THE TITLE REPORT

Market Intelligence for the Title Insurance Industry

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Social media: Get in on the conversation

Social media tools might have started as time-wasters for teenagers, but now they have become revenue-generators for title agents

Social networking can seem like a waste of time in the title industry. How can a "tweet" or a "status update" or a "like" help in a $1 trillion origination environment? Social media can't change the market, but social media tools can boost a company's position in it.

According to two consultants on a recent October Research Webinar, social media isn't just a passing fad, and social media tools are just that — tools. A title business can use these new-school tools to simply enhance old-school business priorities, such as networking, marketing and customer service.

"There's not a formula that XYZ will make you $10 a day; it's more about networking. No one is asking the question, 'how can you use networking to generate revenue?' You know the answer to that, so do that online with social media," said **Raelin Musuraca**, senior vice president, marketing and customer experience at Skalstad Consulting Inc., on "The Money Network: Using Social Media to Drive Business" Webinar.

What is social media?

Social media sites, at their core, are facilitators of conversation. These sites range in utility from video sharing (Youtube.com) to online marketplaces (Amazon.com). Title agents need to focus their energy on sites where customers and clients are active participants: LinkedIn, Twitter and Facebook — all of which serve different functions.

"Twitter is like the water cooler. It is bits of information you're passing along," Musuraca said. "LinkedIn is like a trade show where you're handing out business and

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IN THE NEXT EDITION AND BEYOND

Relocation transactions have often yielded few problems for title insurers. However, that has changed in recent years. The troubled economy has led to a variety of issues in dealing with these properties. We'll talk with relocation experts about the title issues facing this market today.

KEY STATS

Key stats — Jan. Mortgage Monitor First Look

Total U.S. loan delinquency rate: 8.9 percent
Total U.S. foreclosure inventory rate: 4.16 percent
Year-over-year change in delinquency rate: -18.8 percent

States with the most non-current* loans: Florida, Nevada, Mississippi, Georgia and New Jersey

States with the fewest non-current* loans: Montana, Wyoming, Alaska, South Dakota and North Dakota

*Non-current totals combine foreclosures and delinquencies as a percent of active loans in that state. Note: Totals based on LPS Applied Analytics' loan-level database of mortgage assets.

Source: Lender Processing Services

QUOTABLE

"Establish yourself as a thought leader. You don't have to be in the marketing department. If you're the person people turn to for answers or information, you're the person people will turn to for business when the time comes. That's how you use social media to generate revenue."

Raelin Musuraca, Skalstad Consulting, Page 3

ABOUT US

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EDITOR'S NOTE

Dear Readers,

What is your relationship with social media? Do you participate in all the LinkedIn discussions you can? Do you have a Twitter account that largely sits dormant? Is your only knowledge of Facebook from the movie "The Social Network?"

Our cover story in this edition and the recent October Research Webinar, "The Money Network: Using Social Media to Drive Business," both provide a good jumping off point for social media newcomers and highlight ways for savvier users to refine their current strategy.

If you're unsure about where and how your business will fit into the social media landscape, don't worry, every business in every industry is trying to figure out the same thing. But it's a conversation that all businesses need to have. Here at October Research, the editorial staff has ongoing meetings about how to use social media, how to fit it into our process and what value we can get from it.

It might not look like an apples-to-apples comparison because we're in publishing, but social media isn't a one-way street like this newsletter you're holding. Social media makes anyone a publisher and gives everyone a voice. You never know what connection you might make. As an example, take a look at the land title survey story on page 4 or the outsourcing story on page 10. Both of those, at some point, were inspired by conversations with industry professionals in our LinkedIn group.

Instead of asking, "Should we be involved in social media?" you should be asking, "Do we want to be left out of the conversation?"

Until next time,

Chris Crowell

Editor

SEND US YOUR NEWS!

If your company has a new hire, new initiative or noteworthy success in 2011, we want to hear about it. Send your press releases or brief message to:

ccrowell@octoberresearch.com

or Tweet us **@TheTitleReport**

COVERSTORY

Social media, *continued from Page 1*

cards, and Facebook is like that party after hours, where you're doing business networking, but it's a little more fun."

Who is doing it?

The banking industry is the third most active social media industry. Fifty-four percent of fortune 500 companies have at least a Facebook fan page.

