TITLE News

SEPTEMBER 2021

AMERICAN LAND TITLE ASSOCIATION

HELD for RANSOM

Attack on Title Industry Cloud-hosting Vendor Highlights Need for Constant Vigilance

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iN This Issue

VOLUME 100 | NUMBER 9 | SEPTEMBER 2021

COVER STORY

FEATURES

DEPARTMENTS

DON'T MISS THIS MONTH'S DIGITAL ISSUE OF TITLENews

The digital edition of **TITLENews** includes a webinar recording that details how changes to the 2021 ALTA Policy Forms will impact commercial transactions. It's important to understand the new forms, which went into effect July 1, in order to explain coverage changes to your staff and customers.

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

AMERICAN LAND TITLE ASSOCIATION

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TITLENews

OFFICIAL PUBLICATION OF THE **AMERICAN LAND TITLE ASSOCIATION**

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Balancing Flexibility and Risk

JEREMY YOHE
ALTA vice president of communications

CYBERCRIMINALS SEND MORE THAN THREE BILLION PHISHING EMAILS A DAY. Yeah, three billion. These spoofed messages account for 1% of all email traffic. Hackers attempt to lure potential victims into opening emails from trusted names—retailers, delivery companies, your coworkers or even your CEO—by spoofing the sender identity used in the "from" field in messages.

All of this means that phishing emails are putting people and companies at risk of cyberattacks, including malware and ransomware. Unfortunately, it's people that tend to be chink in the security armor. Human error is still very much the driving force behind the overwhelming majority of cybersecurity problems. Researchers from Stanford University and a top cybersecurity organization found that nearly 90% of all data breaches are caused by employee mistakes.

It's no coincidence that the rise in cyberattacks on corporations accompanied the pandemic-driven shift to remote work. Between 2019 and 2020, ransomware attacks rose 62% worldwide and 158% in North America, according to a recent report by the cybersecurity firm SonicWall. The FBI saw cyberattack complaints rise nearly 20% between 2019 and 2020, while the collective cost of ransomware attacks reported to the bureau rose more than 200% in 2020 to roughly $29.1 million.

The recent ransomware attack on a cloud-hosting vendor for the title and settlement industry highlighted the need for constant vigilance and staff training. The study "Psychology of Human Error" analyzed why people fall prey to fraudulent emails. The study cited distraction as the top reason for getting phished. Nearly 60% of remote workers admit they are more distracted when working from home.

With remote work likely to continue indefinitely—especially with the surging delta variant—companies need to prioritize and retool their cyber defense for a more distributed working world. With employees potentially connected to untrusted networks, Paul Martini, CEO of the cloud cybersecurity company iboss, has said, "This fortress and this technology [IT departments] have built to scan data is completely irrelevant because the data is not going through that equipment."

In this new world of hybrid working, finding the right balance between flexibility and security for remote employees will be something for owners and managers to think about.

ALTA News

AMERICAN LAND TITLE ASSOCIATION

HAPPENINGS, NEWS, UPDATES & EVENTS

New 2021 ALTA Policy Forms Published

Revisions to the 2021 ALTA Policy Forms collection have been published and went into effect July 30. Recommended changes were approved by ALTA's Board of Governors in May, for adoption on July 1.

The ALTA standard Policy Forms have been formally revised over the years to reflect changes in the marketplace brought about by evolving business practices, expectations of insureds, laws, regulations and legal decisions. Advancements in electronic notarizations, changes in certain consumer and creditor's rights law and case law developments were primary drivers leading to the latest revision of the ALTA Loan and Owner's policies and numerous other ALTA forms and endorsements.

To prepare for the new forms, attorneys and title companies should participate in training and guidance from their underwriters. Attorney agents will also want to work with their production software providers to ensure that the updates have been made after forms have been appropriately filed and approved by state regulators and authorized by their underwriters.

Forms and comparison charts of the 2006 and 2021 policies may be downloaded at alta.org/policy-forms.

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ALTA, Other Trades Tell Congress G-fees Must Not Be Used as 'Piggybank'

ALTA and several other housing trade organizations requested Congress refrain from using Fannie Mae and Freddie Mac's guarantee fees (g-fees) to help pay for any infrastructure package being negotiated in the Senate.

The $1 trillion bipartisan infrastructure bill passed by the Senate in August included using g-fees to help pay for the package.

In a letter to Sens. Kyrsten Sinema (D-Ariz.) and Rob Portman (R-Ohio), the organizations wrote that g-fees should only be used as a critical risk management tool to protect against potential mortgage credit losses and to support the GSEs' charter duties.

"Whenever Congress or the administration has considered using g-fees to cover the cost of non-housing-related programs, our organizations have united to emphatically let lawmakers know that homeowners cannot, and must not, be used as the nation's 'piggybank,'" the groups said. "We are united again to reaffirm our opposition to Congress' potential use of these fees for any funding offset that may be contemplated."

Additionally, the letter points out that lawmakers should avoid taking steps that hinder housing affordability and supply, which could result in negative consequences for the economy.

"The unintended effects of any proposed g-fee increase or extension will be to raise the cost of homeownership for all Americans, and low- to moderate-income and underserved individuals in particular," the letter states. "In addition, it would curtail refinance activity that helps to keep creditworthy borrowers in their homes. Moreover, implementing yet another g-fee increase will hinder policymakers' abilities to execute the necessary reforms required of the GSEs in the years ahead."

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from loans that default. ALTA has opposed previous efforts to use g-fees to offset unrelated federal spending.

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ALTA Bylaws Amendments Proposed for Vote by Board of Governors in October

The ALTA Bylaws Committee has completed the biennial review of the ALTA Bylaws as Amended October 23, 2019. The committee has proposed amendments that include updates to align with ALTA's recently modified engagement structure. The ALTA Board of Governors has accepted notice and will vote on the proposal on Oct. 14. The proposed amendments are available in clean and markup formats at alta.org/about/bylaws.cfm.

Written notice has been provided to ALTA members who may comment on the proposal or provide a written request to appear before the Board by contacting ALTA staff no later than Sept. 14. Questions or comments can be sent to ALTA Bylaws Committee staff liaison Kelly Romeo at kelly@alta.org.

Membership by the Numbers

ALTA is the title insurance and settlement services industry resource for advocacy, education, communications, networking and policy standards. Here's a look at some membership numbers from the past month.

- New Members: 60
- New Associate Members: 9
- New Attorney Members:6
- State with the most new members: Texas
- Total Members: 5,919

ALTA 2021 TIPAC Donors

The Title Industry Political Action Committee (TIPAC) is ALTA's voluntary, non-partisan political action committee (PAC). TIPAC raises money to help elect and re-elect candidates to Congress who understand and support the issues affecting the title industry. So far in 2021, $356,669 has been pledged to TIPAC from 543 people. In addition, $140,000 from 22 companies has been pledged to the TIPAC Education Fund. Check out who has supported the industry at alta.org/tipac.

NEWS TO SHARE?

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

CALENDAR

2021 ALTA CONFERENCES

ALTA ONE
October 12-15
New Orleans, La.

2021 STATE CONFERENCES

SOUTHEAST
Sept. 16-18
Charleston, S.C.

NORTH DAKOTA
Sept. 16-18
Bismarck, N.D.

NORTH CAROLINA
Sept. 16-18
Hilton Head, S.C.

PENNSYLVANIA
Sept. 19-22
Philadelphia, Pa.

INDIANA
Sept. 19-21
Bloomington, Ind.

NEBRASKA
Sept. 22-24
Omaha, Neb.

WISCONSIN
Sept. 23-24
Green Lake, Wis.

HELD for RANSOM

Attack on Title Industry Cloud-hosting Vendor Highlights Need for Constant Vigilance

By Jeremy Yohe

RANSOMWARE is a long-standing problem and a growing national security threat. Tackling this challenge requires collaboration across every level of government, the private sector and communities.

Ransomware is a type of malicious software, or malware, that encrypts data on a computer making it unusable. A malicious cybercriminal holds the data hostage until the ransom is paid. If the ransom is not paid, the victim's data remains unavailable. Cybercriminals may also pressure victims to pay the ransom by threatening to destroy the victim's data or to release it to the public.

STOCK.ADOBE.COM / JAMES THEW / ONTSUNAN / SHUTTERSTOCK / VSILVEK

Cybersecurity Ventures has predicted ransomware will cost companies $20 billion worldwide in 2021. The U.S. Department of Justice reported that roughly $350 million in ransom was paid to malicious cyber actors in 2020, a more than 300 percent increase from the previous year. According to the **2020 Internet Crime Report**, the FBI received 2,474 complaints identified as ransomware with adjusted losses of over $29.1 million last year. These losses do not include estimates of lost business, time, wages, files or equipment, or any third-party remediation services acquired by a victim. In some cases, victims do not report any loss amount to the FBI, thereby creating an artificially low overall ransomware loss rate. Lastly, the number only represents what victims report to the FBI via the IC3 and does not account for victim direct reporting to FBI field offices/agents.

There have already been multiple notable ransomware attacks in 2021, and despite making up roughly 75% of all ransomware cases, attacks on small businesses often go unnoticed. Like most cyberattacks, ransomware exploits the weakest link—employees—and many small businesses have yet to adequately protect their networks. About 90% of cyberattacks begin with a phishing email, according to research from security software firm Trend Micro.

Cloud-hosting Vendor Suffers Ransomware Attack

Several municipalities have been hit over the past several years by ransomware attacks impacted access to public records and disrupted closings. The threat hit much closer to home when on July 16, Cloudstar, which is a cloud-hosting and data security provider to title and settlement companies, discovered it was the victim of a highly sophisticated ransomware attack. As of Aug. 10, Cloudstar remained offline as the company continued to work with Tetra Defense, a third-party forensics company in recovery efforts.

Cloudstar President Chris Cury said the company continued to advance restoration efforts and anticipated recovering the majority of its customers' data.

