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American Land Title Association

TitleNews

Phishing for Wire Transfers

Constant Education Needed, ALTA Urges CFPB
to Issue Consumer Alert as Fraudulent Email and
Money Wiring Scams Intensify



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May 1-3	ALTA Advocacy Summit Washington, DC
June 20-21	Innovation Boot Camp Nashville, TN
August 23-24	Innovation Boot Camp Baltimore, MD
October 10-13	ALTA ONE Miami, FL

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May 11-13	New Mexico Bernalillo, NM
May 17-19	Montana Helena, MT
May 21-23	California Napa Valley, CA



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

Digital Edition

TitleNews

Presidential Invite

The digital edition of TitleNews includes a video recording of ALTA President Daniel D. Mennenoh ITP, NTP inviting you to attend the 2017 ALTA Advocacy Summit, which will be held May 1-3 at The Watergate Hotel in Washington, D.C.

Go to www.alta.org to get your copy of Digital TitleNews Today!

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How (Un)Lucky are You?

A few years ago, a fraudulent \$1.1 million wire transfer forced an unlucky California escrow company into bankruptcy. The case was an early example of the growing threat of wire fraud, involving both phishing and hacking to get real estate professionals and consumers to wire money directly to fake accounts.

These insidious attacks seem to hit email boxes daily. According to a survey from Accenture, one in three targeted cyberattacks over the past 12 months resulted in a security breach. Despite this alarming number of incidents, 75 percent of respondents were “confident” they were doing the right things with their security strategies. A similar number said security is “completely embedded” in their cultures, with support from the highest-level executives.

A disconnect between the number of incidents and over-confident security strategies, according to Accenture, highlights the need for a “reboot” and for companies to “embrace an end-to-end approach to recognizing threats and minimizing exposure.”

This is a serious issue and it's why we're working with the CFPB to raise awareness with consumers about these threats. As you'll read in this edition's cover article, cyberattacks keep title professionals like ALTA Board member Jack Rattikin up at night. It's one of the reasons ALTA's Board of Governors created an Information Security Committee last year to examine security threats that affect our membership. Your leaders understand the importance of keeping membership abreast of the latest scams. The committee develops cyber awareness, prevention, detection and response/recovery methods for the industry. The committee will produce quarterly security alerts to inform membership on various topics that will range from encryption and security for electronic devices to virus and spyware defense.

Most wire fraud scams have focused on hackers breaking into professionals' email accounts to learn about upcoming transactions, then emailing the buyer to wire money to the hacker's account. However, new scenarios pop up weekly. As a member of the Information Security Committee, Rattikin keeps up with the latest scams. The evolving nature is why he believes constant education is needed.

Be vigilant, educate your staff and do what you can to avoid being unlucky.



— - Michelle Korsmo, ALTA chief executive officer



ALTA Joins Effort to Bar Use of G-fees for Government Spending

ALTA and several other trade organizations declared support for an ongoing effort in Congress to permanently bar the use of funds raised from Fannie Mae and Freddie Mac's guarantee fees (g-fees) to cover federal spending in areas not related to mortgages.

In a letter to U.S. Reps. Mark Sanford (R-S.C.) and Brad Sherman (D-Calif.), ALTA thanked the congressmen for reintroducing HR 916, the Risk Management and Homeowner Stability Act, which would amend the Congressional Budget and Impoundment Control Act of 1974 to prohibit the use of Fannie Mae and Freddie Mac's g-fees to pay for unrelated government spending. G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect



against losses from loans that default.

"Our organizations were deeply troubled when g-fees were raised back in 2011 to fund a two-month extension of payroll tax relief—a tax that homebuyers and owners will continue to pay until 2021," the letter said. "Since then, whenever Congress has considered using g-fees to cover the cost of programs unrelated to housing, we've informed lawmakers that homeownership cannot, and must not, be used as the nation's piggybank."

ALTA President-elect Day Receives NTP Designation

Steven G. Day NTP, ALTA's president-elect, has earned a National Title Professional (NTP) designation from ALTA. Day is the second NTP designee from New York and joins 70 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.

"Steve has served our industry for more than 30 years, and I am consistently impressed with his passion for the land title insurance business," said ALTA President Daniel D. Mennenoh ITP, NTP. "Steve's commitment to ALTA and our industry is crucial to our continued success. I'm proud of Steve's designation as an NTP and encourage more title professionals to apply for this esteemed designation."

Day is executive vice



president and division manager for Fidelity National Title Group. In that capacity, he has management responsibility for the direct, agency and commercial title operations in the Northeast and Mid-Atlantic regions.

Prior to assuming his current position in 2010, Day served as regional manager for the Northeast Region of the Fidelity National Title Group. Since joining the company in 1986, he has held a variety of positions including Rhode Island state counsel and state manager for Chicago Title, as well as New Jersey state manager for both Chicago Title and Ticor Title's direct and agency operations.

A list of NTPs is available at www.alta.org/ntp/directory.cfm.

TIPAC Donors

TIPAC has received \$258,462 from 298 donors so far in 2017. Check out who has supported the industry at www.alta.org/advocacy/tipac-contributors.cfm.

ALTA Announces ZOCCAM as an ALTA Elite Provider

ZOCCAM was recently named an ALTA Elite Provider, a program comprised of premier service providers committed to offering comprehensive benefits to the title insurance and settlement services industry.

The ZOCCAM app allows real estate agents and buyers to send earnest money anytime from anywhere. ZOCCAM's notifications, which are sent to all parties upon deposit, provides transparency and keeps the title company brand in front of the

consumer and Realtors. Additionally, integration with a title company's escrow processing system improves productivity by allowing orders to be opened faster.

ZOCCAM offers ALTA members a credit of 50 percent on every transaction completed within the first four months of service. That credit can be applied starting in the fifth month of service.

For more on the Elite Provider program, go to www.alta.org/elite.

CFPB Pressed on 'Opaque' Media Tactics

Several members of Congress shared concerns about the Consumer Financial Protection Bureau's (CFPB) use of midnight embargoes to pre-selected media outlets in advance of releasing public information.

In a letter to Director Richard Cordray, the legislators said the bureau's "aggressive and opaque media tactics" do not help its mandate to protect consumers.

"The bureau must be more balanced and transparent in its communication," the letter stated. "A close-hold media embargo violates that

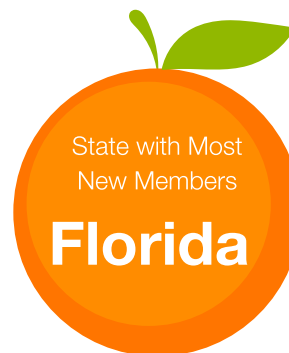
balance and transparency by delivering important news in the middle of the night to pre-selected media outlets ahead of the general public."

In a letter of response, Cordray said embargoed advisories are a common practice at many government agencies to help ensure news is "delivered transparently."

"The bureau's goal is for the public to have an accurate representation of a bureau announcement, and as a neutral third party, the media is best suited to provide that information," the letter said.

Membership by the Numbers

ALTA is the title insurance and settlements services resource for advocacy, education, communication and networking. Here's a look at some membership numbers over the past month.



For a list of the latest new and associate members, as well as real estate attorneys who recently joined ALTA, go to www.alta.org/new-members.

Membership Benefits

ALTA members have access to many business tools to help grow their business. Make sure you're getting the most out of your members. Here's an example of one member benefit:

ALTApriints.com allows members to easily customize more than 70 homebuyer marketing and education resources, download modified digital files for free or order discounted print products for use in their local market. For more on membership benefits, go to www.alta.org/membership.

ALTA SPRINGBOARD

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Everyone was A-Twitter at First-ever #ALTASPRINGBOARD

Missed out on the first-ever ALTA SPRINGBOARD last month? From Brain Dating and career advancement talks to our Ideas Festivals and happy hour, attendees enjoyed their time in Fort Worth, Texas. Below are some tweets highlighting how attendees felt at #ALTASPRINGBOARD. Be sure to check out the May edition of *TitleNews* for a full recap of #ALTASPRINGBOARD including photos and more!

Top Tweets During #ALTASPRINGBOARD

- **@tamrobbins:** Another great day at #ALTASPRINGBOARD. Talking about sales and marketing this morning with @LindaGrahovec and Elizabeth Russo.
- **@nikkiplath:** #ALTASPRINGBOARD amazing content geared towards helping you be proactive in a changing market.