"It's not all consumer-oriented companies," Musuraca said. "Small businesses prefer to be spoken to on Facebook rather than LinkedIn. So, if you're a title underwriter and targeting title agents, you might want to use Facebook for that."

What do you do?

Musuraca emphasized that no matter the outlet, "content is king." Just using Twitter or Facebook to push out marketing campaigns isn't maximizing the potential these tools have for positioning a company in the marketplace.

"People hire people, they don't hire companies or websites or Facebook pages," Musuraca said. "Establish yourself as a thought leader. You don't have to be in the marketing department. If you're the person people turn to for answers or information, you're the person people will turn to for business when the time comes. That's how you use social media to generate revenue."

Establish this credibility with content, whether it's a blog post or a Facebook note or a LinkedIn group discussion, and then push it out there with Twitter and LinkedIn and start a conversation.

"Some of the stronger uses of social media are customer service related," Musuraca said. "Companies like Best Buy are doing a lot in terms of answering customer questions, and it's a big opportunity for our industry as well. You can answer one person's question and you might be answering three people's question at the same time."

Rusty Solomon, chief executive officer for Mandrien Consulting Group, recommends creating a specific schedule, like setting aside 20 minutes a day to make comments in groups and to tweet.

"Always add value," he said. "Be sure you're not just selling your company. In fact, don't sell your company — that's annoying. Position your company as the unique expert, give great information and do it every day."

How to build a presence

During the Webinar, Solomon discussed his recommended steps for building a title company's presence using social media tools.

■ The process starts with a website, which creates "the essence of the online brand," Solomon said. "It's the place your clients go to form opinions and decide if they're going to take the next step. If you don't 'wow' them, your potential client is gone, and they're on Google looking at a competitor."

Remembering that "content is king," Solomon said having a blog on the site is important. The blog can provide a way to post news, events and public relations materials. The more relevant the content is to your business, the better it is for your site's traffic. "Content engages the reader, it increases your search engine optimization (SEO) and site traffic, and it improves the likelihood that you'll get quality links from other sites," he said. Solomon said to shoot for a new post at least twice a week, even if it's short.

■ Next is Facebook. Solomon recommended Facebook groups and fan pages as ways for organizations to keep interested people informed.

"Facebook groups are for more in-depth communication around a subject, while fan pages are typically for a loose but longer term presence," Solomon said. At Mandrien, Solomon said they use Facebook to create back links to their main website. "In this way, topical issues affecting the industry are directly linked to our website to increase our SEO ranking with respect to those topics." Solomon said to use Facebook to promote events, new products and services to clients.

Musuraca recommended setting up two profiles for yourself — one business and one personal — if you enjoy using Facebook in a more personal way as well.

■ Twitter can serve several purposes, according to Solomon. For one, it can help an agent conduct market research through crowd sourcing — posing a question to a community instead of researching on company websites: "How do I get business in states I'm not licensed? What tools does your company use, and are you happy with them?"

"Use Twitter to get in the news, make friends with people and comment frequently or retweet posts," he said. "It's a great way to get your foot in the door, and then you can steer people to press releases on your website."

■ On LinkedIn, professionals put up their profiles and connect with people they know. The first step for an organization on LinkedIn, according to Solomon, is to set up the marketing

Please see **Social media**, *Page 4*

Quick tips for Twitter

■ Ask your customers questions. ■ Give out helpful information. ■ Don't assume everyone sees every tweet. If it's an important blog post, tweet it several times during the week.

Quick tips for LinkedIn Groups

■ Join 50 groups. ■ Filter the group information so you aren't overwhelmed with discussions. ■ Ignore the news – that's for Twitter. ■ Make new connections. ■ Showcase your expertise.

COVERSTORY

Social media, *continued from Page 3*

team and key principles with in-depth profiles.

"These profiles are your brand," he said. "Illustrate your unique skills and experiences which create your brand. The profile should be real and honest."

Then start a group. In the group, it's important to become an expert in the topical discussions. As an example, Solomon said: If you're a local title agent in Minnesota, and you wanted Realtor business, you might start a Minnesota Realtor recovery group, obtain email addresses of all Minnesota Realtors and send them an invite.

