB that Know Before You Owe could have unintended negative consequences on homebuyers. Prior to the rule going into effect, Congressman Hill introduced H.R. 3192, the Homebuyers Assistance Act, which would have created an official hold-harmless period for companies making good-faith efforts to comply with the regulation.

In October, the House of Representatives passed the bill by an overwhelming bipartisan vote of 303-121. After seven months of unnecessarily bumpy implementation, the CFPB earlier this month announced plans to reopen the rulemaking for Know Before You Owe later this summer.

"ALTA's primary goal for the CFPB's proposed new rulemaking to Know Before You Owe this July is ensuring consumers receive clear information about their title insurance costs on mortgage disclosures," said Michelle Korsmo, ALTA's chief executive officer. "The current mortgage closing disclosure calculation is inconsistent with the Bureau's mission to inform consumers about the true costs of their real estate transaction. We are thankful for Rep. Hill's commitment to push the Bureau to provide more clarity on TRID to make sure the rule is transparent, practical and accurate."

2015 ALTA TIPAC Awards

During the Federal Conference and Lobby Day, ALTA honored individuals and entities for their effort in helping to raise a record amount of donations in 2015 for the Title Industry Political Action Committee.

"We could not have done this without the help of our outstanding TIPAC trustees who volunteer their time to raise money for TIPAC," TIPAC Chair Bill Burding said. "We are proud to present these awards in honor of their commitment to making TIPAC stronger each and every year."

- **Top Underwriter Award:** For the 10th year in a row, First American Title Insurance Co. raised the most money from their employees. Last year, the company raised $79,800 from 160 contributors at their company. So far this year, First American has raised over $88,524 from 156 contributors. John Hollenbeck accepted the award on behalf of First American.
- **Top Agent Award:** Peter Griffiths of Land Title Guarantee in Colorado. This award goes to the person who raised the most money from an agent in 2015. Last year, Griffiths raised $26,395 from 61 contributors at their company and an additional $4,045 from other companies in their state.
- **Outstanding State Award:** Marianne Mathieu of Fidelity National Title Group in New York. This award goes to the person who increased their state's contribution totals the most in 2015. In 2014, Mathieu raised over $6,850, and nearly doubled that amount to $13,335 in 2015.
- **Rookie of the Year:** Rich Griffin of North American Title Insurance Co. in Arizona. As one of TIPAC's newest trustees, Griffin helped Arizona raise $10,495 from 17 contributors last year. Additionally, Griffin helped persuade the Land Title Association of Arizona to contribute to TIPAC and his company to contribute soft dollars to TIPAC's administrative fund.

Can Micro Targeting Work in the Title Industry?

Experts Say Google, Facebook Offer Economical Ways for Companies to Launch Ad Campaigns

Political strategists discussed the technologies they employ to influence elections during the May 17 general session, "Revolutions in Campaign Strategy," at ALTA's Federal Conference & Lobby Day. Moderating the discussion was ALTA President John Hollenbeck NTP. Panelists included Michael Meyers with TargetPoint Consulting, Alex Lundry with Deep Roots Analytics and Brendon DelToro with iHeart Radio.

"Today, efficient campaigns are capable of micro targeting single households and individual voters," Hollenbeck said. "Technology and TRID has disrupted and changed how the title and settlement industry works and shares information. Innovative companies will develop new processes to meet evolving market needs."

Meyers opened the conversation explaining how strategists use micro targeting. Basically, micro targeting is a strategy that uses consumer data and demographics to identify the interests of specific individuals or very small groups of like-minded individuals and influence their thoughts or actions, according to Meyers.

"It's a crowded media landscape and we want to deliver a message that is eye catching," Meyers said.

Lundry explained that micro targeting is personalized communication on a specific issue. "Running a political campaign without data is like landing a plane without radar," he added.

Hollenbeck asked how the title and settlement services industry—which traditionally has marketed to referral sources—can leverage micro targeting to connect with consumers.

According to DelToro, each person has many behaviors. "The key is to pick the right data points and deliver the right message at the right time," he said.

Lundy acknowledged that employing a micro-targeting strategy may appear risky, with critics suggesting that data will eliminate human decision making. "But there's still a lot to be said about expertise and experience," he said. "As people start to understand this, they will be more willing to utilize data."