- **@LindaGrahovec:** #ALTASpringboard was a great experience and it was great to catch up with ALTA Pres Dan Mennenoh @minardidan!
- **@LeslieWyatt04:** @ALTAonline Ideas Festival is awesome! Great information. #ALTASPRINGBOARD
- **@andrew_acker:** Jumping off to a good start at the first ever #ALTASPRINGBOARD #NeverStopLearning

- **@fp1976:** Sharing thoughts on finding talent. Great group. Great discussion. #ALTASPRINGBOARD
- **@AuburnLeaAnn:** #ALTASPRINGBOARD is sharing ideas that will greatly impact our company!
- **@SoftProSoftware:** Great turnout at #ALTASpringboard reception! #SoftPro is so proud to be a diamond sponsor!
- **@Simplifile:** Enjoying our time at #ALTASpringboard!
- **@1stladyofsales:** Big thanks to @ALTAonline for inviting me to speak at #ALTASpringboard! Such a great conference!
- **@DCA_Title:** Our president [is] at the #ALTASpringboard Conference in Fort Worth, TX #knowledge #alwayslearning
- **@RGSTitle:** @ALTAonline Don Tomlinson, Counsel is representing us at #ALTASpringBoard and learning a lot
- **@CloseSimple:** TLDR is a real thing. #simplify #ALTASPRINGBOARD
- **@TitleInsRep:** @ALTAonline loved the new #ALTASPRINGBOARD. If you weren't here this year, don't miss out next!
- **@AlliantTitleGuy:** Thank you @ALTAonline for an enjoyable inaugural #ALTASPRINGBOARD looking forward to next year!



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Phishing for Wire Transfers

Constant Education Needed, ALTA Urges CFPB to Issue Consumer Alert as Fraudulent Email and Money Wiring Scams Intensify

As president and chief executive officer of Texas-based Rattikin Title Company, Jack Rattikin III has plenty of things that occupy his attention. Third-party vendor oversight and threats to the rating structure in Texas are two top-of-mind issues, but they're not what keeps Rattikin up at night. Over the past year, a new threat has emerged to become the main reason for late-night tossing and turning for title and settlement professionals: phishing and wire fraud.

"I make it clear in every staff meeting and with our closing teams that wire fraud is our number one concern," Rattikin said. "It's not just closing deals and searching titles anymore. There's a lot of risk that we have to think about every day. This is what keeps me up at night. A large wire that ends up in Russia or China could put us out of business." >>

By Jeremy Yohe



How It Starts

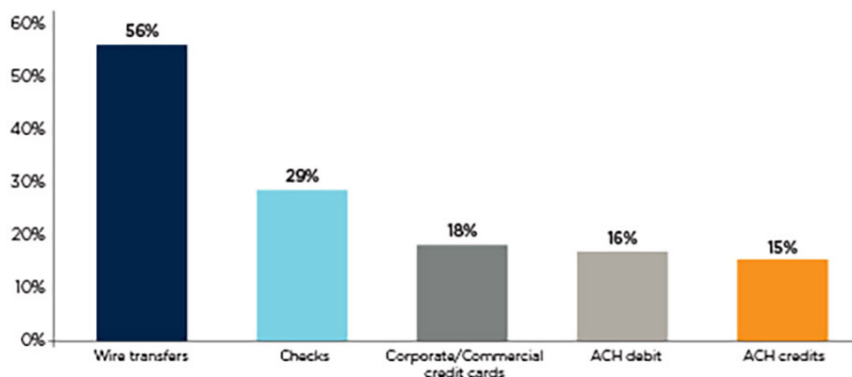
Criminals begin the wire fraud process way before the attempted theft occurs. Most often, they begin with a common social engineering technique called phishing. This can take the form of email messages, website forms or phone calls to fraudulently obtain private information. Through seemingly innocuous communication, criminals trick users into inputting their information or clicking a link that allows hackers to steal login and password information.

Phishing emails might appear to come from a legitimate business or recognized user. Spear phishing is a more targeted email attack sent to a select number of users, while a whaling attack, also known as Business Email Compromise (BEC), is a more targeted variation of spear phishing aimed at high-profile executives or personnel who manage wire transfers. According to the latest Association for Financial Professionals' Payments Fraud and Control Survey, a majority of finance professionals (64 percent) reports that their organizations were exposed to BEC in 2015. The FBI's Internet Crime Complaint Center reports that "the BEC scam continues to grow, evolve and target businesses of all sizes." Since January 2015, there has been a 1,300 percent increase in identified losses, now totaling over \$3 billion.

The best way to avoid being exploited is to verify the authenticity of requests to send money by walking into the CEO's office or speaking to him or her directly on the phone. Don't rely on email alone.

Martin Licciardo, a special agent in the FBI's Washington Field Office, said the best way to avoid getting ripped off is to verify the authenticity

Percent of Organizations Impacted by Business Email Compromise



Source: Association for Financial Professionals

of requests by speaking to people directly.

"The ability of these criminal groups to compromise legitimate business e-mail accounts is staggering," he said. "They are experts at deception."

It is disconcerting that, in spite of safeguards being implemented, criminals are still making headway with BEC scams. The significant increase in wire fraud also suggests that BEC fraud may be more difficult to prevent than was previously believed.

Once hackers gain access to an email account, they will monitor messages to find someone in the process of buying a home. Hacks can come from various parties involved in a transaction, including real estate agents, title companies, attorneys or consumers. Criminals then use the stolen information to email fraudulent wire transfer instructions dressed up to appear as if they came from the victim. To this end, criminals will use either the victim's actual email account (which they may actually control) or create a fake email account resembling the victim's email.

"We all want to avoid the scenario where the buyer's funds are sent to a fake account and are unrecoverable,"

said Bill Burding, a member of ALTA's Information Security Committee and general counsel for Orange Coast Title Co. "One of the key indications of any wire fraud scam is the sense of urgency. These tend to come from someone of authority to the person who is responsible for wiring funds within the organization. This is when it's imperative to slow down and make sure policies for handling wire instructions are followed to a T."

Over the past few years, there's been a lot of discussion and training over the past few years about preventing outbound wires from being intercepted. According to Christopher Hacker, chief product officer at ShortTrack, criminals are now targeting the "inbound wire" of cash to close sent by the buyer.

"Unfortunately, again and again, we hear leaders of title agencies say they're handling all of the wire diversion and fraud issues with the controls for outbound wires," Hacker said. "The bad actor sits and waits for the wire instructions to show up in the buyer's inbox, downloads them, deletes the message with the accurate document and resends updated wire instructions either from a spoofed account of the title company or from

the compromised account of the real estate agent.”

ALTA Urges CFPB to Issue Alert

ALTA encourages the Consumer Financial Protection Bureau (CFPB) to publish a consumer alert warning consumers about these schemes. In the letter, ALTA informed CFPB Director Richard Cordray that criminals frequently target homebuyers prior to title companies getting involved in transactions. With the spring homebuying season underway, ALTA believes the alert should give consumers tips on how to protect their money and information, providing questions to ask real estate professionals to determine if they have adequate procedures in place to protect transactions.

Other regulators already have issued warnings. In February, the Missouri Department of Insurance (DOI) followed the Colorado Division of Real Estate at the Department of Regulatory Agencies, the Federal Trade Commission and the Financial Crimes Enforcement Network (FinCEN) in issuing warnings about fraudulent email and money wiring scams.

Following several investigations related to fraudulent email schemes during real estate transactions, the Missouri DOI reported that emails were received in each instance changing the original instructions for disbursement of funds previously provided by a consumer. The Colorado regulator encouraged title professionals to implement procedures to “verify and call back” to the consumer, ensuring the instructions are correct.

“To prevent these schemes, underwriters, title agencies and attorneys should educate their

Examples of Fraudulent Emails

Here are a couple of examples of the type of email you may receive.

Sometimes the email address looks correct, but the “reply-to,” which isn’t displayed in most email programs, can be masked or undisclosed, and can lead to unfamiliar or personal email domains. Note the use of the gmx.com domain, which is notorious in this type of scheme.

From: [Name] <[actual email address]>

To: Details

Hello,

Please I need you to do a quick wire transfer to a local bank for me. Get back at me with the info you need to do the wire transfer.

Here’s an example of a spoofed inter-office email attempting to get an employee to change wiring information.

From: [Name] <[name]@gmx.com>

To: [Internal Employee email]

Subject: Urgent – proceeds

[First Name],

Seller wants proceeds wired to their trading account how can you help?

In this example, the agent had an email address that incorporated the company domain, but the “from” was a Gmail address designed to make the recipient think it was a legitimate correspondence. In addition, two digits of the phone number in the email signature line were transposed.

From: [Agent Name] <[agent-name]@gmail.com>

To: [Client]

Subject: Urgent – regarding [Listing Address]

[First Name],

To move forward on [address] we need to have the money wired immediately. Once you wire [amount] to [wiring instructions] I will call you. I am in a meeting and will not be available to talk until I call you later.

staff about fraudulent emails and implement procedures for handling wire instructions,” said Frank Pellegrini, a member of ALTA’s Information Security Committee and president of Prairie Title Services.

“Not only must you train your staff, but everyone involved in real estate transactions must also be aware of the potential losses from criminals phishing for information, stalking

closings and hoping someone makes a mistake.”

In addition to training, companies need to enhance computer security while also following sound policies and procedures to reduce risk. Like many companies, Rattikin Title has a dual verification policy for any wire transfer—any wire initiated by a closer must be verified by another escrow officer.

“We try to get wire instructions from the seller and payoff lender as early as possible in the transaction and won’t accept any changes,” Rattikin said. “We have a statement in our wire instructions that says they will never change. So, if someone receives communication from us that says it changed, they know it wasn’t from us.”