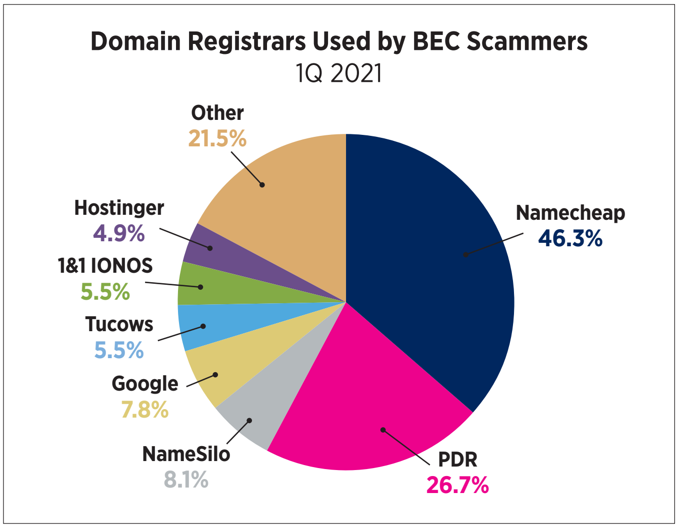
"Nevertheless, this process is very complex, and due to the extensive impact that this event had on our systems we are unable to provide a definitive ETA (for recovery)," he said. "We expect that this overall process will take several weeks with continued diligent effort. That said, we are continuing to work directly with individual customers to answer their questions and facilitate the return of their data when it is safe to do so."

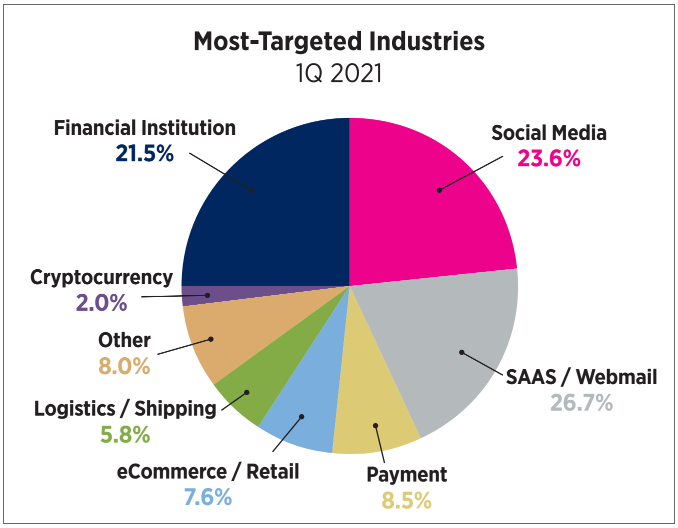
Cloudstar operates six data centers in the United States, serving more than 42,000 users.

Several software vendors and title companies offered their expertise and services to help ensure deals continue to close.

Shawn Fox, director of sales and marketing for Premier One, said his company helped Cloudstar clients get set up in the Microsoft Azure cloud platform. SoftPro, RamQuest and Qualia also stepped up to assist title companies get set up in their systems.

"Unfortunately, these companies did not have any of their data since the backups were affected in this attack as well," Fox said. "We set them up with a blank database of the production software to get them operational. If a title company had not made





any plans and were just hoping that Cloudstar came back, they would not be able to process any orders. A lot of the customers also had their emails hosted with Cloudstar, so they were also having a hard time with communication."

Fox said impacted title and settlement companies should contact regulators in the states they conduct business. The same companies also should contact their cyber insurance providers.

Kevin Nincehelser, chief operating officer for Premier One, informed affected title companies to focus on the minimum viable product, a version of a software with just enough features to be usable. This is core to any business continuity plan.

Nincehelser encouraged agents to verify their security status and ensure there was not an active threat to IT assets. Title companies should restore email communications with access to their domain registrar and Domain Name System (DNS) account, such as GoDaddy. Nincehelser said this can be completed quickly utilizing Microsoft 365.

"Title companies should restore their ability to process new orders," he added. "This can be accomplished by obtaining a new instance of their production software on-premises or hosted with an available vendor such as Premier One, OP2, SoftPro or Qualia. Companies also must rebuild production processes and workflows. For many agents, the extensive customization to their production software will be lost. It's best to begin rebuilding as soon as possible."

If available, affected title and settlement companies should restore data if available or check with Cloudstar to access any data that was backed up.

Additionally, Nincehelser said companies should initiate legal and compliance protocols because many states have strict consumer reporting timelines.

"Evaluating this immediately is critical to staying in compliance with those timelines," he said.

The Cloudstar incident is like a sophisticated attack in July on U.S. information technology firm Kaseya, where hackers demanded $70 million to unlock thousands of businesses affected by the hack. This attack was carried out through a vulnerability in software that helps businesses manage their computer systems, according to reports. Kaseya sells its software to large managed service providers, who in turn, help small and midsize businesses monitor and control their computer networks.

"This is one of the ripple effects that leads to riptide events," said Karen Koogler, CEO of the Koogler Group. "Most business owners are unaware of the full extent of liability to which their businesses are exposed."

From a liability perspective, Koogler said whether a company performs tasks in-house or outsources them to third-party providers, an organization is responsible for any loss or damage arising from unmanaged or improperly managed risk.

The federal Graham-Leach-Bliley Act (GLBA) requires financial institutions—including title and settlement companies—to protect consumer non-public personal information. Third-party contractors must also comply with the GLBA. The ALTA Title Insurance and Settlement Company Best Practices builds on this privacy framework to provide additional guidance.

While the Federal Trade Commission is the primary privacy and data security enforcer, many states have data privacy laws and regulations.

"It is essential to identify those with whom or through whom you do business, especially critical-service or high-risk providers whose actions have a major impact on your ability to conduct business," Koogler said.

Variety of Malicious Methods

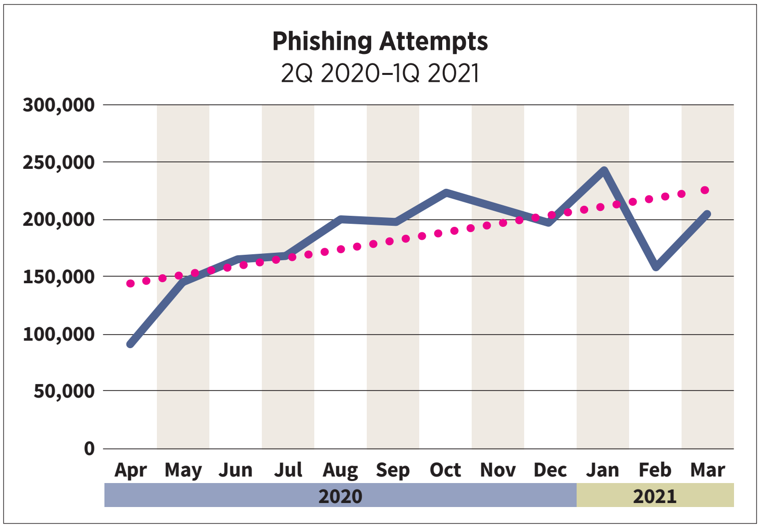
The FBI reported that although cybercriminals use a variety of techniques to infect victims with ransomware, the most common means of infection are:

- **Email phishing campaigns:** The cybercriminal sends an email containing a malicious file or link which deploys malware when clicked by a recipient. Cybercriminals historically have used generic, broad-based spamming strategies to deploy their malware, though recent ransomware campaigns have been more targeted and sophisticated. Criminals may also compromise a victim's email account by using precursor malware, which enables the cybercriminal to use a victim's email account to further spread the infection.
- **Remote Desktop Protocol (RDP) vulnerabilities:** RDP is a proprietary network protocol that allows individuals to control the resources and data of a computer over the internet. Cyber criminals have used both brute-force methods, a technique using trial-and-error to obtain user credentials, and credentials purchased on dark web marketplaces to gain unauthorized RDP access to victim systems. Once they have RDP access, criminals can deploy a range of malware—including ransomware—to victimize systems.
- **Software vulnerabilities:** Cyber criminals can take advantage of security weaknesses in widely used software programs to gain control of victims' systems and deploy ransomware.

Attack Puts Spotlight on Cyber Insurance Market

While the Cloudstar attack hit home for the title industry, the ransomware incident earlier this year on one of the largest pipelines in the United States highlighted the interconnectedness of cyber risk and the importance of cybersecurity to all business operations, according to AM Best.

In its commentary, "Colonial Pipeline Attack Throws Spotlight on Cyber Insurance Market," AM Best reports that premiums for standalone cyber policies grew more than 28% in 2020, reflecting price increases and a move



SOURCE: ANTI-PHISHING WORKING GROUP

by the insurance industry to get more clarity on their cyber underwriting factors.

While premiums in the $2.7 billion U.S. cyber insurance market have seen healthy growth in recent years, an even greater increase in claims has overshadowed market growth. From 2017 to 2020, according to the commentary, annual premium grew at an average of 19%; however, claims grew by 38%, reflecting a steady increase in the sophistication of criminals' ability to penetrate and disable networks.

The Colonial Pipeline attack, which shut down 5,500 miles of pipeline between Texas and New Jersey, is a manifestation of this growing sophistication and many insurers are now realizing the significant risks inherent in this line of business, according to the ratings firm.

"As the Colonial Pipeline attack has shown, cyber is a very complex risk, with far-reaching impacts to clients and insurers alike," said Sridhar Manyem, director of industry research and analytics. "The classifications of these events as terrorism, criminal activity or acts of war have different implications for insurance, and will require guidance from government entities as clients and insurers navigate these cases."

The escalation in ransomware attacks also has forced insurers to rethink globally, AM Best reported, as evidenced by the decision of AXA Insurance in France to halt ransomware crime reimbursements. Insurers that lack the appropriate expertise, ability and controls for cyber insurance risks could be subject to losses outside of risk tolerance that may have ratings implications.

The attackers, known as DarkSide, reportedly took nearly 100 gigabytes of data out of Colonial's network in just two hours before encrypting the company's data and leaving a ransom note threatening to release the company's data if no payment was made.

According to cyber risk analytics firm **CyberCube**, the attack underscores the rising need for underwriters to assess basic cyber hygiene alongside threat specific risks such as ransomware for organizations of all sizes across industries. The attack also calls attention to the risk of widespread contingent business interruption (CBI) because of cyberattacks.

CyberCube also reported the attack is an example of accumulation risk due to cyberattacks on single point of failure (SPoF) technologies and companies. SPoFs are components or entire companies—physical or electronic—whose failure will shut down an entire system and affect many end-users.

"Colonial is a taste of what is to come. Both criminal ransomware operators and nation-state sponsored threat actors are increasingly turning their attention toward attacking SPoF," said William Altman, cyber security consultant at CyberCube. "By going after SPoF, criminal attackers will create maximum leverage to convince their victims to pay a ransom, and nation-state actors will use SPoF as a jump-off point into adjacent systems for conducting espionage and other information operations. While we have yet to see a true accumulation catastrophe event in cybersecurity, the writing is on the wall. Recent attacks on SPoF like SolarWinds, Microsoft Exchange and Colonial Pipeline indicate clearly the direction the industry is headed."