"Thereafter, you will showcase your expertise by moderating the group and asking topical questions about the peculiarities of Minnesota real estate, trends in the purchase market, trends in technology and other items that might interest Realtors," he said. "Give them valuable information that's going to help them make money and make their lives easier. You don't need to sell your product or service. Eventually they will call you because you gave them the gift of knowledge in the market."

What are other benefits?

All of this content and linking and conversation also helps boost your site's importance in search engines. Musuraca described the Web as a content ecosystem, which is fed by social media. Customers don't go directly to websites, they are guided to sites by social media tools and search engines — and as more content is associated with a website, the likelihood of that site growing in popularity and attracting business increases.

"Keeping on top of the trends keeps you in front of the customer," Musuraca said. "It reminds them that you are an expert in your field. It keeps you top of mind and increases the chances they will refer you."

There's also the informational benefit of social media, whether its news from trade publishers or competitors down the street. Musuraca recommends setting up a Twitter list to follow your competitors in order to get their information and news faster.

"In Twitter, you can set up a private list and share information and articles [within your company]. Use that as a way to keep your employees up to date," she said.

Social media can also help you monitor the field for top talent. Follow people on LinkedIn and Twitter who seem to be posting updates often and keeping up with trends in the industry.

Lastly, social media is good for monitoring and responding to customer complaints.

"Don't let any negativity fester," Solomon said. "If someone says something negative about you, respond quickly in a positive tone, explain what needs to be explained and turn it in a new direction."

Questions? Comments? Contact Chris Crowell at ccrowell@octoberresearch.com.

New standards change, clarify land title survey process

The latest updates to the land title survey standards went into effect on Feb. 23, and some of the changes may affect your current process.

The change that received the most attention on industry message boards is in Table A, Item 6 of the American Land Title Association (ALTA)/ American Congress on Surveying and Mapping (ACSM) Land Title Standards. If a lender requests endorsement 3.1, which is nearly automatic in a commercial transaction in states that allow such endorsements, a title insurer who offers such an endorsement will need to provide the information requested in Item 6.

This item used to say: "List setback, height and floor space area restrictions disclosed by applicable zoning or building codes, the source of the information must be disclosed," and it was a requirement that the surveyor research the zoning ordinance, figure out the applicable setbacks, height and floor space restrictions and list the information on the face of the survey. This information is now expected to be collected by the title agent and sent to the surveyor.

David Anderson, president of the Planning and Zoning Research Corp. (PZR), said the local title agent would have to call the city, try to determine how the property is zoned and also provide copies of the zoning pages. "It could be five minutes, it could be five days. A lot of these jurisdictions are hard to get a hold of," he said. PZR is a company that works as a third party for the title company, surveyor and lender to research and deliver this information. It is Anderson's belief that some in the industry might not be ready to take over this research or are unaware of the changes.

According to **Gary Kent**, integrated services director for the Schneider Corp., who was heavily involved in crafting the new standards with ALTA, this shift in responsibilities doesn't place much added burden on the agent.

"I asked title companies, 'when you issue your endorsement, do you rely on the information that a surveyor provides you?' And the unanimous answer was 'no — this is really important. If you give us information; we're going to do our own checking.' … That was the genesis of the change — to get the burden off the surveyor

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FEATUREREPORT

Stewart, First American report earnings for Q4, year-end 2010

First American Title Insurance Company

First American Financial Corp. showed a slight dip in revenue in the fourth quarter and year-end 2010 numbers, but the company showed its best pre-tax margin since 2006 and remains positive about the year ahead despite the negative origination forecast.

Total revenues for the fourth quarter of 2010 were $1 billion, a decline of 1 percent relative to the fourth quarter of 2009. Income before taxes was $74.6 million, an increase of 22 percent relative to the fourth quarter of 2009. Total revenues for the full year of 2010 were $3.9 billion, a 3 percent decline relative to the prior year. Net income was $127.8 million, or $1.20 per diluted share, compared with $122.4 million, or $1.18 per diluted share, in 2009.

"We achieved a pretax margin of 8.6 percent, primarily driven by improved operational efficiency, ongoing expense management, strong commercial activity and a robust refinance market," said **Dennis Gilmore**, chief executive officer of First American, during the company's earnings conference call. "Commercial title, which continues to improve across most markets, achieved its strongest quarter since the peak year of 2007."