Jumping into micro targeting may seem daunting for a small company, but DelToro says that Google and Facebook have "made digital advertising so simple a fifth grader could do it."

"They walk you through every step, break down the cost and help with your targets," he said. "You can start a Facebook or Google search advertising campaign for $100. Both provide analytics to tell you how your campaign is working." ■

ALTA Targets First-time Homebuyers

In March, ALTA launched an advertising campaign on Pandora—a streaming music service—to target 25- to 34-year-old first-time homebuyers in Denver and Minneapolis. ALTA ran a similar campaign in June in Charlotte, N.C., and Philadelphia in conjunction with National Homeownership Month. All four cities are ranked by the National Association of Realtors as top metros for first-time homebuyers. The ad encourages listeners to purchase an owner's title insurance policy to protect their property rights and directs them to ALTA's Home Closing 101 website *(www.homeclosing101.org)*.

How Other Businesses Adapt to Market Disruptions

Banking, Insurance and Newspaper Industries Re-thinking Business Models to Meet Demands

During ALTA's 2016 Federal Conference and Lobby Day, ALTA Chief Executive Officer Michelle Korsmo moderated a discussion of chief executive officers from other trade associations. The forum delved into how the different participants' industries have evolved to meet ever-increasing regulatory and consumer demands.

Joining Korsmo were Rob Nichols, American Bankers Association; David Chavern, Newspaper Association of America; and Leigh Ann Pusey, American Insurance Association.

A majority of the conversation centered on technology. In the banking industry, this is known as FinTech, a term used to describe the rapid convergence of technology and the financial services sector to improve efficiency.

"These market entrants pose challenges and opportunities," Nichols said. "The online lending space is doing something similar to banks. For each one that wants to be a disrupter, some want to partner with us. We are going out of our way to embrace these companies. The original convergence of technology occurred in the industry itself."

Chavern said many newspapers have managed to grow despite facing digital transformations and online competition. He added that compared to the peak of *The Washington Post*'s circulation, the newspaper is reaching more people today. The message is that the future can be even better than the past."

"We are seeing a powerful shift in how people consumer information, but the fact of the matter is that people are consuming more news more than ever," he said.

Pusey ranked the property and casualty insurance world behind the banking industry in terms of adapting to the wave of technology innovation. She said there's a fine line to walk when introducing technology in the insurance world. It can bring consumer benefits, but there's potential regulatory risk.

"Technology can allow you to underwrite products to the person," Pusey said. "This may isolate some on the underwriting side who are perceived to be disadvantaged by technology."

When it comes to regulation, Nichols message is simple, "If someone is lending, let them lend. Let's just keep it level."

In addition to technology, Nichols said the Millennial generation is having the most impact on the banking industry.

"The average Millennial has about $30,000 in student debt and they don't really trust banks," he said. "Seven out of 10 Millennials would rather go to a dentist than a bank."

With buying power shifting from the Baby Boomers to the Millennials, there will be a significant influence on housing. "As Millennials come into the real estate market, what does your business look like when they interact with you?" Nichols said. "You'll need to look with fresh eyes to see how Millennials view your business."

The panelists agreed that technology will only accelerate the ability for people to get access to capital. People will still need banks to obtain credit, still want to consume news and still need to obtain insurance. They'll also still need to protect their property rights.

"We're not the coal business. People want news," Chavern said. "People will want to insure title to their house. The 'how' will change, but people want what you do." ■

2016 Federal Conference Photos

To view more photos, go to: *www.flickr.com/photos/altaonline*

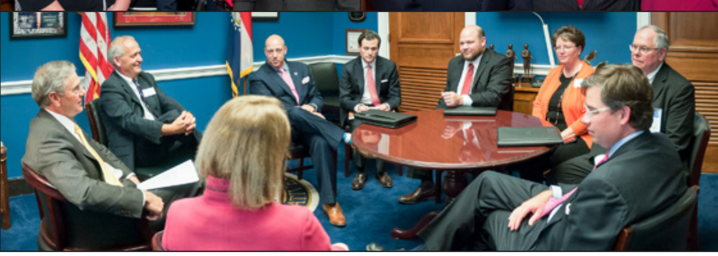












Tolerances Under TRID

Variance for Title Insurance Depends on Factors

Similar to existing law, the Consumer Financial Protection Bureau's TILA-RESPA Integrated Disclosure (TRID) rule restricts the circumstances in which consumers can be required to pay more for settlement services than the amount stated on their Loan Estimate. Generally, good faith requires the closing cost estimate on the initial Loan Estimate to equal the final amount charged on the Closing Disclosure.