Last year, the Cybersecurity and Infrastructure Security Agency (CISA) issued an alert following reports of a nation-state hack involving SolarWinds Orion. The emergency directive urged all federal civilian agencies to immediately disconnect or turn off any SolarWinds Orion products.

Ransomware 101

How does ransomware work?

The Cybersecurity & Infrastructure Security Agency (CISA) says ransomware identifies the drives on an infected system and begins to encrypt the files within each drive. Ransomware generally adds an extension to the encrypted files, such as .aaa, .micro, .encrypted, .ttt, .xyz, .zzz, .locky, .crypt, .cryptolocker, .vault, or . petya, to show that the files have been encrypted—the file extension used is unique to the ransomware type.

Once the ransomware has completed file encryption, it creates and displays a file or files containing instructions on how the victim can pay the ransom. If the victim pays the ransom, the threat actor may provide a cryptographic key that the victim can use to unlock the files, making them accessible.

How is ransomware delivered?

Ransomware is commonly delivered through phishing emails or via "drive-by downloads," according to CISA. Phishing emails often appear as though they have been sent from a legitimate organization or someone known to the victim and entice the user to click on a malicious link or open a malicious attachment. A "drive-by download" is a program that is automatically downloaded from the internet without the user's consent or often without their knowledge. It is possible the malicious code may run after download, without user interaction. After the malicious code has been run, the computer becomes infected with ransomware.

What can I do to protect my data and networks?

- **Back up your computer.** Perform frequent backups of your system and other important files, and verify your backups regularly. If your computer becomes infected with ransomware, you can restore your system to its previous state using your backups.
- **Store your backups separately.** Best practice is to store your backups on a separate device that cannot be accessed from a network, such as on an external hard drive. Once the backup is completed, make sure to disconnect the external hard drive, or separate device, from the network or computer.
- **Train your organization.** Organizations should ensure that they provide cybersecurity awareness training to their personnel. Ideally, organizations will have regular, mandatory cybersecurity awareness training sessions to ensure their personnel are informed about current cybersecurity threats and threat actor techniques. To improve workforce awareness, organizations can test their personnel with phishing assessments that simulate real-world phishing emails.

What can I do to prevent ransomware infections?

- **Update and patch your computer.** Ensure your applications and operating systems (OSs) have been updated with the latest patches. Vulnerable applications and OSs are the target of most ransomware attacks.
- **Use caution with links and when entering website addresses.** Be careful when clicking directly on links in emails, even if the sender appears to be someone you know. Attempt to independently verify website addresses (e.g., contact your organization's helpdesk, search the internet for the sender organization's website or the topic mentioned in the email). Pay attention to the website addresses you click on, as well as those you enter yourself. Malicious website addresses often appear almost identical to legitimate sites, often using a slight variation in spelling or a different domain (e.g., .com instead of .net).
- **Open email attachments with caution.** Be wary of opening email attachments, even from senders you think you know, particularly when attachments are compressed files or ZIP files.
- **Keep your personal information safe.** Check a website's security to ensure the information you submit is encrypted before you provide it.

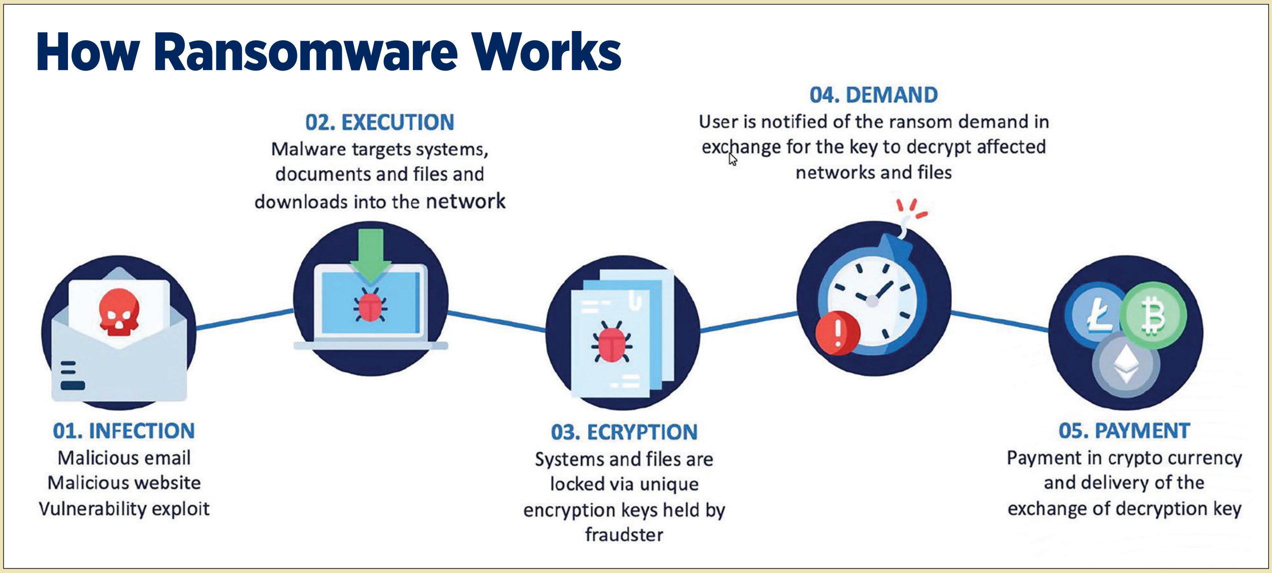
Communications at the U.S. Treasury and Commerce Departments were reportedly compromised by a supply chain attack on SolarWinds, which provides network monitoring and management tools used by private companies, including several title companies.

FBI: Don't Pay Ransom

The FBI encourages companies to not pay any ransom to criminal actors. Paying a ransom may embolden adversaries to target additional organizations, encourage other criminal actors to engage in the distribution of ransomware, and /or fund illicit activities, according to the FBI. Paying the ransom also does not guarantee that a victim's files will be recovered. Regardless of whether you or your organization has decided to pay the ransom, the FBI urges companies to report ransomware incidents to their local field office or the IC3. Doing so provides investigators with the critical information they need to track ransomware attackers, hold them accountable under U.S. law and prevent future attacks.

Colonial Pipeline paid more than $4 million to recover its stolen data. In June, JBS, the world's largest meat processing company, paid an $11 million ransom after it was forced to halt operations at its U.S. plants.

The North Carolina House was the first state legislative chamber to pass a no-ransom bill. The House approved the measure 114-0 in May. It is now in a Senate committee. At least three states—New York, North Carolina and Pennsylvania—are considering legislation that would ban state and local government agencies from paying ransom if they're attacked by cybercriminals. A similar bill in Texas died in committee earlier this year.



SOURCE: CERTIFID

- **Verify email senders.** If you are unsure whether an email is legitimate, try to verify the email's legitimacy by contacting the sender directly. Do not click on any links in the email. If possible, use a previous (legitimate) email to ensure the contact information you have for the sender is authentic before you contact them.
- **Inform yourself.** Keep yourself informed about recent cybersecurity threats and up to date on ransomware techniques.
- **Use and maintain preventative software programs.** Install antivirus software, firewalls and email filters—and keep them updated—to reduce malicious network traffic.

How do I respond to a ransomware infection?

- **Isolate the infected system.** Remove the infected system from all networks, and disable the computer's wireless, Bluetooth and any other potential networking capabilities. Ensure all shared and networked drives are disconnected whether wired or wireless.
- **Turn off other computers and devices.** Power-off and segregate (i.e., remove from the network) the infected computer(s). Power-off and segregate any other computers or devices that shared a network with the infected computer(s) that have not been fully encrypted by ransomware. If possible, collect and secure all infected and potentially infected computers and devices in a central location, making sure to clearly label any computers that have been encrypted. Powering-off and segregating infected computers and computers that have not been fully encrypted may allow for the recovery of partially encrypted files by specialists.
- **Secure your backups.** Ensure that backup data is offline and secure. If possible, scan your backup data with an antivirus program to check that it is free of malware.

Government Resource

In July, the U.S. Department of Justice (DOJ) and the U.S. Department of Homeland Security (DHS), together with federal partners, launched a new website (StopRansomware.gov) to combat the threat of ransomware.

It is critical for business leaders across industries to recognize the threat, prioritize efforts to harden their systems and work with law enforcement by reporting attacks promptly.

"As ransomware attacks continue to rise around the world, businesses and other organizations must prioritize their cybersecurity," said Secretary Alejandro Mayorkas for the Department of Homeland Security. "Cyber criminals have targeted critical infrastructure, small businesses, hospitals, police departments, schools and more. These attacks directly impact Americans' daily lives and the security of our nation." ■

JEREMY YOHE *is ALTA's vice president of communications. He can be reached at jyohe@alta.org.*

Choosing and Protecting Passwords

YOU PROBABLY USE PERSONAL IDENTIFICATION NUMBERS (PINS), passwords or passphrases every day: from getting money from the ATM or using your debit card in a store, to logging in to your email or your company's VPN. Tracking all the number, letter and special character combinations may be frustrating, but these protections are important because hackers represent a real threat to your information. Often, an attack is not specifically about your account, but about using the access to your information to launch a larger attack. Many systems and services have been successfully breached because of non-secure and inadequate passwords. Once a system is compromised, it is open to exploitation by other unwanted sources.

How to choose good passwords

Most people use passwords that are based on personal information and are easy to remember. However, that also makes it easier for an attacker to crack them. Consider a four-digit PIN. Is yours a combination of the month, day, or year of your birthday? Does it contain your address or phone number? Think about how easy it is to find someone's birthday or similar information. What about your email password—is it a word that can be found in the dictionary? If so, it may be susceptible to dictionary attacks, which attempt to guess passwords based on common words or phrases.

Although intentionally misspelling a word ("daytt" instead of "date") may offer some protection against dictionary attacks, an even better method is to rely on a series of words and use memory techniques, or mnemonics, to help you remember how to decode it. For example, instead of the password "hoops," use "IlTpbb" for "[I] [l]ike [T]o [p]lay [b]asket[b]all." Using both lowercase and capital letters add another layer of obscurity. Changing the same example used above to "Il!2pBb." creates a password very different from any dictionary word.

Length and complexity

The National Institute of Standards and Technology (NIST) has developed specific guidelines for strong passwords. According to NIST guidance, you should consider using the longest password or passphrase permissible (8–64 characters) when you can. For example, "Pattern2baseball#4mYmiemale!" would be a strong password because it has 28 characters and includes the upper and lowercase letters, numbers and special characters. You may need to try different variations of a passphrase—for example, some applications limit the length of passwords and some do not accept spaces or certain special characters.