Many times, the fraudulent emails involve wires asking for less than \$100,000 so the transactions don’t attract the FBI’s attention. Rattikin says his company forwards every suspect wire transfer request to the FBI.

“The closing staff gets bombarded with business toward the end of the month and is extremely busy,” Rattikin said. “The problem is that the fraudsters know that. They know it’s a likely time your closers may make a mistake.”

Sample Warnings

Title professionals are encouraged to remind clients about the risk of wire fraud, especially during later phases of the transaction. To combat

this problem, title and settlement companies have:

- put consumer warnings on websites and communications
- used secured email communications
- sent notices to consumers and real estate agents informing them that the title companies’ wire instructions will never change during the transaction
- called homebuyers and real estate agents on a known number to verify wire instructions before transmitting
- verified account holder information with the receiving bank prior to submitting a wire transfer

Here are examples of warnings to put in email signature lines:

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- Be aware! Online banking fraud is on the rise. If you receive an email containing WIRE TRANSFER INSTRUCTIONS call us immediately to verify the information prior to sending funds.
- Due to increased fraud, buyers, sellers and lenders should confirm all wiring instructions by phone directly with our office before transferring funds.
- **WARNING! WIRE FRAUD ADVISORY:** Wire fraud and email hacking/phishing attacks are on the increase! If you have an escrow or closing transaction with us and you receive an email containing Wire Transfer Instructions, **DO NOT RESPOND TO THE EMAIL!** Instead, call your escrow officer/closer immediately, using previously known contact information and **NOT** information provided in the email, to verify the information prior to sending funds.

Red Flags

Title and settlement companies can protect themselves by increasing staff awareness of these scams. According to the FBI, businesses that deploy robust internal prevention techniques at all levels (especially training front-line employees who may be targeted by initial phishing attempts), have proven highly successful in recognizing and deflecting email scam attempts. Some financial institutions reported holding their customer requests for international wire transfers for an additional period of time, to verify the legitimacy of those requests. Here are some red flags:

- A customer's seemingly legitimate emailed transaction instructions

contain different language, timing, and amounts than previously verified and authentic transaction instructions.

- Transaction instructions originate from an email account closely resembling a known customer's email account; however, the email address has been slightly altered by adding, changing, or deleting one or more characters. For example:
 - › Legitimate email address: *john-doe@abc.com*
 - › Fraudulent email addresses: *john_doe@abc.com* or *john-doe@bcd.com*
- Emailed transaction instructions direct payment to a known beneficiary; however, the beneficiary's account information is different from what was previously used.
- Emailed transaction instructions direct wire transfers to a foreign bank account that has been documented in customer complaints as the destination of fraudulent transactions.
- Emailed transaction instructions direct payment to a beneficiary with which the customer has no payment history or documented business relationship, and the payment is in an amount similar to or in excess of payments sent to beneficiaries whom the customer has historically paid.
- Emailed transaction instructions include markings, assertions, or language designating the transaction request as "Urgent," "Secret," or "Confidential."
- Emailed transaction instructions are delivered in a way that would give the financial institution limited time or opportunity to confirm the authenticity of the

requested transaction.

- Emailed transaction instructions originate from a customer's employee who is a newly authorized person on the account or is an authorized person who has not previously sent wire transfer instructions.
- A customer's employee or representative emails a financial institution transaction instructions on behalf of the customer that are based exclusively on email communications originating from executives, attorneys or their designees. However, the customer's employee or representative indicates he/she has been unable to verify the transactions with such executives, attorneys or designees.
- A customer emails transaction requests for additional payments immediately following a successful payment to an account not previously used by the customer to pay its suppliers/vendors. Such behavior may be consistent with a criminal attempting to issue additional unauthorized payments upon learning that a fraudulent payment was successful.
- A wire transfer is received for credit into an account, however, the wire transfer names a beneficiary that is not the account holder of record. This may reflect instances where a victim unwittingly sends wire transfers to a new account number, provided by a criminal impersonating a known supplier/vendor, while thinking the new account belongs to the known supplier/vendor. This red flag may be seen by financial institutions receiving wire transfers sent by another financial institution as the result

of email-compromise fraud.

ALTA's Title Insurance and Settlement Company Best Practices details policies and procedures title and settlement companies should follow to protect money and non-public personal information (NPI).

“We receive these emails several times a month. Make sure your employees ask questions. There are no stupid questions when it involves money.”

What If You Get Phished?

According to the FTC, companies impersonated as part of an email phishing scam should notify customers as soon as possible, contact law enforcement, provide resources for affected consumers and review their own security practices. Offering immediate advice and support can help companies retain customer goodwill. Here are tips on how to respond if your business is impersonated in a phishing scam:

- **Notify consumers of the scam.**

If you are alerted to a phishing scam in which fraudsters are impersonating your business, inform your customers as soon as possible. If your business has a social media presence, announce the scam on your social media sites and warn customers to ignore suspicious emails or texts purporting to be from your company. You can also inform your customers of the phishing scam by email or letter. The

important point is to remind your customers that legitimate businesses like yours would never solicit sensitive personal information through insecure channels like email or text messages.

- **Contact law enforcement.** If you become aware that criminals are impersonating your business, report the scam to the FBI's Internet Crime Complaint Center (www.ic3.gov). Suggest that affected customers forward any phishing emails impersonating your business to the Anti Phishing Working Group (www.antiphishing.org), a public-private partnership against cybercrime.
- **Provide resources for affected consumers.** If consumers believe they may be victims of identity theft because of a phishing scam, direct them to www.identitytheft.gov, where they can report and get resources to help them recover from identity theft. For more information about recommended computer security practices, direct consumers to resources on the FTC's consumer information site, where they can learn how to protect themselves online and avoid future phishing attacks.

Education Essential

Gregory McDonald, chief executive officer of Cloudstar Corp., said educating all parties involved in the transaction is vital, and keeping wiring instructions on paper is the best solution.

“Title companies should talk to their customers after a deal comes in, and during the process, and let them know that nobody will email changes to wiring instructions,” McDonald said. “This is a human problem that cannot be resolved by technology. No fancy lock—no matter how high tech—will stop a thief that identifies themselves as a police officer when knocking on your front door.”

Companies should use fraudulent emails as a reminder to update security practices and as a staff training opportunity. Criminal organizations that perpetrate these frauds are continually honing their techniques to exploit unsuspecting victims, which makes constant awareness and education a necessity.

“Data security isn't just a one-and-done checklist as threats are ever-evolving, so defenses need to be nimble,” Rattikin said. “My company has yet to lose any money due to wire fraud—knock on wood—but we receive these wire fraud attempts several times a month. Make sure your employees ask questions. There are no stupid questions when it involves money.” ■



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



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New SOC 1 Standard Goes Into Effect May 1

There Are Four Key Changes That Will Affect Examinations

BY SUE WELLS

When service organizations receive a SOC 1 examination, it is performed under the SSAE 16 or “Statements on Standards for Attestation Engagements 16, Reporting on Controls at a Service Organization” standard.

During the spring of 2016, The AICPA’s Auditing Standards Board (ASB) completed the clarity project, the result of which was the issuance of the SSAE 18 standard, “Concepts common to all Attestation Engagements.” This new standard replaces SSAE 16 for SOC 1 engagements and goes into effect for reports dated after May 1, 2017.

It is important to note that the SSAE 16 standard was specific to service organizations and the SSAE 18 is for all attestation engagements. This means that we can no longer refer to SOC 1 as an SSAE 16 examination and it will not be replaced by the term SSAE 18 examination. Instead, it will simply be referred to as the SOC 1.

Despite the potential for confusion related to the naming of the examinations and reports, the actual changes to what a service organization has to do to prepare for an examination is not extensive. Here are four changes that come with SSAE 18 that affect the SOC 1 examination.

1. Vendor Management

The most significant change in the requirements that has to be met by a service organization is ensuring that its vendor management program for subservice providers is significantly robust. SSAE 18 requires that service organizations implement processes that monitor the controls at subservice organizations. SSAE 18 provides the following control suggestions:

- Review and reconcile output reports.
- Hold periodic discussions with the subservice organization.
- Make regular site visits to the subservice organization.
- Test controls at the subservice organization by members of the service organization’s internal audit function.

- Review Type I or Type II reports on the subservice organization’s system.
- Monitor external communications, such as customer complaints relevant to the services by the subservice organization.

2. Risk Assessment

Another change with SSAE 18 will be in the area of more specific requirements as opposed to the existing general considerations of risk via a risk assessment. In order to better identify the risks of material misstatement in an examination engagement, SSAE 18 requires service auditors to obtain a more in-depth understanding of the development of the subject matter than currently required. This, in turn, should lead to an improved linkage between assessed risks and the nature, timing and extent of attestation procedures performed in response to those risks.

3. Complementary Subservice Organization Controls

SSAE 16 required that service organizations provide a listing of controls that should be performed by user organizations.