Under the new rule, lenders and settlement agents must make more rigorous good-faith efforts to provide estimates that are more accurate.

If the Closing Disclosure becomes inaccurate before consummation, the creditor shall send corrected disclosures so that the consumer received the corrected version at or before consummation. The changes are still subject to good faith requirements. Once the initial Closing Disclosure is issued, all changes should be made with an updated Closing Disclosure. The creditor may not provide a revised Loan Estimate on or after the date the creditor provides the consumer with the Closing Disclosure.

Under TRID, if a lender allows a consumer to shop for a settlement service, the lender will be required to provide the consumer with a written list identifying available providers of that service and clearly stating that the consumer may choose a different provider for that service. The CFPB has provided a blank model form for the written list of settlement service providers, a sample of written list of providers consumers can shop for and a sample of written list of providers consumers cannot shop for.

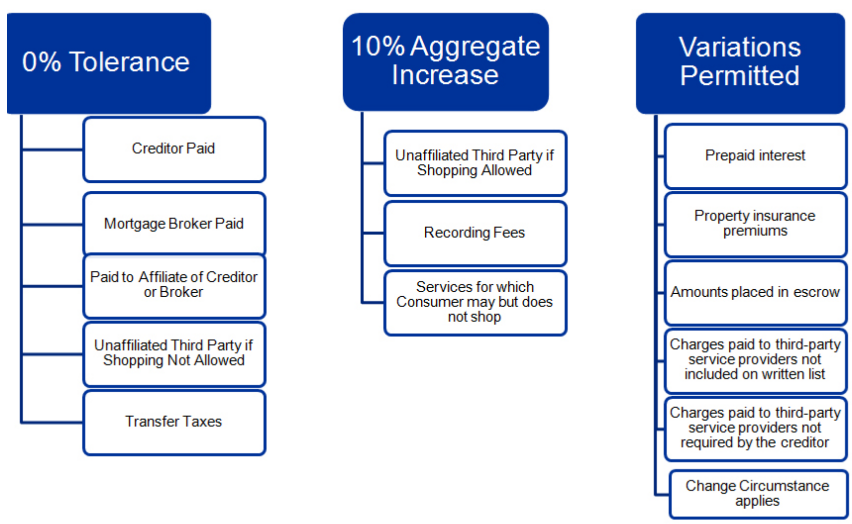
What About Title Insurance?

According to the CFPB, owner's title insurance that is not required by the creditor is not subject to the 10 percent variance. The CFPB said it is aware that the preamble to the final rule contains potentially conflicting language, but advises that the final rule text is what should be followed.

The 10 percent variance category includes recording fees and charges paid to unaffiliated third-party service providers when the consumer is permitted to shop for a settlement service provider, but chooses a provider from the creditor's written list of providers (§ 1026.19(e)(3)(ii)).

Owner's title insurance is not a charge that is assigned to a particular variance category. Therefore, the applicable variance category depends on other factors, including whether the creditor requires the insurance and, if so, whether the consumer may shop for the provider of the insurance.

To the extent owner's title insurance is not required by the creditor and is disclosed as an optional service, under the rule the insurance is not subject to any percentage variation limitation, even if paid to an affiliate of the creditor. ■



10 Questions with Kirsten Pollock

Member Company: Investors Title Insurance Co.
Member Title: Vice President – Audit Director

How long have you been in the title industry, and how did you get started in this profession?

I began my career with Investors Title Insurance Company in 2002, so I celebrated 14 years in March. Prior to that, I was a lending auditor for a regional bank. I had the opportunity to start the Internal Audit Department at Investors in 2002, which came with new challenges, opportunities and leadership.

What excites you about what you do, or what is the most challenging aspect of your job?

I love that I am exposed to so many aspects of the company and industry through audits, ALTA, conferences and changes in the market place. It keeps me constantly challenged and striving for improvement.

What's your best industry "war" story?