Dos and don'ts

Once you've come up with a strong, memorable password it's tempting to reuse it—don't! Reusing a password, even a strong one, endangers your accounts just as much as using a weak password. If attackers guess your password, they would have access to your other accounts with the same password.

Use the following techniques to develop unique passwords for each of your accounts:

- Use different passwords on different systems and accounts.
- Use the longest password or passphrase permissible by each password system.
- Develop mnemonics to remember complex passwords.
- Consider using a password manager program to keep track of your passwords. (See more information below.)
- Do not use passwords that are based on personal information that can be easily accessed or guessed.
- Do not use words that can be found in any dictionary of any language.

How to protect your passwords

After choosing a password that's easy to remember but difficult for others to guess, do not write it down and leave it someplace where others can find it. Writing it down and leaving it in your desk, next to your computer, or, worse, taped to your computer, makes it easily accessible for someone with physical access to your office. Do not tell anyone your passwords, and watch for attackers trying to trick you through phone calls or email messages requesting that you reveal your passwords.

Programs called password managers offer the option to create randomly generated passwords for all of your accounts. You then access those strong passwords with a master password. If you use a password manager, remember to use a strong master password. There's no guarantee that these techniques will prevent an attacker from learning your password, but they will make it more difficult.

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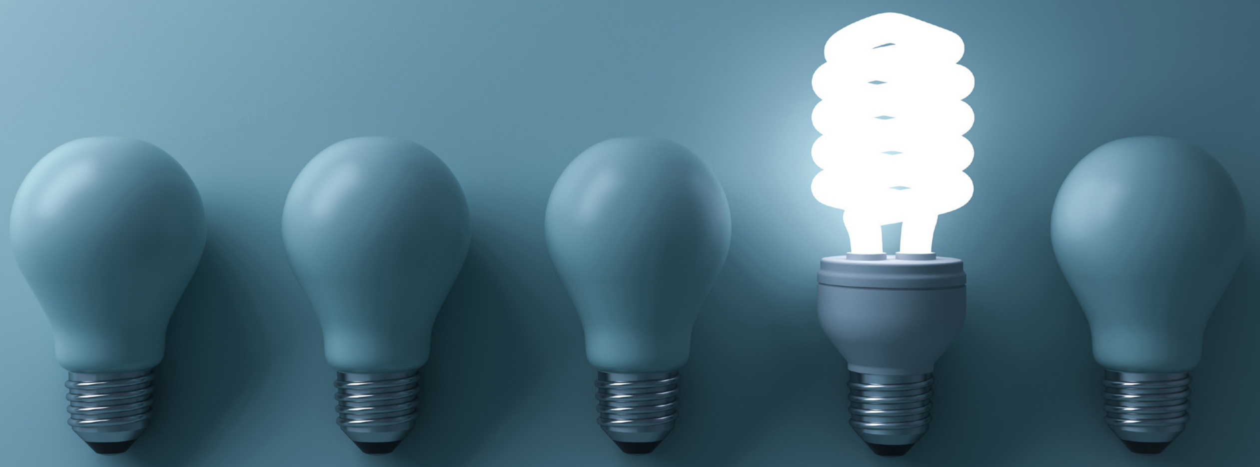
ALTA Registry Expedites Process to Verify Agent E&O Data



THE ALTA REGISTRY, the premier national database of title and settlement agents, added a new feature that allows companies to quickly provide errors and omissions (E&O) policy information to underwriters.

The new feature allows title and settlement companies to upload their E&O information to the ALTA Registry. Underwriters can then access the data to quickly verify the information.

"The ALTA Registry has evolved into a data clearinghouse for title underwriters, lenders and settlement agents," said Jack Rattikin III, CEO of Rattikin Title and co-chair of the ALTA Registry Committee. "The Registry provides an optimal way for underwriters to manage oversight of their agents' E&O data."

Nearly 8,800 title agents, settlement companies and real estate attorneys appear in the ALTA Registry. The ALTA Registry allows title insurance agents and settlement companies to communicate with underwriters to confirm their company name and contact information—providing mortgage lenders with a trusted industry online database to identify transaction partners.

The ALTA Registry also closes an access point for potential malware and drives down oversight costs by improving accuracy and facilitating automated data downloads.

"The underwriters' job of maintaining current E&O coverage details for every title agent is an inefficient process for everyone involved," said Eddie Oddo NTP, vice president of corporate business solutions for First American Title Insurance Co. and co-chair of the ALTA Registry Committee. "There are too many requests, follow-ups, emails and phone calls. Title agents and underwriters will certainly appreciate a simpler process. The Registry standardizes the process, eliminates the need for title agents to send E&O information to multiple underwriters and allows industry professionals to focus on more productive tasks."

The ALTA Registry gives mortgage lenders an extra layer of confirmation that they're working with the correct title agent, settlement company or real estate attorney. Every title agent office location is identified by a unique ALTA ID, allowing quick verification. Each entry is also fully confirmed by title insurance underwriters. Using the ALTA Registry, mortgage lenders can increase accuracy, reduce production expenses, combat fraud and improve compliance. The ALTA Registry is offered to mortgage companies on a subscription basis.

Last year, the Registry added an indicator to designate title and settlement companies that can perform remote online notarization (RON) closings. This helps mortgage companies identify closing companies that allow homebuyers to review, sign and notarize documents online.

A Heir Raising Tale From New Jersey

Appeals Court Restores State's Ownership of 250+ Acres

By Ron Damashek

Facts: The case includes a 175-page New Jersey appellate court decision of title work extraordinaire, in which the state appealed a *quia timet* judgment divesting it of title to seven parcels (and 250 acres) of land in the Pinelands National Reserve. A New Jersey Appellate Court reversed, thwarting a $1 million "surreptitious two-decade long quest to undermine and cloud the state's title" by Phoenix Pinelands Corporation, the owner of an adjoining grandfathered sand and gravel mine.

Quia timet is an action to remove a cloud from title in which the plaintiff has the burden of defeating the defendants' title or claim. A claimant seeking "the cancellation of an instrument ... on the principle quia timet ... must show a title to the relief free from all reasonable doubt, and it must also appear that it is clearly against conscience that the instrument should be permitted to remain uncanceled."

In this case, Phoenix, which initially held no interest in the state's properties, scoured the real estate records for technical flaws and then exploited them by acquiring the rights of distant heirs of former record title owners who were unaware of their putative interest in the land and had never occupied the property. Notably, New Jersey does not have a marketable title statute that would have operated to invalidate these latent title claims based on age.

Phoenix then engaged in a scheme described as "nothing short of extraordinary." To establish possession needed to quiet title, Phoenix surreptitiously approached the local assessor with its purported "paramount" chains of title, leading to a change in the properties' tax assessee and removal of their tax-exempt legend. Phoenix then had a survey prepared that consolidated five of the seven properties with its mine, and paid the taxes to establish possession. In so doing, Phoenix tried to have the state's title "wiped off the face of the Municipal Tax Map and … [to force the State] to defend this challenge to its title based on 100-year-old deeds and an alleged historic mapping error."

Holding: The court described such conduct as "anathema to the principles undergirding New Jersey's land title laws" and branded Phoenix as a "title raider." Finding that such "nefarious actions" have "no social value" and "risked destabilizing market titles" and "the integrity of the recording system," the court denied Phoenix any equitable relief.

Before doing so, the court made a detailed analysis of each of the seven chains of title, any one of which might be a source

of a newsletter article itself. The key takeaway, however, is that a subsequent purchaser only has a duty to make a "reasonable search" of title under New Jersey's recording act. According to the court: "The question is not whether these deeds could be found, particularly after someone else had already located them after years of searching, it's whether they would be found by a competent searcher conducting a reasonable search of the title."

Although the court did not provide further clarification, clearly, Phoenix's $1 million scheme did not fall within this category. Instead, because Phoenix's expenditure over the better part of 20 years represented several times the properties' market value based on what the state had paid for them, the court was "loath to endorse a standard that many might deem commercially unreasonable or one that could possibly render vast swatches of the Pinelands either unmarketable or available only to those willing to spend more on title searches than on the land."

The court recognized that Pinelands is a "very complicated area" in which to search title. In fact, one of the title companies that insured the state's interest, also insured Phoenix's competing titles. Another of the state's title insurers initially represented it alongside the attorney general, but eventually paid policy limits, citing its in-house counsel's conflict of interest. Although the court recognized that this payment discharged the title insurer's obligation to defend the state, the court noted that title insurance provided "cold comfort" to a landowner faced with a challenge such as this that did not have the state's resources.

Yet, in the end, Phoenix could not establish priority as to six of the seven properties, and as to the last, a constructive trust was imposed for the benefit of the state, subject to repayment of the amount that Phoenix spent to acquire that property. According to the court: "To the extent that Phoenix has acquired 'title' to any of the state's seven parcels, we have no doubt it acquired it under 'circumstances which render it unconscientious for the holder of the legal title to retain and enjoy the beneficial interest.' (citation omitted) Thus, imposition of a constructive trust is the appropriate remedy."

Importance to the Title Industry: My apologies to the appellate court for reducing its decision to just two pages, and to you for not getting it down to one. When and if you have the time, the entire case is an interesting read and is important to the title industry. The holding highlights ethical considerations that can be asserted in defense of nefarious title challenges by strangers to the chain of title, sets a standard of commercial reasonableness by which title examinations should be judged, and provides guidance in determining property ownership based on analyzing historic title records.

RON DAMASHEK, *a partner at Dickinson Wright PLLC, can be reached at rdamashek@dickinsonwright.com.*

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UNDERWRITERS CONTINUE RUN OF STRONG QUARTERS

Purchases Clip Refis for Majority of Origination Volume

ACCORDING TO THE LATEST ICE MORTGAGE TECHNOLOGY'S LATEST ORIGINATION INSIGHT REPORT (OIR), purchases represented a higher percentage of closings than refinances for the first time since December 2019. Purchases rose to 51% of closed mortgage loans in June, up from 47% in the month prior. Conversely, refinances represented 48% of closed loans, down from 52% the month prior. This continued shift in business helped drive another profitable quarter for title insurance underwriters. Read on for a recap of second-quarter results from the top four family of companies.

Fidelity

Fidelity National Financial (FNF) reported that its title insurance segment generated $644.0 million in pre-tax earnings during the second quarter of 2021. This is up from $528.0 million in pre-tax earnings during the same period in 2020.

"Our second-quarter margins matched our record margins from the fourth quarter of 2020 and were driven, in part, by our investments in technology, operations and automation over the years as we have worked to improve our efficiency across all facets of our title business as we strive to continuously improve our profitability," said Bill Foley II, chair of FNF.