In order to recognize that more organizations are outsourcing key functions to their own set of subservice organizations, SSAE 18 introduces the concept of “Complementary Subservice Organization” controls. This concept

5 THINGS TO KNOW: ALTA'S BEST PRACTICES MATURITY MODEL

Assessing your company's compliance with the ALTA Best Practices helps strengthen your business practices to better serve your consumers and lender partners. ALTA's new Best Practices Maturity Model can help you determine how well your company meets the Best Practices.

Here are the most important things to know:

1 MATURITY MODEL DOESN'T CHANGE ALTA BEST PRACTICES

The Best Practices Maturity Model does not change the ALTA Title Insurance and Settlement Company Best Practices, nor does it change the assessment requirements. All assessments should be performed using the Best Practices Assessment Procedures.

2 ALTERNATIVE ASSESSMENT REPORTING TOOL

The Maturity Model is an assessment reporting tool that should only be used after undergoing an assessment using the Best Practices Assessment Procedures.

3 COMPLIANCE PROGRESS INDICATOR

The Best Practices Maturity Model provides an alternative way for your company to show the progress it is making toward implementing and complying with the Best Practices.

4 SHOWS A SPECTRUM OF COMPLIANCE

Unlike a pass/fail report, the Maturity Model features five benchmark compliance levels that measure your company's procedures to determine where they lie on a compliance spectrum. These levels are based on the strength of your company's procedures and the extent to which they are followed.

5 SHOWS WAYS TO ADVANCE POLICIES AND PROCEDURES

Along with other tools from ALTA, the Maturity Model will help your company identify ways to improve its compliance with the ALTA Best Practices by identifying procedures your company can implement to better meet the Best Practices.



establishes and defines the controls for which user entities must now assume in the design of the system description. Another key factor related to these complementary controls is that they are necessary for the achievement of control objectives in the report. SSAE 18 provides more guidance around this area, and will hopefully lead to more consistent reporting across entities and practitioners.

4. Written Assertion Requirement

The final change to the SOC 1 is the requirement, per SSAE 18, that the service auditor obtains a written assertion. This written assertion is the statement found within the SOC report wherein the service organization asserts that the system description provided is essentially true and complete.

This statement has always been contained within the SOC 1 reporting document, but the requirement that the service organization signs the document was optional. In practice, the majority of service organizations have already been signing this document, as a way to strengthen the credibility of the report. Accordingly, there will not be significant changes to what either the service auditor or service organization will have to do to meet this requirement.

It is important for you to understand these changes and how they will impact your organization before the standard goes into effect in May 2017. ■

Sue Wells is a senior manager at A-LIGN and has performed over 200 SOC reviews. She can be reached at sue.wells@a-lign.com.

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New Mexico Senator Wants Study on 'High Risk' Title Zones

ALTA, NMLTA Encourage San Ildefonso Pueblo and Santa Fe County to Resolve Access Dispute

A state senator in New Mexico has requested that the superintendent of insurance study and report on methods to resolve land access and ownership disputes caused by intergovernmental conflicts.

Filed by New Mexico Sen. Liz Sefanics, Senate Memorial 57 says that the history of land ownership in New Mexico has created a “mosaic of sometimes overlapping title claims,” that has led to high title insurance rates and disrupted the local housing market.

A dispute between Santa Fe County and the San Ildefonso Pueblo over ownership of two county roads heated up three years ago when the Bureau of Indian Affairs accused Santa Fe County of trespassing on pueblo land. The county and pueblo met a number of times, but they have not resolved their differences. In the meantime, according to some, property values in the El Rancho community, which is served by the county roads, has diminished and home refinancing is difficult.

The situation also has piqued the interest of the New Mexico Office of Superintendent of Insurance and New Mexico Congressman Ben Ray Lujan.

Within New Mexico, there are 21 federally recognized Indian nations, tribes and pueblos. The boundaries of the lands controlled by these groups are based on individual treaties and acts of the U.S. Congress. According to the memorial, land ownership and title within the boundaries of some of the federally recognized Indian nations, tribes and pueblos in New Mexico were complicated by federal policy of awarding allotments of reservation lands to individual members of Indian entities.

Muddying the water even more is the fact that many Hispanic and genizaro communities in New Mexico were also awarded land grants by the governments of Spain and Mexico that were recognized by the Treaty of Guadalupe Hidalgo, which was signed in 1848.

The memorial concludes that the intergovernmental conflicts regarding

land ownership and access rights has created geographic zones that are designated as “high risk” by title insurance companies.

While Sefanics believes this has led to an increased cost of title insurance, rates are regulated in New Mexico, which means the cost is the same no matter where the property is located. What has happened is that underwriters have refrained from issuing policies due to the increased risk.

ALTA and the New Mexico Land Title Association have sent letters to Sefanics in response to her proposal.

“Since our industry protects the property rights of homeowners that exist at the time of acquisition, the resolution of the underlying intergovernmental dispute will allow the industry to protect the property rights of the affected homeowners moving forward,” ALTA said in its letter. (For more information about this issue, contact Justin Ailes, ALTA’s vice president of government affairs, at justin@alta.org.) To fix the problem for El Rancho residents, Santa Fe County and San Ildefonso Pueblo must come to a written agreement that clearly defines road access rights to the community.

According to the memorial, the superintendent of insurance should study methods of lowering “high risk” title insurance designations and to reduce the impact on property owners in these areas. The memorial directs the superintendent to report findings by Nov. 1, 2017. ■

United We Stand

While Real Estate Remains ‘Local,’ Compliance and Client Demands Forcing One-time Competitors to Band Together

BY TIMOTHY MORELAND

Not In spite of the truism that “all real estate is local,” we’ve seen a trend toward the centralization of real estate businesses over the past two decades. Enabled in part by technology, larger lending institutions and title insurance companies have sought to pool and consolidate a number of production-related functions at national and regional levels to reduce costs and eliminate redundancies. While these businesses have continued to use local professionals such as abstractors, title agents and appraisers, they have often managed them (and the transaction) from a handful of locations.

Today, the concept of centralized or pooled resources is seeping into the business of the title agent as well. It has long been accepted that title and settlement services require at least some local touch. Several factors weigh into this, including the need for a local attorney (in attorney states), an understanding of the local title and recording systems and the need for face-to-face closings. And yet, a different set of challenges is

forcing title agents to rethink their business models. Although their rates are essentially capped, their costs are surging.

Compliance, stricter client standards and several other pressures are squeezing margins—especially for smaller to mid-sized agents. As a result, we are finally starting to see the industry consolidation that has been predicted by prognosticators for years. And yet, a number of agencies are finding creative ways to survive. Most of these new models involve partnerships or strategic alliances that allow the partners autonomy on sales and business development, yet share a number of production resources to reduce total cost.

An Expensive Response to Client Demand

To understand the new alliances and collaborative models agents are using to adapt, we must understand the cost pressures themselves. Although we often refer to them as “compliance” costs, most are actually driven by the need of lender clients to stay compliant. The biggest costs (and

pain points) for smaller agents are client driven.

Today’s agents have undertaken (or are undergoing) new costs to transform their operational workflows in response to regulatory mandates. They are also improving or installing new processes and documentation in response to the pressures of TRID, upgraded security measures to secure (and document) non-public information of lending clients and undergoing audits to achieve varying levels of certification at the request of existing clients. In most cases, title agents are finding that investments in new technology, training and staffing go hand-in-hand with these new demands.

Since most agencies are undergoing similar transformations, these investments don’t generally pay off as competitive advantages or differentiators. Instead, they are the costs of doing business—or staying in—business. It is rare that meeting these new demands and bearing the increased costs lead to increased revenue, although it’s safe to say that failure to meet the new demands could definitely lead to decreased revenue. In other words, many of the biggest costs agents are seeing today are necessary to simply maintain existing revenue. As a result, agents of all sizes have begun in earnest—for the first time as an industry—to really scrutinize areas where costs could be reduced, rather than looking for ways to increase revenue. This is not to

say that agencies aren't using alliance models in an effort to grow revenue, but the primary goal is to relieve cost pressures. Accordingly, we have been seeing agencies explore different kinds of strategic alliances to achieve those objectives.

It has also become more apparent that mortgage lenders of all sizes, spurred by the Consumer Financial Protection Bureau's (CFPB) stated intention to hold them accountable for the actions of their third-party service providers, have begun to subscribe to the "bigger is better" theory of selecting a title vendor. After all, the fewer partners to monitor, the less likely a potential violation or error will slip through the cracks unnoticed in the oversight process. For many small agents, this

trend has become a threat to their very existence.

An Increasingly Utilized Solution: Collaboration

Perhaps the most common model of collaboration sweeping the industry is the traditional merger or acquisition. In spite of increased centralization, the need for a local presence in real estate remains. For some "mom and pop" shops with limited competition or exceptional expertise in a geographic location, the price has been right and the time ripe to sell to larger firms seeking to grow their own geographic footprints. Conversely, firms finding themselves ahead of the game in terms of revenue and cost management have taken advantage of a buyer's market.