I was supposed to perform an audit on an agent that we had suspected was stealing from his trust account. Prior to the audit, he disappeared, and we were informed that he had drowned, when in fact he had faked his death and fled to Canada with his stolen funds. He ultimately turned himself in, but it was an interesting journey determining what he had done, how he had stolen the funds, who all was involved and ultimately discovering what had actually occurred with him. Fortunately, the loss to the company was minimal, but it was a fascinating experience.

What advice do you have for professionals starting their career in the industry?

Listen to those around you. No matter how long you have been in the industry, there are always ideas that are bigger and brighter and can help you succeed.

Why is the title industry a great career opportunity for those entering the workforce?

The title insurance industry is a doorway to so many pieces of the lending and real estate industries. It allows you to learn about multiple facets while at the same company and can offer opportunities in your career in so many arenas, either with your own company or wherever your path is meant to go.

How has the industry evolved since you began your career? How has your company had to change in order to remain competitive?

The industry seems to have become more defined, exposed and regulated with the introduction of TRID, CFPB guidance, Best Practices and Assessment Procedures. We're also dealing with new fraud schemes and the explosion of cybercrime. As a result, my company has had to re-evaluate its risk model and provide training and tools to our agents as well as internally to help everyone stay abreast of the ever-changing environment.

Which ALTA committees do you participate in? Why do you participate?

I have been a member of the ALTA Internal Auditors Committee since 2002 and chair since 2012. I love adding value to the industry, learning from my peers and making a difference. As a committee member, I have assisted in establishing an audit program for the industry, and since becoming chair moments after the first draft of the Best Practices was released, I have had the opportunity to lead the committee in the development of the Assessment Procedures. This year, I've also helped in the re-evaluation of the procedures and creation of new recommendations to make the Assessment Procedures and tools even better. It has been a true honor to lead such an amazing team and work with the other committees and grow in my knowledge and experience.

If you could have dinner with anyone, who would it be and why?

My grandmother, because I lost her too early. She inspired me to work hard, play hard, smile always, stay true to myself and always have a strong work ethic.

What's your favorite book or movie? Why?

Who Moved My Cheese—it is an older book that I read early in my career. It's short and sweet, but has a great message and inspires me. It reminds me of a time when I was just beginning my career.

Tell us something that others in the industry may not know about you.

I am an avid runner. I have completed six marathons and over 60 half marathons. My most challenging achievement was the completion of the Dopey Challenge in 2014, which included four races in four days for a total of 48.6 miles. ■

Member Profiles

Know an ALTA member who we should consider profiling? Send an email to *communications@alta.org*.

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3. **Rack Cards:** ALTA's rack cards are full of information about the benefits of title insurance in a handy, two-sided, half-sheet rack card. They are the perfect item for any real estate function.
4. **Posters:** These advertisements are customizable to print and ship to your next housing seminar, staff training, legislator/ regulator meeting or open house.

Take your consumer marketing to the next level with altaprints.com.

To view all the resources available in ALTA's Homebuyer Guide to help ALTA members easily communicate the benefits of owner's title insurance, go to ***www.alta.org/homebuyer***.

Do State Breach Notification Laws Apply to Electronic and Paper Records?

Although most security breach notification laws focus on incidents affecting electronic data, a number of state and federal laws impose notification requirements when an incident concerns hard-copy records that contain personal information.

According to a report from the business law firm BakerHostetler, paper records were involved in 13 percent of incidents reported in 2015. The firm reported that an additional 2 percent were both paper and electronic. Paper records incidents were more common among healthcare incidents (25 percent), BakerHostetler reported, due in large part to HIPAA requirements.

"Our advice from last year remains true—don't forget about paper when addressing information governance and incident response preparation," BakerHostetler said.

Forty-seven states, plus the District of Columbia, Guam, Puerto Rico and the Virgin Islands, have breach notification laws. (Alabama, New Mexico, and South Dakota do not have these laws.) The law firm Dorsey & Whitney LLP report that state breach notification laws continue to be amended to

- *provide for notification of a state attorney general or regulator about a breach in addition to affected individuals*
- *cover breaches involving personal information in both electronic and paper formats*
- *address identity theft prevention and mitigation services.*

Eight state breach notification laws—Alaska, Hawaii, Indiana, Iowa, Massachusetts, North Carolina, Washington and Wisconsin—cover breaches involving personal information in both electronic and paper formats. According to Dorsey & Whitney, South Carolina's law arguably may apply to both paper and electronic data. In April 2015, Washington State enacted several amendments to its breach notification law, one of which expands the law's coverage to encompass other media by removing the explicit reference to "computerized" data in its definition of "breach of the security of the system."