During the second quarter, Fidelity's direct operations opened 695,000 orders and closed 568,000 orders. Purchases comprised 47% of the closed direct orders. During the second quarter of 2021, Fidelity opened 693,000 orders and closed 487,000 direct orders. Purchased comprised 35% of closed direct orders during Q2 2020.

Overall, Fidelity's second-quarter average fee per file increased 29% to $2,444 during the latest quarter when compared to the second quarter of 2020.

Fidelity paid $56.0 million in claims during the second quarter of 2021. This was up from a claims expense of $51.0 million during the second quarter of 2020.

Fidelity reported its commercial revenue during the latest quarter increased to $347 million, up 89% compared to the second quarter of 2020. This was driven by a 65% increase in closed orders.

During the company's earnings call, Fidelity CEO Randy Quirk thanked employees for their continued hard work and sacrifices since the start of the pandemic.

"Their dedication has allowed us to continue to lead the title industry in revenue, earnings, margins and marketshare, and produce the best performance in the history of not only the company, but the entire industry," he said.

First American

First American Financial Corp. reported that its title insurance and services segment generated pre-tax income of $402.4 million during the second quarter of 2021. This is compared to $237.8 million in pre-tax income during the same period a year ago.

"First American continued to deliver record results in the second quarter," said Dennis Gilmore, chief executive officer at First American Financial. "Our title segment posted a pre-tax margin of 19%, the highest in the company's history. These outstanding results were driven by continued strength in the purchase market and a strong rebound in the commercial market. We also benefited from high productivity bolstered by our ongoing data and title automation initiatives."

First American's total revenue for the title insurance and services segment during the second quarter were up 44% compared with the same quarter of 2020. Direct premiums and escrow fees were up 48% compared with the second quarter of 2020. A 7% increase in the number of direct title orders closed and a 36% increase in the average revenue per direct title order closed helped drive the results. Larger commercial transactions and residential transactions primarily driven by strong home price appreciation resulted in the average revenue per direct title order increasing to $2,651, First American reported. In addition, the shift in the order mix from lower-premium residential refinance transactions to higher-premium commercial and purchase transactions also impacted the average revenue per order.

First American's provision for policy losses and other claims was $67.7 million in the second quarter, or 4.0% of title premiums and escrow fees, a decrease from a 5.0% loss provision rate in the prior year. The current quarter rate reflects an ultimate loss rate of 4.0 percent for the current policy year with no change in the loss reserve estimates for prior policy years.

During the latest quarter, First American paid $32.9 million in claims. This is down from $35.0 million in paid claims during Q2 2020.

During the second quarter of 2021, First American's direct offices opened 329,500 orders and closed 271,100. This resulted in an 82% closing rate. During the same period in 2020, the company opened 351,300 direct orders and closed 254,500 for a 72% closing rate.

During the last quarter, First American announced an initiative to expand its title plants from 500 to 1500. This would result in First American's databases covering approximately 80% of all real estate transactions. Gilmore said First American is up to 850 plants and is on track to achieve its goal of 1,500 by the year end.

"These additional plants are currently being built on a go-forward basis and will accrue significant benefits to us in the years to come as our historical content becomes deeper and richer," he said. "Due to our patented extraction process, First American is in a unique position to build these plants at a fraction of our historical cost, plus we are now capturing virtually every data point on 7.5 million documents per month."

Gilmore added that the data can be leveraged to automate title underwriting decisions for geographic areas that were previously done manually.

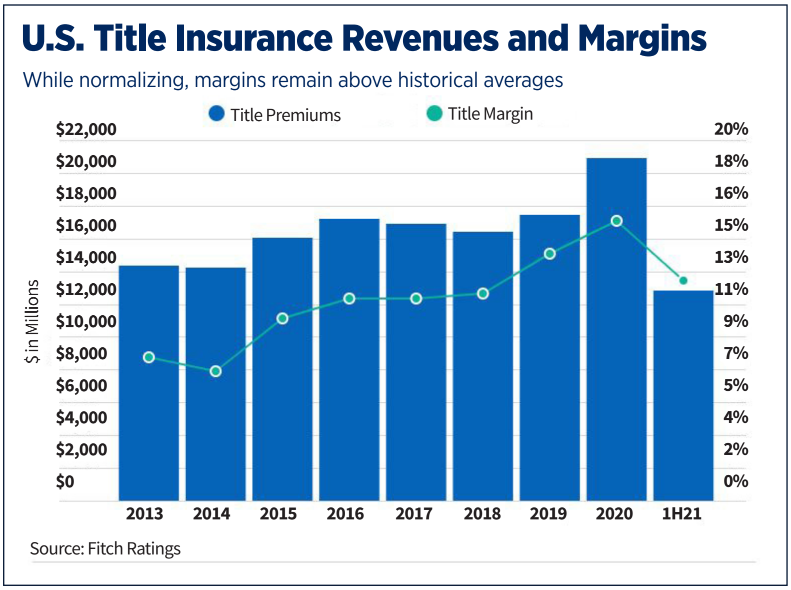
Old Republic

Old Republic International Inc. reported that its title insurance division generated pre-tax income of $138.9 million during the second quarter of 2021. This is up from $65.4 million in pre-tax income during the second quarter of 2020.

Carolyn Monroe, president of Old Republic National Title Insurance Co., said the company is starting to see the benefits of using robotic process automation (RPA) for various transaction tasks. She said metrics show a 35% reduction and the time to complete the processes, while providing elasticity to handle changes in volume.

"This elasticity allows for increases in volume without an increase in corresponding expense," Monroe said. "The proof-of-concept created the results we were hoping for and we will continue to deploy and leverage this technology. Our plan is to blend the history of Old Republic's solid business practices procedures and expertise with technology to fully unlock their measurable benefits across our business units."

Monroe indicated Old Republic is optimistic about the



remainder of 2021.

"As we enter the second half of the year, our order counts remain strong, mortgage rates are projected to remain low and continued improvements in the unemployment rate are all drivers that should equate to a healthy real estate market to finish off the year," she said.

Title insurance net premiums and fees increased by nearly 57% in the second quarter with strong results generated from both agency and direct production channels, according to Old Republic. This performance was driven by a continued low interest rate environment and a robust real estate market, resulting in an increase in purchase transactions and relatively stable levels of refinance activity.

The claim ratio trended slightly higher to 3.0% during the second quarter of 2021—up from 2.5% during the same period a year ago. The expense ratio improved over the prior year's second quarter and first half from greater leverage of the expense structure on significantly higher premium and fee volume

Old Republic paid $33.1 million in claims during the latest quarter. This is up from $17.7 million during the second quarter in 2020.

Monroe said Old Republic has seen an increased usage of its digital closing platform Pavaso.

"We remain the clear market leader in this space, as the majority of the digital closings and e-notes completed nationwide occur on Pavaso," she said. "As a result, we constantly reinvest in improvements that will continue to expand the adoption of digital closings in the industry."

Tagging documents for remote online notarizations has been a challenge for the title industry. Historically, this required manual and time-consuming preparation to apply the tags. To address the problem, Monroe said Old Republic released a text tagging enhancement that reduces or even eliminates manual tagging efforts.

"Though this is specifically targeted for the title industry, it will be used by any party that doesn't currently have a document tagging standard," she added. "We are committed to easing the challenges to adoption and will have a continued focus on that. Essentially, our business roadmap and our technology roadmap have converged into one as they must to achieve our results."

Stewart

Stewart Information Services Inc. reported its title segment generated pre-tax income of $125.7 million during the second quarter of 2021. This is up from $54.8 million during the same period a year ago.

"Our results this quarter were driven by continued strength in residential real estate transaction activity, an improving commercial business as the overall economy rebounds, and solid performances from both our international and ancillary services operations," said Fred Eppinger, Stewart's chief executive officer. "While Stewart continues to take advantage of a historic housing market, we remain focused on our longer-term goals of providing our customers with the best title and closing services and technology possible."

During the second quarter of 2021, Stewart's direct offices opened 143,301 orders and closed 117,189. This resulted in an 82% closing rate. During the same period in 2020, the company opened 133,147 direct orders and closed 91,979 for a 69% closing rate. Stewart closed 21,000 more direct purchase orders during Q2 2021 compared to Q2 2020.

Title operating revenues increased 50% as direct title and gross independent agency revenues grew $135.3 million and $112.9 million, respectively. In line with the increased title revenues, overall segment operating expenses in the second quarter of 2021 increased 40%. This included a 41 percent increase in agency retention expenses and 37% higher title employee costs and other operating expenses compared to the second quarter of 2020. Average independent agency remittance rate in the second quarter of 2021 was 17.5%, similar to the prior year quarter, while combined title employee costs and other operating expenses, as a percentage of title revenues, improved to 35.9% in the second quarter of 2021 compared to 39.5% in Q2 2020.

Stewart's title loss expense increased 56%, primarily as a result of higher title revenues in the second quarter 2021 compared to the prior year quarter. As a percentage of title revenues, the title loss expense in the second quarter of 2021 was 4.5% compared to 4.3% from the prior year quarter. During the quarter, Stewart paid $33.6 million in claims. This is up from $21.5 million in claims paid during the second quarter of 2020.

"While we are bullish on the real estate market over the long term, we are realistic in our assessment that the current market will not last forever," Eppinger said on the company's earnings call. "That said, on a daily basis, we are making decisions and taking actions that will define us through the current market and the next full real estate cycle."

Technology Can Help Title Agencies Deliver Smarter Customer Service

Market and Regulatory Pressures Forcing Companies to Reckon With Client Interaction

By Randall Nelson

Most title agents will tell you that customer service is at the heart of their businesses. Business plans and mission statements are built upon that concept. The settlement aspect of the real estate transaction is positioned such that a title company is inherently dependent upon professional communication and data exchange with numerous other professionals (lenders, real estate agents, etc.) and consumers to bring together the delicately orchestrated ballet that is the closing. In many ways, the title agency is the "choreographer" through which a mortgage must pass to reach closing.

Along the way, a title agency's staff spends a tremendous amount of time on the phone or exchanging emails with borrowers, real estate agents and many others—usually to gather informational details, correct small errors or exclusions, answer questions or issue instructions. This is true for just about every single purchase mortgage transaction.

Unlike many industries, it's rarely a fully staffed customer service department that handles these conversations and exchanges. It's often staff members also charged with executing other parts of the settlement such as doc prep or coordinating the search. After all, title companies tend to operate in a lean, mean fashion in a world of paper-thin margins. Closing assistants are just as likely to spend time on the phone with a buyer as they are to put the final touches on the closing documents. And, of course, while the closing assistant is on the phone, odds are, the person isn't doing doc prep.