Acquisition (or merger) isn't for everyone, however. Many agents have turned to more creative means of collaborating with other agencies without selling their own businesses. Over the past two or three years, we've seen several examples of alliances formed between multiple independent agencies, which then find a way to pool their redundant back-office functions. Such an arrangement allows smaller or mid-sized agencies an opportunity to maintain some autonomy in their sales and development. It often empowers them to present a larger geographic footprint to clients and prospects while enabling them to share the costs of production with other agencies. Often, these alliances will quickly eliminate



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their redundancies in the back office, including a more optimized workflow and the use of outsourcing at a fraction of the cost of in-house production.

We've also seen some evidence of true alliances in which mid-sized to large agencies align with agencies of similar sizes in regions they don't serve themselves. Although this kind of network or alliance is not novel, it has appeared more frequently in the past year or so. Many times, the alliance is bound by a single technology platform.

“Many agents have turned to more creative means to collaborate with other agencies without selling their own businesses.”

Finally, we are seeing a dramatic increase in agents relying on their underwriters for much more than title insurance policies or underwriting inquiries. More and more, underwriters are actively educating agents about the changing environment. Increasingly, agents are seeking business advice or referral from their underwriters as well. In most cases, no formal alliance or partnership is ever formed or announced, but the fact remains that the agent-underwriter relationship has become much more of a partnership of shared resources than ever before.

So What Happens Now?

In spite of the potential for a period of financial deregulation (or, at least,

a chilling period for the promulgation of new regulation), the trend of increasing cost and client demand for title agents will not be abating soon. The market may very well add to the pressure if 2017 is indeed the year when refinance goes into hibernation, as many have suggested.

We are also seeing a larger trend beginning to emerge. It's one that favors a move away from the pronounced segmentation or even “silo-ization” of the different actors in the mortgage transaction. There are many indicators suggesting the various stakeholders in our industry

are finding better ways to collaborate and even integrate. A few of these include the renewed talk of digital mortgages, the increase in the number of service providers able to handle multiple elements of a transaction (or provide a network that can), and even the overall awareness that there are simply too many opportunities for error, inefficiency, delay and added cost when too many elements are required to originate and close a mortgage.

Technology will likely play an increasing role in the establishment of alliances, partnerships and other forms of collaboration. TRID may only be the first step in forcing various service providers and lenders to work more seamlessly. We are already seeing some of the larger mortgage

lenders demanding more in terms of technology and process from their service networks. As the industry moves closer to the realization of a truly end-to-end electronic mortgage, we will likely find that lenders will demand an increase in collaboration among their service providers.

As agencies seek to pool their resources and cut expenses—especially at the production end of the transaction—we will also likely see an increase in outsourcing. This would especially apply for the most manual of tasks—data entry, simple reporting, etc.—as well as some of the most time-consuming and costly (for example, title searches and even some elements of compliance management and reporting).

Some have argued that title insurance is a commoditized product. Since the price of title insurance is often heavily regulated, there is very little cost competition within individual markets. And yet, the title insurance industry has long been highly competitive. The convergence of shifting market conditions, government regulation and a change in the overall environment have forced title agents to turn to their competitors to forge new means of collaboration.

Based on what we have seen, it's not likely this trend will abate any time soon. ■



Timothy Moreland is senior vice president at ATPR Inc., which provides technology-based solutions for the real estate lending and settlement

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FinCEN Extends Money Laundering Prevention Efforts in Six Metros

Government Says Orders Producing Valuable Data, Thanks Industry and ALTA for Cooperation

The Treasury's Financial Crimes Enforcement Network (FinCEN) renewed existing Geographic Targeting Orders (GTO) that require U.S. title insurance companies—along with their subsidiaries and agents—to identify the individuals behind companies used to conduct high-end, all-cash real estate transactions in six major jurisdictions.

In January 2016, FinCEN originally issued two GTOs requiring certain underwriters to identify and report the true “beneficial owner” behind a legal entity involved in certain high-end deals in Manhattan and Miami-Dade County. FinCEN broadened the GTOs in July to include more areas and now has renewed the order for another 180 days because results have corroborated concerns. FinCEN reported that it found about 30 percent of the transactions covered by the GTOs involve a beneficial owner or purchaser representative that is also the subject of a previous suspicious activity report.

“These GTOs are producing valuable data that is assisting law enforcement and is serving to inform our future efforts to address money laundering in the real estate sector,” said FinCEN Acting Director Jamal El-Hindi. “The subject of money laundering and illicit financial flows involving the real estate sector is something that we have been taking on in steps to ensure that we continue to build an efficient and effective regulatory approach.”

A beneficial owner is an individual or entity who directly or indirectly owns 25 percent or more of the equity interest in the legal entity. FinCEN provides the information to law enforcement investigators as part of FinCEN's database.

Due to information collected by the title industry, one beneficial owner was found to be connected to over \$140 million in money laundering activity. Another transaction involved a beneficial owner connected to a public corruption investigation involving a foreign government. FinCEN

acknowledged that title insurance companies play a central role in providing valuable information about real estate transactions of concern.

“FinCEN appreciates the continued assistance and cooperation of the title insurance companies and the American Land Title Association in protecting the real estate markets from abuse by illicit actors,” FinCEN said in a release.

ALTA will continue to work closely with FinCEN and its members to collect the needed information as efficiently as possible.

“Our members have collected this information for more than a year and those efforts appear to be beneficial to the government's work identifying money laundering schemes and the illegal purchase of real estate,” said Michelle Korsmo, ALTA's chief executive officer.

The extended GTOs include these areas and price thresholds:

- Borough of Manhattan, N.Y.; \$3 million
- Boroughs of Brooklyn, Queens and the Bronx, N.Y.; \$1.5 million
- Miami-Dade, Broward and Palm Beach counties, Fla.; \$1 million
- Los Angeles, San Francisco, San Mateo, Santa Clara and San Diego counties, Calif.; \$2 million
- Bexar County, Texas (San Antonio); \$500,000

ALTA has developed several tools to help members comply with the order. They are available at:

www.alta.org/fincen. ■



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Big Four Underwriters Close Strong 2016

Companies Expect Similar Results in 2017 Despite Higher Mortgage Rates

While a report from A.M. Best says the title industry faces an uncertain future due to higher mortgage rates and the recent short-term rate hike by the Federal Reserve Bank, leaders from the four largest underwriters still expect another strong year. During earnings calls to discuss full-year financial results, executives shared how various strategies have positioned the companies for success in 2017.

Fidelity

Fidelity National Financial reported that its title division posted pre-tax earnings of more than \$1 billion during 2016, up from \$836 million during 2015. During the fourth quarter, the title division posted pre-tax earnings of \$360 million versus pre-tax earnings of \$216 million in the fourth quarter of 2015.

“This was a great finish to another strong year for our title insurance business,” said William Foley II, chairman of Fidelity. “We continue to benefit from a solid residential purchase market, as open and closed purchase orders grew by 5 percent and

10 percent, respectively, in the fourth quarter.”

During the company’s earnings call, CEO Randy Quirk said Fidelity made a concerted effort to grow its agency market share a few years ago. Through organic growth and signing key agents, Fidelity’s agency premiums increased 17 percent in 2016 compared to 2015.

Additionally, Fidelity plans to continue making periodic acquisitions of title companies to continue growing market share. Foley said Fidelity is looking to make acquisitions that help provide services throughout the transaction.

“We’re very interested in the business of controlling the real estate transaction from the point of time that the listing is opened with the Realtor and then managing that transaction on behalf of the Realtors and lenders all the way through the title, all the way through the close,” he said.

To help meet that goal, Fidelity last year acquired Commissions Inc. (CINC), a lead generation and lead management software platform focused on residential real estate

agents. Fidelity plans to integrate CINC into its title and escrow business. Another area of expansion may come in the real estate sector. During the earnings call, Foley said Fidelity is looking at acquiring various brokerage companies on the West Coast and in the Northwest.

“What we’d like to do is expand that real estate brokerage network where we have strong direct operations,” Foley said. “So, that’s going to be primarily in states such as Arizona, Colorado, California, Oregon, Washington, Texas, Illinois and Florida. So, it is an area that we want to focus on as we supplement our title insurance or title agency operations.”

During the quarter, Fidelity paid \$76 million in claims, down 10 percent compared to the fourth quarter of 2015. For the full year, the company paid \$245 million in claims. This was down from \$285 million in claims paid during 2015.

First American

First American Financial reported that its title segment posted a pre-tax margin of 11.7 percent in 2016, the highest in the company’s history.

For the year, the title segment generated \$598.9 million in pre-tax income. This was up from \$490 million in pre-tax income in 2015. On a quarterly basis, the title segment had pre-tax income of \$150.1 million during Q4 2016, which compares to \$128.7 million during the same period a year ago.

Dennis Gilmore, chief executive officer at First American Financial, said the company continues to manage at a high level of efficiency.

“We closed on a number of strategic acquisitions in 2016 that strengthen our core title and settlement business and enhance the solutions we offer our customers,” Gilmore added.

The provision for policy losses and other claims for First American’s title segment in 2016 was \$235.7 million, down from \$263.9 million in 2015.