"Each state's breach notification statute is unique," said Chris Gulotta, founder of Real Estate Data Shield. "Companies should build into their incident response plan a process that meets the evolving requirements of their states' laws. The critical questions a company must ask itself, when reviewing the statute in the states they do business include 'Who is covered by the statute?' 'What types of information is covered?' 'What exactly is required or prohibited?' 'Who enforces the law?' 'What happens if I don't comply?' 'Why does the law exist?'"

The third pillar of ALTA's Best Practices addresses protecting non-public personal information.

SoftPro Integrates with Title Resources Guaranty

Integration with SoftPro's 360 business exchange platform is now available for agents of Title Resources Guaranty Co.

Users of SoftPro's title, closing and escrow software who are agents of Title Resources Guaranty will benefit from the integration into their business exchange platform to complete closing documents.

SoftPro customers who are Title Resources agents now have the ability to generate closing protection letters (CPL), good-standing letters and policy jackets from Title Resources directly within their SoftPro title production software. The integration between SoftPro and Title Resources' proprietary system eliminates the agents' need to leave their production software by automatically transferring information.

News to Share?

If you have information you'd like us to consider for *TitleNews*, send company announcements to *communications@alta.org*.

CFPB Fines Loan Officer for Fee-shifting Scheme With Escrow Company in California

A former Wells Fargo employee was ordered to pay an $85,000 penalty and was banned from the mortgage industry for a year for his alleged role in an illegal mortgage fee-shifting scheme.

According to the Consumer Financial Protection Bureau (CFPB), David Eghbali referred a substantial number of loan closings to a single escrow company, which shifted its fees from some customers to others at Eghbali's request. The CFPB found that this scheme violated the Real Estate Settlement Procedures Act, which prohibits giving a "fee, kickback, or thing of value" in exchange for a referral of business related to a real estate settlement service.

In the consent order, the CFPB said Eghbali manipulated loan costs and ultimately increased the number of loans he closed, increasing his commissions.

"We have taken action against an individual loan officer for illegal mortgage fee-shifting," said CFPB Director Richard Cordray. "This should send a strong message that the law must be followed not only by large financial institutions, but also by the individuals who work for them."

Eghbali served as a loan officer for the Wilshire Crescent Wells Fargo branch in Beverly Hills, Calif. The CFPB found that from at least November 2013 to February 2015, Eghbali had an arrangement with New Millennium Escrow that allowed him to manipulate the prices his customers would pay for escrow services.

The CFPB's investigation found that, based on direction from Eghbali, New Millennium would reduce its fees for certain customers and make up for its loss by adding fees to loans for other customers. This scheme helped Eghbali generate business by allowing him to offer "no-cost" loans to price-conscious clients who might have gone to a competitor bank to find a cheaper loan. In exchange for these manipulations, the CFPB found that Eghbali referred nearly all his clients to New Millennium. The CFPB found that Eghbali referred more than 100 loans to New Millennium through the fee-shifting scheme.

First National Title Expands to Florida

First National Title Insurance Company (FNTI) is now licensed and fully operational in the state of Florida.

"First National's growth strategy is to expand our territory to select states with strong networks of independent agents, solid title premiums and low claims. In early 2015, we determined that Florida met this criterion," said FNTI President Chris Phillips. "We then spent a majority of the year developing the strategy necessary to succeed in that market. We have the staff and processes in place to grow a network of independent agents looking for an underwriter who shares their entrepreneurial spirit and dedication to succeeding in this competitive market."

DJ Horn, vice president and national agency manager, will lead the expansion. The company hired Audra Tyler as plant manager, while Tampa attorney John Redding will handle underwriting services.

"Florida has a large number of independent agents looking for a supportive, agent-driven underwriter," Horn said. "The overall real estate market has fully recovered and the growth potential for an underwriter that does not compete with any of the independent agents is enormous. We intend to be the underwriter of choice for a large group of like-minded, entrepreneurial agents."