Failing to deliver timely information or quick responses can eventually damage a title agency's brand and, in the long run, the bottom line.

All that activity and interaction is spiking.

The lengthy refinance wave is giving way to the rise of a strong purchase market. While refinances ruled the day, title agency owners could position their resources to turn orders quickly. After all, there were likely no real estate agents, buyers or sellers to communicate with—just a loan officer and borrower. By its very nature, a refinancing transaction tends to be less emotionally charged all around. There's no new house at stake. There's no possibility the borrower will somehow lose out on getting that house. There are no Realtors—or consumers—contesting inspection results. And most of the information needed by the title company is provided by the loan officer. Most of all, while homebuyers are naturally a little more anxious to get through the closing and receive the keys to their new homes, there tends to be far less anxiety and far fewer parties seeking status updates with a refinance.

In addition to the impending increase in purchase transactions, we are also experiencing a slow but steadily increasing push by both regulatory and market forces to make the homebuying transaction more transparent. TRID has been a part of this process. All this pressure to increase transparency will likely mean even more inquiries and call-backs, more information sought and provided, and more interaction between the title company, consumers and real estate agents.

It all adds up to the likelihood that title agencies will be spending more—not less—time answering questions and explaining forms in the coming months and years. The way title agencies used to handle challenges like this was by throwing additional staff at them. However, dedicating more personnel to collecting needed information or resolving customer inquiries is usually a luxury many cannot afford. Failing to deliver timely information or quick responses can eventually damage a title agency's brand and, in the long run, the bottom line. Mortgage lenders and real estate agents prefer to work with title agents who answer emails, respond to texts and return calls quickly.

So how will already busy title agents be able to maintain customer service levels without increasing the resources needed to push the mortgage transaction through to closing in a reasonable amount of time? Savvy, experienced real estate agents can often answer their clients' most basic questions about the process. But few real estate agents can take time away from client meetings and open houses to study educational materials from and about the title industry. So simply offering training for real estate agents on the title process is unlikely to move the needle in improving overall customer service and protecting profitability.

While this is an age-old dilemma for title companies, there are a few proven means to address the issue without necessarily compromising service levels.

The title industry is coming into an era of new production systems and layered solutions that allow a closing to come together more quickly and with less need for antiquated, manual methods.

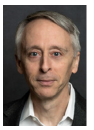
The first, which can take various forms, is to empower clients to receive information or have questions answered via self-service. There is a delicate balance here, however, as self-service isn't always welcomed by the consumer or real estate agent—especially during a transaction as complex and emotional as buying a home. However, there are ways to offer FAQs or other resources easily that allow those inclined to take advantage. Much like a grocery store that offers both self-service and staffed checkout lines, customers tend to self-select for their level of hand-holding. But there will always be a good number who choose to have guidance through the process.

Beware, however, relying on phone or tablet applications. Many firms—and not just in the title industry—have introduced their own apps to speed service and better manage client interaction. However, simply producing a stand-alone application isn't likely to solve the service/production conundrum. After all, the typical real estate agent is working with numerous title companies on numerous files, all while juggling a busy schedule with clients as the priority. Is it really a "convenience" to ask customers to download an app to communicate or share information when they might only need to use that app a few times?

Technology, of course, can help the service/production question in numerous ways. Again, though, careful thought must be put into this. Do not abandon the "human touch" altogether, especially for the purchase transaction. This is, after all, likely to be one of the biggest transactions a buyer and seller may make in their lives. They're probably not eager to handle the closing through a limited chat-bot! Nonetheless, as the sophistication of title technology advances at an accelerated pace, there are AI and automated tools becoming available that allow a title agency to "offload" some of the routine interactions without sacrificing professionalism. In short, if a technology can replace the need for communication between consumer or Realtor and a title staffer at a professional level—but without simply delaying the point at which a staffer will need to jump into the conversation—it's worth investigating.

Finally, if one can't or won't consider alternatives or automation in the customer service process, it can also be effective to redouble one's efforts to streamline and accelerate the production process itself. The title industry is coming into an era of new production systems and layered solutions that allow a closing to come together more quickly and with less need for antiquated, manual methods. Take a hard look at your workflow and identify the pain points. It's highly likely there are solutions available to speed the closing without sacrificing quality. And there's no better form of client service for a title agent than a quick, smooth, error-free closing!

It's always been a badge of honor for title agents to manage a barrage of customer inquiries while heroically pushing a mortgage through to closing. In our industry, there are more war stories about end-of-the-month free-for-alls than one can count. But those days may be ending. The title industry will, in many ways, bear the brunt of market and regulatory pressure to be more, not less, available to consumers and their real estate agents. The go-to "solution" can no longer be "work harder." Instead, it's time to "work smarter."



RANDALL NELSON *is the CEO and co-founder of alanna.ai, a conversational AI assistant for title agents. He is a serial entrepreneur who has founded or co-founded other businesses such as RamQuest Software and PhaseWare Inc. He can be reached at rnelson@alanna.ai.*

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CFPB Finds Mistakes With Simultaneous Issue Rates on TRID Disclosures

Some lenders are inaccurately disclosing fees for lender's title insurance on the TILA-RESPA Integrated Disclosures (TRID) in violation of Regulation Z, according to the Consumer Financial Protection Bureau's (CFPB) summer Supervisory Highlights report.

In addition to mortgage origination, the findings included in this report cover examinations in the areas of auto servicing, consumer reporting, debt collection, deposits, fair lending, mortgage servicing, payday lending, private education loan origination and student loan servicing that were completed between Jan. 1, 2020 and Dec. 31, 2020.

Where there is simultaneous purchase of lender and owner title insurance policies, Regulation Z of the TILA-RESPA Integrated Disclosure requires creditors to disclose the lender's title insurance based on the amount of the premium, without any discount that might be available for the simultaneous purchase of an owner's title insurance policy.

Creditors are required to disclose the premium for the owner's policy showing the impact of the simultaneous purchase discount. The CFPB said the intent of this rule is to provide consumers with information on the incremental additional cost associated with obtaining an owner's title insurance policy, and the cost they would be required to pay for the lender's policy if they did not purchase an owner's policy. ALTA has consistently said the CFPB's approach does not provide consumers with clear information about their title insurance costs.

This problem of not allowing title insurance companies to disclose available discounts for lenders title insurance is exacerbated in states where it's common for the seller to pay for all or a portion of the buyer's title insurance costs. In these states, the CFPB's mandated formula not only leads to an incorrect disclosure of the cost of title insurance but also confusion over how much the seller is obligated to pay.

TRID also can conflict with state law. Many state regulators require settlement agents to disclose the actual costs for each fee a homebuyer must pay. ALTA developed model settlement statements to help agents disclose those costs to homebuyers. So, to comply with state laws, buyers receive yet another piece of paper.

CFPB examiners found that some lenders disclosed the lender's title insurance premium at the discounted rate and the owner's title insurance at the full premium on the Loan Estimate. The lenders were disclosing the costs as filed by the title companies instead of following the CFPB's TRID formula. While the report focuses on lenders, title and settlement companies should take note that the CFPB is reviewing disclosure of fees and finding mistakes.

The CFPB has requested that lenders revise their policies and procedures and follow Regulation Z requirements to disclose title insurance premiums where there is a simultaneous issuance rate for lender's and owner's title policies.

Over 40 percent of American homebuyers felt taken advantage of confused by the calculation of title insurance fees under the CFPB's method, according to an ALTA survey of more than 2,000 current and prospective homeowners.

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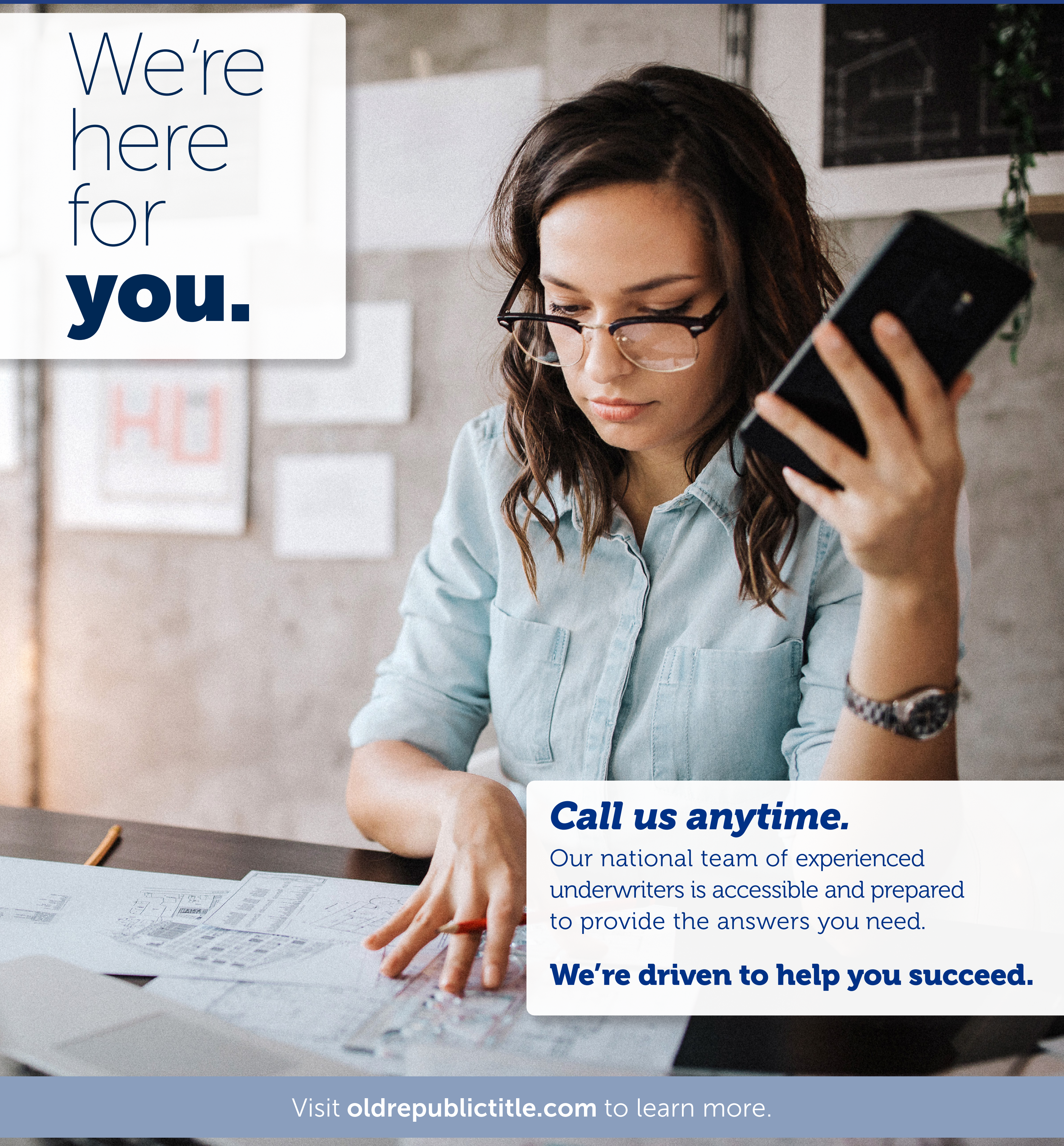

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Industry Update

Doma Goes Public

In August, Doma Holdings Inc. completed its merger with special purpose acquisition company Capitol Investment Corp. V to become a publicly traded company.