During 2016, First American acquired Forsythe Appraisals, RedVision and TD Service. Gilmore said the deals strengthened the company’s core title and settlement business and enhanced the solutions offered to customers. Looking ahead, First American will continue to consider acquiring title agencies in large markets if it makes sense from a return perspective.

“We want to continue to build direct offices through agency acquisition, so that’s been a consistent strategy for us,” Gilmore said during the company’s earnings call. He added that First American will continue to consider the acquisition of data companies that help build out its public databases. He said First American is focused on driving efficiencies within its title segment and “then also add or sell additional products and services for our mortgage customers.”

Old Republic

Old Republic’s title group reported a record full-year pre-tax income of \$210.2 million during 2016. This is up from \$166.8 million during 2015. During the fourth quarter, the company reported pre-tax income of \$85.6 million, up from \$48.1 million during the same period a year ago.

While the continuation of favorable mortgage rates and an improving housing and commercial property markets have led to higher revenues from title premiums and fees, Rande Yeager, chief executive officer of Old Republic Title Insurance Company, attributed the favorable trend to four things.

“First, the lending industry standards for mortgage lending have tightened considerably since 2008,” Yeager said during the company’s earnings call. “Second, our market share over that same period of time in both residential and commercial transactions has tripled. Third, new technologies have really minimized our title risk. And fourth, we have expanded and strengthened our auditing and control procedures and quite honestly, looking into our crystal ball, we expect more of the same for the foreseeable future.”

For the year, Old Republic posted a claims ratio of 3.4 percent. This was down from 4.9 percent in 2015. During the fourth quarter, the claims ratio pushed even lower to .4 percent.

“Both 2015 and 2016 reflect the continuation of more favorable claim trends for recent policy years,” Yeager said. “The thing is, we don’t believe this is an aberration.”

Commercial transaction volume also helped drive the strong quarter. Yeager said Old Republic’s commercial volume accounted for 20 percent of all title revenue. This compares to commercial only comprising about 5 percent of the company’s revenue less than a decade ago.

“Once you get a seat at that table, it makes a huge difference,” Yeager said. “And if you perform, it makes an even bigger difference.” He added that the company is involved in many types of commercial transactions,

ranging from wind farms and strip centers to apartment complexes and commercial-type buildings.

Stewart

Stewart Information Services reported that its title segment generated pre-tax income of \$139.1 million during 2016. This compared to \$119.0 million in pre-tax income during 2015.

During the fourth quarter, the company’s title segment reported pre-tax income of \$38.1 million, which is up from \$23 million in Q4 2015.

“Our fourth quarter delivered a solid finish to an important year for Stewart,” said Matthew W. Morris, Stewart’s chief executive officer. “We generated revenue growth in our core title operations while continuing to add more efficiency to our cost structure.”

As a result of ongoing cost-management efforts, as well as a reduction in employee counts tied to volume declines, Stewart reported that employee costs for the fourth quarter of 2016 decreased \$12.5 million compared to the fourth quarter 2015.

Title loss expense decreased to \$24.5 million in the fourth quarter 2016 compared to \$27.7 million in the fourth quarter 2015. For the year, title loss expense was \$91.1 million, which is down from \$106.3 million in 2015.

“Our commitment to improving our customer experience coupled with growth plans in targeted markets, while reducing our cost-per-file, will yield sustainable margin improvement,” Morris added. “We remain positive on our prospects going forward from both our operations and the macroeconomic environment.”



Attorney Uses NTP Designation to Promote Business

Why did you become a National Title Professional?

I feel like whatever you do, you should do it to the highest level. The NTP designation is the highest representation of our industry's standards. To me, it is my opportunity to confirm my professional commitment to the title insurance industry.

How have you used the NTP designation to advance your career or promote your business?

Upon earning the NTP designation, I shared my achievement throughout my professional sphere of influence and began using NTP in all my correspondence. It is something I am honored to have and want to share this and encourage others.

How did you get into the industry?

As a young attorney, I did a variety of things. One of the areas I did not

practice in was real estate. That all changed one day when some friends said to me, "You're an attorney—we're buying a house and you can close it, right?" That began a long journey that has resulted in great professional joy for me.

What do you see for the future of the industry?

The sky is really the limit. With all the resources ALTA and underwriters provide in the title industry, I see our best days ahead.

How have your ALTA connections benefited your career?

Title people are some of my best connections. We know each other and do business together and understand each other. Getting to participate in ALTA events and being active on social media with title friends has enriched my life.



Joe Powell NTP

Company:

Fidelity National Title Group

Title:

Area Counsel (Ala., Miss., Ark.)/
Regional National Agency Counsel
(Ala., Miss., Ark., La., Ky., Tenn.)

City, State:

Birmingham, Ala. (office)/
Tuscaloosa, Ala. (home)

Date of NTP Designation:

May 2016

Industry Experience:

19 years

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The American Land Title Association offers several legal publications that are the favored research material for title professionals and counsel from around the country. These publications contain practical analysis that is valuable to claims administrators, coverage counsel, underwriters, agency managers, examiners and escrow officers.

- **Title Insurance Law Newsletter**
Since 1992, the Title Insurance Law Newsletter has been the leading source of information about current law affecting the land title industry from around the country. Each month, the Newsletter provides reports and commentary on all of the important decisions about title insurance coverage, escrow duties, underwriter-agent issues, conveyancing law and RESPA.
- **Title & Escrow Claims Guide**
Published since 1996, the claims guide is the preferred research tool for land title claim administrators and retained counsel.
- **Title & Escrow Claims Guide Annual Supplement**
This update to the Title & Escrow Claims Guide has over 1,100 pages of new or revised information. It incorporates the holdings of roughly 200 newly decided cases, many of them with important rulings on policy coverage and escrow duties.
- **Title Law Quarterly**
Title Law Quarterly, published once every quarter, provides information on key lawsuits affecting the land title insurance, current developments in real property law and changes to ALTA policy forms.

**Please note a subscription to the Title Law Quarterly is automatically included with the purchase of an ALTA Real Estate Attorney (REA) Membership.

www.alta.org/publications/titlelaw

AmTrust Title Expands Into Three Additional Jurisdictions, Names N.Y., N.J. Managers

Company Entered the Title Business in March 2016

In addition to naming state agency managers for New York and New Jersey, AmTrust Title Insurance Company received provisional approval to begin operating in Washington, D.C., Arkansas and South Carolina.

With these three new additions, AmTrust Title is now licensed in 15 states and Washington, D.C., as well as New York, New Jersey, Massachusetts, Rhode Island, Michigan, Indiana, Maryland, Virginia, Hawaii, Texas, West Virginia, Oregon and Utah. A little over a year ago, AmTrust Financial Services Inc., a New York-based multi-national insurance holding company, announced plans to enter the title insurance business. As part of its rollout, AmTrust Title initially began operating in New York, New Jersey and Texas.

“We are very excited by the regulators expedited review of our expansion application in 27 states

across the country,” said Jim Dufficy, AmTrust’s executive vice president and director of corporate strategy charged with overseeing the licensing expansion. “We anticipate staffing up over the next six months in several new regional hubs as our applications are approved in each jurisdiction. Ultimately, our goal is to apply in a number of additional states in the next 30 days, with the expectation that the company will be licensed in virtually every state very soon, allowing us to offer protection and peace of mind through our policies for commercial and residential customers.”

In New York, Frank Russo was hired to serve as state agency manager. In this role, he will be responsible for growing the company throughout New York, maximizing profitability, optimizing opportunities in technology, serving existing clients and attracting new ones.

“New York is a crucial market for us,” said AmTrust Title President Jason Gordon. “We are headquartered in Lower Manhattan with an office in Midtown and a large percentage of our clients operate throughout the Greater New York Metro area. Results-oriented, talented, a dedicated professional and a great communicator, Frank understands our culture and is a valuable asset to our business development team.”

Prior to joining the company, Russo served as director of business development for S.J. Carroll Jr. Inc. in New York, and as director of recreational therapy for Holy Family Home in New York.

In addition, AmTrust Title named Marci Lerner as agency representative for New Jersey. Lerner, who has more than 25 years of experience in New Jersey, previously was an agency representative for Westcor Land Title. Covering the entire state during her tenure at Westcor, Lerner also was involved in commercial relationship development. Prior to that, she spent over 10 years working for Chicago Title in its New Jersey direct operation.

“New Jersey is a crucial state for us, given its proximity to New York where we are headquartered,” Gordon said. “Marci is a consummate professional, equipped with the skills and know-how to progress our brand throughout the state.”

Survey Finds More Than Half of Homebuyers Surprised by Closing Costs

More than 50 percent of homebuyers were surprised that they had to pay closing costs or that the fees were higher than expected, according to a survey released by ClosingCorp.

Wilson Perkins Allen Opinion Research, on behalf of ClosingCorp, surveyed 1,000 first-time and repeat homebuyers who had purchased a home between Jan. 1, 2016, and Jan. 1, 2017. The survey explored whether the TILA-RESPA Integrated Disclosure (TRID) rule has helped consumers better understand the closing costs associated with purchasing a home.