Security Compliance Associates Releases GLBA Compliance White Paper

Security Compliance Associates (SCA) announced the release of its white paper "Are You GLBA Compliant?" The white paper examines the requirements of Gramm-Leach-Bliley Act (GLBA) and why lack of compliance could leave companies in an unfavorable position with lenders. A detailed understanding of security risks is critical in mitigating cyberattacks and/or preventing data breaches. The white paper takes a deep dive into the importance of following GLBA requirements and explains how to augment certification efforts to ensure a business is secure, according to SCA. The paper can be accessed at *www.scasecurity.com/resources-and-links/*

AmTrust Acquires First Nationwide Title

New York-based AmTrust Financial Services Inc. recently acquired all of the outstanding shares of First Nationwide Title Agency LLC and its subsidiaries for cash.

"First Nationwide represents a key commitment to our growing title insurance operation," said AmTrust Financial Services President and CEO Barry Zyskind. "Steve Napolitano and his successful team provide AmTrust with the critical resources to build a competitive title insurance business. We expect AmTrust Title will contribute to the company's fee and underwriting revenue."

Steven Napolitano, First Nationwide's majority shareholder, will join the company as senior executive vice president of AmTrust Title and president of the direct title division. He established First Nationwide in August 2012. First Nationwide is headquartered in New York City and has two additional locations.

In March, AmTrust launched a title insurance underwriter, AmTrust Title Insurance Co., which operates in New York, New Jersey and Texas. The company plans to expand to at least six more states.

Kensington Vanguard Acquires Core Title of Colorado

New York-based Kensington Vanguard National Land Services announced the acquisition of Core Title of Colorado. Terms of the agreement were not disclosed.

"The regulatory environment has changed dramatically since we opened in 2014. It will make it difficult for little guys to compete," Anthony Knight, founder of Boulder-based Core Title, told the Denver Post of his decision to sell to Kensington.

Knight will stay on as executive vice president of the Rocky Mountain region for Kensington Vanguard, which has its headquarters in New York City and offices in New Jersey, Texas, Florida and Virginia. Kensington Vanguard employs about 150 people.

Core Title, which has offices in Boulder and Longmont and is opening a Fort Collins location, will be rebranded as Kensington Vanguard.

PRIA Publishes Best Practices for Certifying Copies for Land Records

The Board of Directors of the Property Records Industry Association (PRIA) in April approved publication of a white paper titled "Best Practices for Certifying Copies for Land Records."

The paper focuses on best practices for certified copies of land records. PRIA acknowledges that there may be additional and different issues related to certifying documents that are managed by other government offices. These best practices are limited to the recording of documents.

"It is incredibly important to be engaged in PRIA's efforts to promote understanding and uniformity in recording," said Brian Ernissee, director of document completion at Nationwide Title Clearing and co-chair of PRIA's Certified Copies Work Group. "These best practices are the result of PRIA members from both the government and business sectors bringing their collective knowledge and experience to the wider discussion of how best to advise stakeholders on practices that can work for everyone."

PRIA's Best Practices for Certifying Copies

1. A certified copy should contain a certification stamp that includes the following attributes to indicate that it is indeed certified:
    - *Signature of authorized person in the recorder's office*
    - *Jurisdiction seal*
    - *Jurisdiction and state identification*
    - *Date of certification*
    - *Number of pages the document contains*
    - *Certification statement, for example, "I hereby affirm that this document is a true certified copy of the document recorded in the land records of ABC County…"*
2. Only entire or complete documents should be certified.
3. The certification stamp or raised seal should be placed on *the last page* of the document.
4. The certification mark should be distinct and easily identifiable from the document text.
5. Jurisdictions are encouraged to provide a method to verify that the certification is valid.

Old Republic Title Companies Names President

John Magness has been promoted to president of Old Republic Title Companies Inc., a new, mid-stream holding company of the Old Republic Title Insurance Group (ORTIG). Magness will report to Mark Bilbrey, president of Old Republic National Title Holding Company. In this role, Magness will lead all revenue-producing, direct and agency operations, commercial operations, and technical service operations and entities in the title group. Magness, who previously served as chief operating officer for Old Republic National Title Insurance Company, has more than 30 years of experience in the title insurance and real estate industries.