Shares of the company's common stock are now being traded on the New York Stock Exchange. Doma's title insurance brands include North American Title Insurance Co. (NATIC) and North American Title Co. (NATC). States Title Insurance Co. and States Title Insurance Co. of California were merged with NATIC.

Earlier this year, company officials said the transaction was expected to provide up to $645 million in cash proceeds and a fully committed private investment in public equity (PIPE) of $300 million. Up to $345 million of cash was to be held in Capitol's trust account. Approximately $510 million of the cash proceeds were

expected to be retained by Doma.

Proceeds from the transaction will be used by Doma to fuel growth and expand the company's machine intelligence platform. Capitol shareholders approved the transaction at a special meeting in lieu of its 2021 annual meeting of stockholders on July 27, 2021. CEO Max Simkoff and the rest of the Doma management team will continue to lead the combined company.

"Our vision is to ultimately make many of the most important homebuying experiences instant and digital," Simkoff said. "Today's milestone is a testament to Doma's impressive growth to date and the strength of our business. We look forward to this next phase as a public company."

Lennar, the homebuilder that sold North American Title to what at the time was called States Title, remains Doma's largest shareholder.

Doma's underwriter captured nearly 2% of the title insurance market during the first quarter of 2021, according to ALTA's market share data. Doma joins Fidelity National Financial, First American, Old Republic, Stewart, Investors Title, Realogy and Radian as publicly traded entities that operate underwriters.

First American Acquires Texas-based Georgetown Title

First American Financial has acquired Georgetown Title, a title agency that has served the Texas real estate community for more than 125 years. Georgetown Title will become part of the direct operations of First American Title Insurance Co., strengthening the company's presence in Williamson County.

"The Georgetown team has an outstanding reputation in Williamson County and their commitment to teamwork and providing a positive customer experience aligns well with First American's values," said Justin Taylor, vice president and state manager for First American Title's Texas operations. "We are eager to welcome the Georgetown team to the First American family and look forward to bringing added services and resources to their customers in Williamson County."

David Hays, one of Georgetown Title's former owners, will serve as First American Title's vice president of regional business development.

Legislators Reintroduce Bipartisan Judicial Privacy and Security Act in Senate, House

Bipartisan legislation reintroduced in the U.S. Senate and House of Representatives would bolster efforts to protect the federal judiciary and safeguard the personally identifiable information of federal judges and their immediate families.

The Daniel Anderl Judicial Security and Privacy Act of 2021, built on legislation first introduced last year, is crafted in response to the fatal, targeted attack on U.S. District Court Judge Esther Salas New Jersey home and is being introduced at a time when threats against the judiciary are on the rise.

The bill shields the personally identifiable information of federal judges and their immediate family, protecting their home addresses, Social Security numbers, contact information, vehicle registration information, and the names of the schools and employers of their immediate family members. The bill includes all the requested changes from ALTA's Redaction Workgroup.

The Uniform Law Commission has formed a committee to study the need for and feasibility of a uniform or model law concerning the redaction of personal information, particularly with respect to judges and other public officials, from real property records and other official public databases in order to address safety concerns. ALTA sent a letter supporting this step and offered to help during the process.

ALTA believes the best way to shield sensitive information is to limit who has access to the protected data, without removing or altering vital public records.

Stewart Acquires Ohio-based Title First Agency

Stewart Information Services Corporation recently acquired Title First Agency Inc. Headquartered in Westerville, Ohio, Title First also has offices in West Virginia, Indiana, Illinois, Michigan and Texas. The company is licensed to operate in 34 states with strategic partnerships throughout the country.

"Title First has grown into one of the largest independent title agencies in the nation, building strong partnerships across the United States to serve its residential, commercial, and lender customers in their purchase and refinance transactions," said Stewart Group President Steve Lessack. "Together, we see tremendous growth opportunity, and by adding Title First to our Stewart family, we've also added veteran leadership and expertise that will bolster our operations and market presence in the Midwest."

Stewart has made several acquisitions this year. In June, the underwriter acquired Arizona-based Thomas Title & Escrow in a move to bolster its national commercial presence. That followed a deal in April to buy Santa Fe, N.M.-based Prima Title LLC. In March, it purchased A.S.K. Services and also Yukon Title Co. in Alaska. Stewart bought fintech company Cloudvirga in May to enhance its digital footprint.

Knight Barry Title Expands Minnesota Reach

Knight Barry Title recently expanded once again in the Minnesota market with the acquisition of St. Cloud-based Heartland Title LLC.

"We're excited to show more Minnesota customers what Knight Barry Title can do for them with the help of such people who already know the business and the St. Cloud community so well," said Craig Haskins, Knight Barry Title's chief operating officer. "This expansion to the west of Minneapolis-St. Paul makes geographical sense, too. It strengthens our presence all over the state."

During discussions with Haskins, Heartland Title owners Dave Erickson and Lynette Erickson said they were both impressed with how the company conducts its business and values its team members and customers alike. Much like the company it's now joining, Heartland Title has always prided itself on staff expertise and being an independent company.

Dave Erickson started working for the company in 1991 and bought it with Lynette four years later. Despite sharing the same last name, the pair did not know each until then. They are thankful for their company's longtime role in strengthening and supporting the St. Cloud community and excited to continue to do so as part of Knight Barry Title.

"Although we have somewhat of a large population, the St. Cloud community still has the local feel," Lynette Erickson said. "Maintaining our relationships and being visible at various events and in organizations have always been important to us."

This marks the second acquisition in Minnesota this year for Wisconsin-based Knight Barry. In January, the company acquired a six-office operation in the Twin Cities area. Knight Barry now has 13 offices in Minnesota.

Virginia Title Company Owner Involved in Romance Scam Sentenced for Stealing Escrow Funds

In July, the former president of an escrow and title company was sentenced to 18 months in prison for misappropriating $715,000 of closing funds in connection with 48 real estate transactions for which she served as the settlement agent.

Tammy Hamrin served as president, secretary and treasurer of Preferred Escrow and Title Inc. Between January 2018 and approximately February 2018, Hamrin misappropriated $715,000 of closing funds that had been deposited by various lenders and individual buyers into the company's escrow account. She did so by making seven unauthorized wire transfers of funds from the escrow account to certain entities at the request of a person with whom Hamrin had an online personal relationship.

According to court records, Hamrin met a man on an online dating site for people over 50. Initially, she sent money from her personal funds but turned to the escrow funds when the fraudster started asking for more money. During this period, Hamrin partially replenished the funds that she had misappropriated by depositing approximately $199,000 of her own money into the escrow account, resulting in a remaining shortage of approximately $516,000. As a result, 48 closings were affected.

The FBI said there were nearly 24,000 reported victims of romance fraud in 2020, resulting in verified losses of more than $600 million.

X1 Analytics and Title Data Partner to Expedite Title Production in Texas

X1 Analytics and Title Data Inc. recently announced an integration that streamlines title production in Texas.

Licensed title companies in Texas that subscribe to Title Data's title plants will have access to the X1 Xpress data analytics engine to accelerate title production in the state.

Title Data provides geographically posted title plant indices, document images and maps covering the major metropolitan and surrounding areas throughout the state. Texas is a plant law state and requires title companies to subscribe to a title plant provider approved by the Texas Department of Insurance and the title agent's underwriters. A title company must run a 25-year geographic title plant search on every insured transaction.

"Title Data, with its long history, proven track record, and reputation for high quality data is a perfect partner for X1 Analytics," said Mary O'Donnell, president of X1 Analytics. "TDI's data combined with X1's proprietary analytics engine will help expedite title and accelerate closings for the mortgage and settlement service industries in Texas."

Qualia Releases New Digital Closing Automations

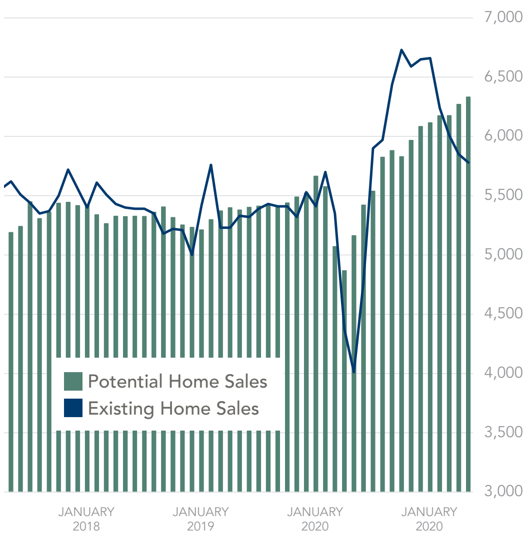
Qualia recently released new automation features to help title and escrow companies improve efficiency and expand delivery of digital closings. The enhanced Qualia Connect provides ways for businesses to create custom automations for many common partner and client interactions. Companies can configure more triggers to automatically send custom communications to clients based on activity in the file. The new feature also allows advanced quoting and ordering. Companies can increase capacity to accept new business through auto-accept and bulk-order features. There's also expanded security. Connect's new default two-factor authentication helps protect against cyberattacks and wire fraud.

Recent Integrations

- **Qualia** has integrated with **Municipal Data Services**, a provider of tax and municipal search services for title companies in New York state. Through the integration, Qualia users will benefit from automated access to Municipal Data Services.
- **SoftPro** has integrated with **Black Knight Property Tax** solution. With automation in SoftPro Select, taxes are automatically ordered for clients once a title order is made, and tax certificates are automatically delivered to the file for underwriting.
- **SoftPro** released a new integration to generate approved **Stewart** closing protection letters and policy jackets. The integration allows SoftPro users to generate, update or void approved Stewart CPLs and policy jackets via Stewart Access.