Here are some of the findings:

- When asked what surprised them about their closing costs, 17 percent of all homebuyers were surprised costs/fees were even required and 35 percent of all homebuyers were surprised that their costs/fees were higher than expected.
- However, 31 percent of

homebuyers were not surprised at all about their closing costs because their loan estimates and closing fees matched.

- The top five closing costs that most surprised homebuyers were:

1. Mortgage insurance (24 percent)
2. Bank fee/points (23 percent)
3. Taxes (22 percent)
4. Title insurance (21 percent)
5. Appraisal fees (20 percent) and fees paid by the buyer vs. seller (20 percent)

- 58 percent of those surveyed said that their initial loan estimate had changed or been revised prior to closing. Most of the buyers (67 percent) who received a revised estimate were located in the Northeast, and 63 percent had home values between \$500,000 and \$1 million.
- When asked which fee estimates were changed, the top three answers were: closing costs (12 percent), insurance costs (6 percent) and taxes (5 percent).

- According to the homebuyers, the most common reasons for the changes in the closing costs were a change to the loan based on what they qualified for (31 percent), the lender estimate was not accurate (27 percent) and there was a change to the loan based on their request (23 percent).
- 72 percent of homeowners said their loan estimates and closing disclosures were delivered electronically. Interestingly, the vast majority of these homeowners (72 percent) fell into the millennial age range of 18-34 years old.
- Half of all homebuyers (50 percent) selected their title company. Of those who did not select their own title company, 35 percent said their realtor selected it for them, suggesting that realtors have more influence since they are the homebuyers' first touch point.

"As more and more millennials become first-time homebuyers, TRID or Know Before You Owe

has made it easier for them to understand the costs and fees they'll face at closing. Yet there are still surprises during the closing process," said Bob Jennings, chief executive officer of ClosingCorp. "Lenders and realtors need to keep educating borrowers on the costs and fees associated with closing to alleviate surprises."

"In addition, our survey shows that 52 percent of lenders were 'off' on their initial loan estimates, so there's significant room for improvement. Using automated fee technology can help prevent lenders from under- or over-estimating closing costs and mitigate the risk of costly variance issues post-closing."

ALTA has reiterated that the CFPB's inaccurate disclosure of title insurance fees on the Loan Estimate and Closing Disclosure remains the single biggest cause of confusion that homebuyers express at the closing table.

Washington State Moves Closer to Forming Rating and Advisory Organizations

A bill that would establish title insurance rating and advisory organizations in Washington was passed by the state's House Business and Financial Services Committee on Feb. 15.

HB 1450 is pending in the House Rules Committee. Senate companion SB 5629 passed the Senate Financial Institutions and Insurance Committee on Feb. 16. SB 5629 is pending in the Senate Rules Committee.

Specifically, the bill would:

- Authorize and establish a framework for title insurers to become members of and subscribe to the services of title insurance rating organizations for the purpose of making title insurance form and rate filings with the Office of the Insurance Commissioner (OIC).
- Give the OIC authority and direction to examine title insurance rating organizations and to issue a written decision directing a title insurance rating organization to take specific action, when appropriate.
- Authorize the sharing of aggregate information and experience data

between title insurance rating organizations, title insurers, and the OIC's designated statistical reporting agent, subject to restrictions.

- *Modify the confidentiality of filed and approved title insurance rate filings to allow for public inspection only of aggregate information that cannot be used to identify an individual insurer.*

Currently, title insurers must file title insurance forms and rates with the OIC. Insurers' rate filings must include sufficient information to allow the OIC to determine whether the filed rates meet the standard.

The Washington Land Title Association (WLTA) supports the bill. The OIC opposes the bill. WLTA expects the OIC to offer proposed amendments to the bill.

In 2009, Washington began requiring title insurers to actuarially justify their rates. According to the industry, this has created confusion and frustration.

"This can cost tens of thousands of dollars, and is burdensome, especially on smaller title insurers," supporters of the bill have testified.

Oregon follows a similar model that works well, according WLTA.

The industry has said that the "Supreme Court of the United States has approved of rating organizations so long as there is active supervision of their activities by the state, which is included in this bill. If a title insurance rating organization is formed in Washington, it can simplify the OIC's form and rate review process because the information insurers submit to the OIC for review will

be in a standard form. Rather than reviewing multiple rating manuals and rates, for example, the OIC could potentially review one rating manual and rate, or at least fewer than the OIC must review now. Title insurers would still compete at a service level, and there could be more than one rating organization, one for Eastern Washington and one for Western Washington."

HomeServices Acquires Thoroughbred Title

HomeServices of America Inc. announced it has entered the New York title insurance market with the acquisition of Thoroughbred Title Services LLC.

Launched in 2009, Thoroughbred Title is a subsidiary of Houlihan Lawrence real estate brokerage. Financial terms were not disclosed. HomeServices acquired Houlihan Lawrence last

month. The real estate brokerage closed \$6.7 billion in sales in 2016.

Eric Swarthout, president of Thoroughbred Title, said that joining the HomeServices team and plugging into a national referral network will help accelerate growth.

HomeServices now has 33 title agencies in its portfolio and a licensed title entity in 21 states.

RamQuest Completes Connection With Agents National Title

RamQuest Inc.'s Closing Market digital network is now integrated with Agents National Title Insurance Company. Through this integration, Agents National

Title Insurance Company's agent network can access closing protection letters and policy jackets through RamQuest's Closing Market.

ReQuire Acquires Deeds on Demand

Require Holdings LLC completed its acquisition of Deeds on Demand, an Internet-based deed and real estate document service.

Deeds on Demand's services will be merged with reQuire Real Estate Solutions LLC, a wholly-owned subsidiary of Require Holdings, that services the title insurance industry. reQuire Real

Estate Solutions will now provide settlement agents and closing attorneys with one-stop integrated access to document preparation, property search, title curative and lien release tracking solutions.

The acquisition comes nearly a year after Require Holdings' acquisition of Covius Real Estate Services, LLC and Covius Technology Solutions LLC.

Qualia Integrates With Two Underwriters, Achieves SOC 2 Certification

Qualia recently completed integrations with two additional underwriters while earning its Service Organization Control 2 (SOC 2) certification.

Qualia is now integrated with Old Republic Title and Stewart. The integration with Old Republic Title's ezJacket and Closing Protection Letter (CPL) software allows title agents to generate policy jackets, policy reports and CPLs directly without leaving the Qualia system.

Through the integration with Stewart Access, title agents will be able to obtain Stewart rate information, create title policy jackets and issue closing protection letters directly within Qualia.

Meanwhile, Qualia earned the American Institute of Certified Public Accountants' SOC 2 certification after completing an independent audit process with a third-party certified public accounting firm.

Entrust Adds Underwriter to Nexus Program

Entrust Solutions recently added Plano, Texas-based First National Title Insurance Co. to its Nexus Program of underwriters. The Nexus Program provides agents and attorneys a platform to conduct real estate closings

with less risk and gives them a chance to stay in business as underwriter remittance requirements increase, according to Entrust Solutions founder and managing member Jonathan Yasko.

Black Knight Unveils Tool to Help Title Companies Reduce Claims

Black Knight Financial Services unveiled a new risk mitigation tool that helps title companies identify potential liabilities and reduce title insurance claims.

Called iOnTitle, the automated, web-based, title search and order management application enables title companies to perform high-volume title searches, streamline order-management workflow and produce examination-ready search packages.

According to a release, iOnTitle also offers title

companies an additional level of security on their title orders. iOnTitle can uncover questionable activities, conditions and behaviors. When the possibility of questionable activity is detected on specified property accounts, the solution automatically alerts users directly on their TitlePoint screens. The alerts are delivered throughout the title production process so title companies can take preventative steps against fraud or other illegal activity.

Chronos Solutions Launches National Title Operations Center

Chronos Solutions announced plans to open a national title originations division based in Pittsburgh. Kandi Jablonski will serve as executive vice president and head up the division. In addition to running the division, Jablonski will oversee expansion of the nationwide operation into several key states with the hub in Coraopolis,

Pa. Jablonski, who joined Chronos Solutions in October 2016, began her career in 1997 at Pennsylvania Land Title. In 2002, she was promoted to president of national operations, a position she held for nine years. Prior to its merger with ServiceLink/BKFS, she was vice president of national operations at LSI.

Fidelity National Title Partners With GainClients

Fidelity National Title has signed an agreement to use GainClients' GCard service to help expand its network of real estate agents, loan originators

and clients. The GCard service bundles many aspects of a transaction to make the process more efficient.



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GRS Title Serves Names President

GRS Title Services LLC named Andy Brownstein as president. He will continue to serve as general counsel for GRS Title Services and Global Realty Services Group LLC. Brownstein has been with GRS Group since 2009. He is a co-founder of both

companies previously serving as chief financial officer. Prior to co-founding GRS Group, Brownstein was a senior vice president of LandAmerica Financial Group Inc., where he managed the International Services division.