WFG National Title Names Underwriting Counsel for New England Agency Group

WFG National Title Insurance Co. has appointed Susan LaRose as underwriting counsel for the company's New England agency group. LaRose will provide underwriting support, guidance and education for the company's New England region title agencies. She also serves as a partner in the law firm of Doucette & LaRose LLC in Oxford, Mass. LaRose is the current president of the Real Estate Bar Association for Massachusetts (REBA), as well as co-chair of REBA's Title Insurance and National Affairs Committee and an active member of REBA's Residential Conveyancing Committee.

North American Title Group Hires Training and Development Manager

Norma Hill has joined North American Title Group Inc. as its new training and development manager. With more than 15 years of corporate training and field leadership consulting, Hill has served as an assistant vice president of training for a Fortune 500 corporation as well as a master trainer for a corporate-wide customer service training initiative.

Stewart Title's Lucero Elected to ACREL

Stewart Title's Orlando Lucero has been named to the American College of Real Estate Lawyers (ACREL), an organization promoting high standards and ethics for real estate lawyers. Admission is by invitation only after a screening process. Lucero has worked in real estate services for more than 30 years, including 20 years as a partner and manager in several law firms in Albuquerque.

Priority Title & Escrow Names General Counsel

Virginia-based Priority Title & Escrow recently named David Holland as executive vice president and general counsel. "David will help extend our reach into new markets, growing our already large footprint," said Joseph LaMontagne, CEO of Priority Title & Escrow.

TitleSmart President Wins Silver Stevie for Executive of the Year

Cindy Koebele, president of Minnesota-based TitleSmart Inc., received a Silver Stevie Award in the Executive of the Year – Financial Services and Insurance category in the 14th Annual American Business Awards. Koebele was recognized for her accomplishments in building TitleSmart, and achieving a high level of financial growth and long-term employee growth for the company while also establishing a culture of personal engagement and a strong record of giving back to the community.

Stewart Title's Lewallen Elected a Fellow to ACMA

Stewart Title's Dawn Lewallen, senior compliance counsel and senior underwriter, was recently elected a fellow of the American College of Mortgage Attorneys (ACMA). Lewallen has worked in real estate services for more than 17 years and has been an active member of ALTA and the Georgia Bar Association.

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Political Action Committees Explained

Have you ever wondered how much it costs to win a seat in Congress? The answer is: A LOT! MapLight, a nonpartisan research organization that tracks money in politics, found that for members of the 113th Congress who won election in 2012, House members, on average, each raised $1,689,580. For Senators, that number jumped to $10,476,451. According to the Center for Responsive Politics, a nonpartisan research group, political action committees (PACs) account for about 33 percent of the campaign contributions raised by House candidates and 16 percent by Senate candidates.

PACs allow like-minded individuals to make small donations that are then pooled to provide larger contributions to the campaigns of candidates for elective office. The first PAC was created in 1944 by the Congress of Industrial Organizations to help aid in the re-election of President Franklin D. Roosevelt. PACs did not start to play a large role in campaigns until passage of the Federal Election Campaign Act in 1971, which prohibited corporations from making direct contributions to candidates for federal election. As a result, organizations began to use PACs as a means to avoid these contribution restrictions. With these reforms came an influx in the number of PACs, from roughly 600 in the early 1970s to more than 4,000 today. Most corporations, interest groups, labor unions and trade associations you can think of have PACs. For instance, the National Association of Realtors Political Action Committee (RPAC) has raised a staggering $7,267,248 during the 2015-2016 election cycle. The Mortgage Bankers Association Political Action Committee (MORPAC) has raised $1,377,654.

The Title Industry Political Action Committee (TIPAC) is ALTA's bipartisan PAC. Through personal, voluntary contributions from individuals in the title industry, TIPAC supports candidates for both houses of congress who fight for issues that are important to ALTA. In the 2015-2016 election cycle, TIPAC has supported 131 candidates from 41 states. These contributions allow ALTA to build and sustain relationships with members of Congress who support title industry issues.

During this two-year election cycle, TIPAC's goal is to raise a total of $950,000. TIPAC raised $476,855 in 2015 and has raised $373,367 so far in 2016. If you would like more information about TIPAC, call me at 714-558-2836 or contact Jessica McEwen, ALTA's director of political affairs, at 202-261-2935 or *jmcewen@alta.org*.

— Bill Burding, TIPAC chairman


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**Note: Annual Convention now starts on a Tuesday and ends on a Friday*

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