Housing Market Potential

Existing and Potential Home Sales* (in Millions, Seasonally Adjusted Annualized Rate)

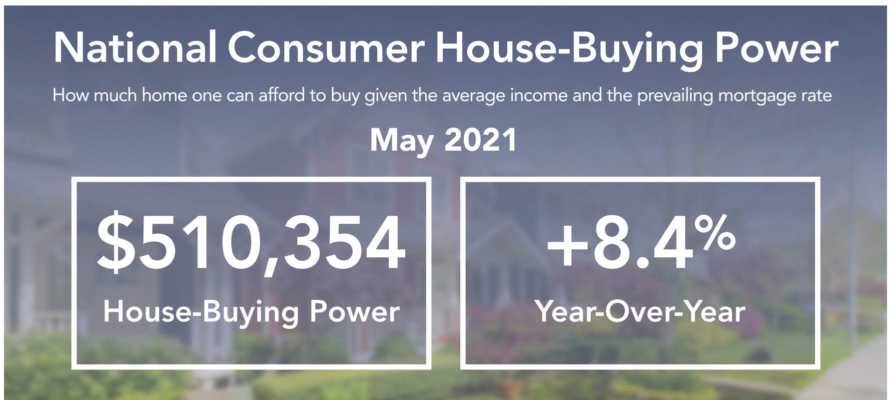


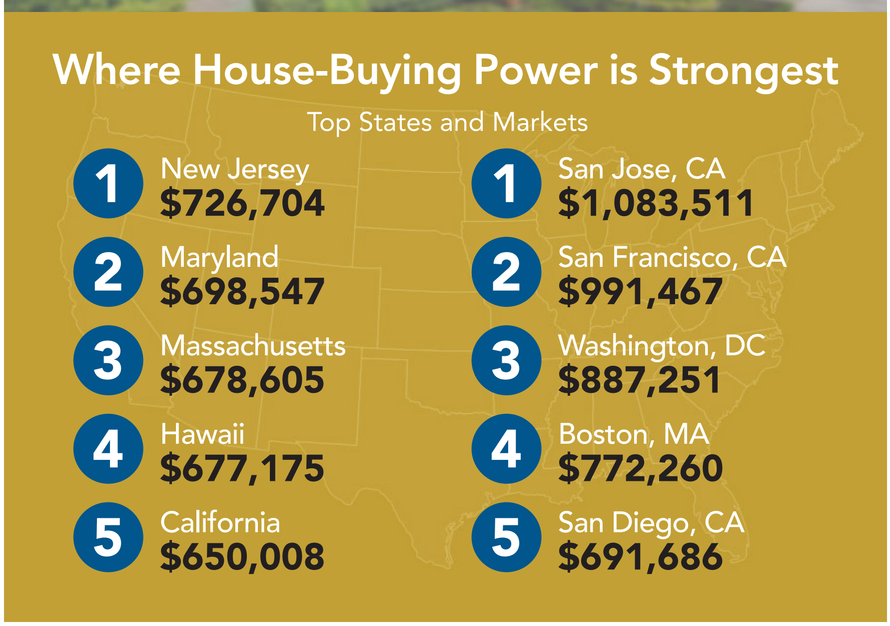
5.78 SAAR
Existing Home Sales

6.33 SAAR
Potential Home Sales

-8.7%
Market Performance Gap

*Potential home sales measures what a healthy market level of home sales should be based on the economic, demographic and housing market environments.





CLOUDSTAR

Movers & Shakers

Agents National Title Promotes Southwest Agency Manager

Agents National Title Insurance Co. promoted Mark Batis to agency manager for the company's southwest division. Batis joined Agents National three years ago, charged with overseeing agency operations and underwriting in Texas. He will now extend his responsibilities to Oklahoma and New Mexico. Before joining Agents National, Batis served as vice president and sales manager with WFG National Title Insurance Co.

Additionally, Agents National named Kimberly Fields as regional underwriting counsel and Pamela Blake to the newly created position of Florida title production manager. Fields will serve Illinois, Indiana, Michigan and Ohio. She has over 12 years in operations/management and another 10 years as underwriting counsel for the title insurance industry. Blake will be responsible for the expansion and operation of Agents National's Florida title production operation.

First National Title Names Great Lakes Region Agency Manager

Margaret Redman

First National Title Insurance Company (FNTI) named Jacquie Brink as senior vice president and Great Lakes Region agency manager. Brink, who is the incoming president of the Michigan Land Title Association, will head FNTI's expansion efforts into the Great Lakes region. She will focus on providing support services starting with Michigan and Ohio and eventually the surrounding states.

Boston National Title Adds SVP of Business Development

Boston National Title Agency has added Wendi Thom to serve as senior vice president of business development for the company's commercial services division. Thom has more than 25 years of experience in title insurance, sales and account management and real estate. She previously served as vice president of business development for Stewart Title in San Francisco.

Punctual Abstract Names Director of Sales

Louisiana-based Punctual Abstract has named Brian Hayes as director of sales. In this role, Hayes leads strategic initiatives designed to streamline sales processes. He is charged with steering the customer experience as Punctual Abstract continues to grow and introduce new products and services. He has more than 16 years of experience in all aspects of the title and mortgage industries. Previously, he worked for seven years at Black Knight Inc., where he most recently served as vice president of national sales.

North American Title Names National Commercial Services Director

North American Title Insurance Co. (NATIC) has appointed Margaret Redman as director of national commercial services and senior regional underwriting counsel. In this role, she will serve as the point of contact for national commercial agents and help NATIC continue its communications with industry regulators. Redman began her career practicing commercial real estate law at various firms in Atlanta before relocating to California to take a position in the title insurance industry.

First American Appoints Chief Intellectual Officer

First American Financial Corp. recently named Rouz Tabaddor as vice president and chief intellectual property officer, a new position that will accelerate the expansion and monetization of the company's intellectual property portfolio. Tabaddor will be responsible for the identification, protection and enforcement of the company's intellectual property assets with an emphasis on furthering First American's leadership in driving innovation. He joins First American with more than 20 years of experience practicing law with an emphasis on intellectual property, litigation, privacy, licensing, and audit and enforcement.

Social Media Marketing Calendar

Social Media marketing is one of the most direct and cost-effective ways a company can reach customers and consumers. ALTA members have access to a full year of marketing content to use on social media that will save you time & resources.

Learn more at alta.org/social-media-calendar/

Making Connections

BILL BURDING NTP
ALTA president

OVER THE YEARS, ALTA HAS DONE A GREAT JOB connecting with members of Congress and explaining the benefits of title insurance. What's been an important key to this? Our members. People like you who get involved. Advocacy is about representing the industry and explaining how decisions in D.C. impact constituents on Main Street.

This is why it's important for us to know about relationships that our members may have with legislators and their staff. I first met U.S. Rep. Ed Perlmutter (D-Colo.) in 1980 when we worked at the same law firm. Back then, I would have never predicted he would become a member of Congress and a champion of our industry. Serving on the House Financial Services Committee and as chair of the Subcommittee on Consumer Protection and Financial Institutions, Perlmutter continues to support bills that impact our business, including the SECURE Notarization Act and SAFE Banking Act.

During a planning meeting in July, we learned that U.S. Rep. French Hill (R-Ark.) has connections with two ALTA Board members. David Townsend's cousin handled Rep. Hill's first mortgage. Interestingly, Rep. Hill's daughter is a sorority sister with the daughter of Jack Rattikin. Rep. Over the years, Rep. Hill has enabled our industry to tell its story. For example, he's been a sponsor of the TRID Improvement Act, which would require the Consumer Financial Protection Bureau (CFPB) to allow the accurate disclosure of title insurance premiums and discounts to homebuyers.

Sometimes, simple conversations can reveal strong connections to the industry. We recently learned that the mother of Sen. Catherine Cortez-Masto (D-Nev.) worked for a title company as a bookkeeper. Her grandmother also worked in the industry.

A recent revelation may be the most interesting. Rep. Madeleine Dean (D-Pa.), co-sponsor of the SECURE Notarization Act of 2021, grew up near Philadelphia. ALTA CEO Diane Tomb also was raised in a Philly suburb. The two attended the same Irish dancing school. You never know where relationships may exist.

Change does happen at times within D.C.'s beltway. It also occurs outside of Washington, D.C., and it's spurred by these relationships. Our mission is to leverage the relationships ALTA members have with members of Congress in their communities to help legislators make informed decisions that may positively impact our industry.

Interested in becoming a Congressional Liaison? Contact Leah Shimp Vass, ALTA's director of grassroots and advocacy, at ***lshimpvass@alta.org***.

Congressional Liaisons make calls, send emails and meet with their legislators face to face to provide easy-to-digest information about the industry. If you won't be an advocate, who will?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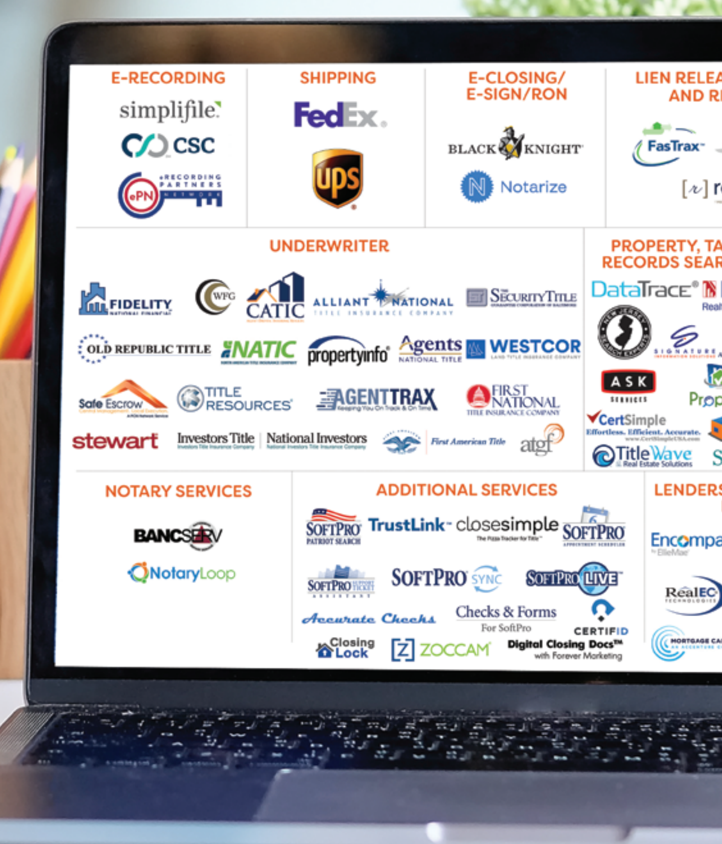

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