North American Title Selects Mid Atlantic Region State Agency Manager

North American Title Insurance Co. has named Selena Smart as the state agency manager for its Mid Atlantic region, which includes Maryland, Virginia and the District of Columbia. Smart brings 12 years' experience, co-ownership of an abstractor firm and a family

background in the title industry to this position. Most recently, Smart was co-owner and an abstractor for MS Welch Inc. She had previously worked as a title abstractor for Welch Abstracts and prior to that as director of sales and marketing for Beltway Title.

RynohLive Appoints SVP of Business Development

RynohLive named John Contreras as senior vice president of business development. He will assist the sales team and lead the company's business development initiatives. Before joining RynohLive, Contreras served for 20 years as a national sales leader for several companies,

including Fidelity National Title, Commonwealth and ServiceLink where he was responsible for selling over \$150 million in title policies. Most recently, Contreras worked as national sales director for TRK Connection, a company that provides an audit and mortgage compliance platform.

Westcor Names Texas Regional Sales Manager

Westcor Land Title Insurance Co. recently named Mark Holley as Texas regional sales manager. In this role, Holley will help increase the company's footprint in the Lone Star State. Prior to joining Westcor, he was the regional agency development manager for a national underwriter and

was responsible for offering services to title agents and coaching sales teams across 26 states in the central region. Before that, he served as vice president of sales and marketing for RamQuest. Holley started his career in the computer network services industry in 1985.

Title Alliance Appoints Arizona Manager

Title Alliance Ltd has appointed Robert Grove as Arizona state manager. In this role, Grove will be critical as the company continues its expansion into the Arizona market. Grove will focus on recruiting talent, aligning the company with quality prospects,

educating on compliance and focusing on streamlining systems and processes in Arizona. Grove comes to Title Alliance with 40 years of title, escrow and real estate experience. He spent the last 17 years focused on the joint-ventured environment.

NextAce Appoints Chief Product Officer

NextAce recently added David Floyd to its management team as chief product officer. In this role, he will oversee the company's product strategy and the expansion of its automation processes, technical capabilities and data integrations. Prior to joining NextAce, Floyd was

president of SKLD Title Services Inc., one of the nation's oldest title plants. During his 17 year tenure with SKLD, he introduced innovative staffing models, data capture routines and quality control processes that reduced costs while simultaneously enhancing service and quality.

A Blueprint for Getting Involved

In March, President Trump submitted his Budget Blueprint for Fiscal Year 2018 (which begins on Oct. 1, 2017, and ends Sept 30, 2018). It's important to think of this as a "skinny budget."

The blueprint isn't the actual accounting of government spending. It's the start of a long process that leads to the release of a full budget later this spring.

The full budget is expected to include specific spending and tax proposals, and detail a full fiscal path for the next decade. Even then, spending is up to Congress and it's unlikely to accept stringent spending reductions. Both sides of the aisle have shared hesitation or opposition to many of the blueprint recommendations.

However, the budget is a good barometer of the president's priorities. What has Trump proposed? A few things jump out. Military spending gets a big boost. So does the Department of Homeland Security, which would get \$2.6 billion to begin construction of Trump's promised border wall. In all, there is a \$54 billion increase in defense spending in 2018 that is offset by targeted reductions elsewhere.

In the budget, Trump says "In these dangerous times, this public safety and national security Budget Blueprint is a message to the world—a message of American strength, security, and resolve. This Budget Blueprint follows through on my promise to focus on keeping Americans safe, keeping terrorists out of our country, and putting violent offenders behind bars."

To accomplish this goal, the administration has proposed significant agency funding cuts that could create a difficult road ahead for many federal programs. Specifically, the budget calls for a 13 percent cut in funding for HUD and FHA. In the budget outline, the administration emphasizes its belief that local governments should be the ones primarily responsible for urban-development programs.

"State and local governments are better positioned to serve their communities based on local needs and priorities," the budget document says.

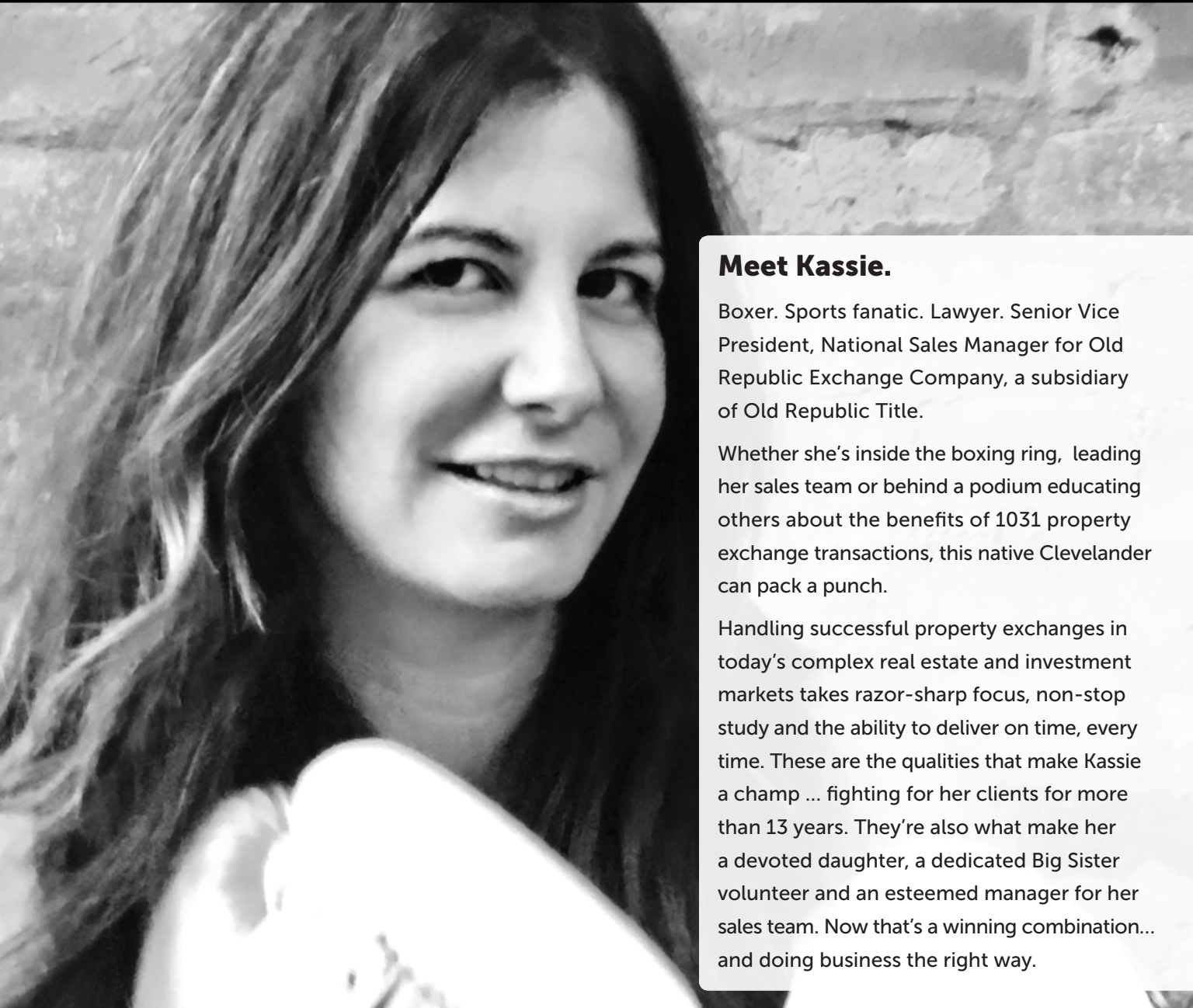
This is where you come into play. We need industry support at this year's ALTA Advocacy Summit (May 1-3 at The Watergate Hotel; meetings.alta.org/advocacy). This is the best opportunity to meet with congressional leaders and share how federal decisions affect the future of our industry. They need to hear from their constituents. If you've never attended, don't worry. ALTA staff will prepare you with everything you need to know before your Lobby Day meetings. To ensure a successful visit with your legislator, you'll get talking points on our key priorities of fixing the inaccurate disclosure of title fees on TRID, making the CFPB work better and ensuring the tax code continues to incentivize investment in real estate.

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Digital TitleNews Extra:

ALTA President Invite to Attend 2017 Advocacy Summit

— Daniel D. Mennenoh ITP, NTP, ALTA president



Meet Kassie.

Boxer. Sports fanatic. Lawyer. Senior Vice President, National Sales Manager for Old Republic Exchange Company, a subsidiary of Old Republic Title.

Whether she's inside the boxing ring, leading her sales team or behind a podium educating others about the benefits of 1031 property exchange transactions, this native Clevelander can pack a punch.

Handling successful property exchanges in today's complex real estate and investment markets takes razor-sharp focus, non-stop study and the ability to deliver on time, every time. These are the qualities that make Kassie a champ ... fighting for her clients for more than 13 years. They're also what make her a devoted daughter, a dedicated Big Sister volunteer and an esteemed manager for her sales team. Now that's a winning combination... and doing business the right way.

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