Total revenues for the title insurance and services segment were $949.9 million, a 1 percent decline from the same quarter of 2009. The lower total revenues were driven by an 11 percent decline in agent premiums, which were largely offset by higher direct premiums and escrow fees and information and other revenues. The company said the relative weakness in agent revenues is primarily due to the normal reporting lag of approximately one quarter, which is reflecting weaker third quarter origination activity in 2010, as compared with 2009.

Direct revenue grew by 10 percent, driven by a 2 percent increase in the number of direct title orders closed and higher average revenue per order. Average revenue per direct title order was $1,382, an increase of 8 percent compared with the fourth quarter of 2009, due to the increase in the mix of higher premium commercial transactions. Commercial revenue came in at $98 million for the quarter, compared to $66 million in Q4 2009.

Information and other revenues were up 3 percent compared with the same quarter last year, reflecting increased demand for title plant information and other non-insurance products in the company's commercial and international divisions, offset by reduced activity in the company's default business.

The loss provision in the current quarter was 5.4 percent of title insurance premiums and escrow fees, compared with 5.9 percent in the fourth quarter of 2009. The current quarter loss provision rate reflects an expected ultimate loss ratio of 4.9 percent for policy year 2010 and a net increase in the loss reserve estimates for prior policy years, primarily 2007, the company said.

"We feel good about the last two or three years now, and I think those older years are sort of settling down, and I would expect the loss rate to stay in the 4.9 to low 5s range for the next couple of years, but it's hard to say," said **Max Valdes**, executive vice president and chief financial officer.

Personnel costs and other operating expenses were $487.3 million in the fourth quarter, up $14.7 million, or 3 percent, compared with the fourth quarter of 2009. The company said these expenses were up due to higher costs associated with the company's pension and other retirement plans, and increased production and other costs as a result of higher revenues in the commercial and international divisions.

"The outlook for 2011 is for lower mortgage originations, and overall cost structure is in a good position for the year ahead," Gilmore said. "We continued reducing expenses as older accounts declined in Q4. Expense management efforts have accelerated in the current quarter as we keep a close watch on our accounts. In February, our open orders are running slightly below January, and March will be the pivotal month for assessing the strength of the purchase market."

The first quarter averaged 4,600 orders per day thus far and is trending close to the ending rate for Q4 2009, according to Gilmore. Refinances are running about 52 percent of total residential orders and 35 percent of total orders. Quarter-to-date purchase numbers are up about 15 percent.

"We do think the first quarter will be a weaker commercial market, but we are confident that the commercial business will remain strong throughout 2011," Gilmore said.

When asked about acquisitions going forward, Gilmore highlighted a few areas in which the company would be concentrating in the short term. First is "any type of opportunistic acquisition in the core title space that is priced right." And lastly, the company is interested in filling post-corporate separation "product gaps" in the default and settlement services spaces.

"We are continuing to maintain a very conservative capital base," Gilmore said. "I think if the year turns out to be more difficult than we may anticipate, then potentially there will be more acquisition opportunities. We're just going to be opportunistic as they play out."

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FEATUREREPORT

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stewart

Driven in part by lower revenues from agency operations, Stewart Information Services Corp. experienced a 10.7 percent decrease in total revenue for the fourth quarter. For the year, total revenue declined by 2 percent from 2009.

However, total expenses decreased 12.1 percent and 5.7 percent for the quarter and year-end 2010, respectively, compared with the same periods in 2009. The company said, on a full-year basis, all expense categories except interest decreased on a percentage basis more than operating revenues decreased. The most significant expense decreases were realized in title loss expense and in agency retention expense, which corresponds to the decline in agency revenues.

Revenue from direct operations in Q4 2010 was comparable to Q4 2009 and declined 6 percent for the year. Title orders decreased 1.4 percent in the fourth quarter and 18.1 percent for the year, which the company attributed to the rise of long-term interest rates and the decline in refinance activity.

Agency revenue decreased 19.8 percent and 3.3 percent in the fourth quarter and year-end 2010, respectively, compared with the same periods in 2009. Revenue per closed order for the year increased 14.9 percent from the previous year as the company's business mix shifted to include more commercial and sale transactions and fewer refinance transactions. Agency revenues represented 57.9 percent of total title revenues for the fourth quarter and 59 percent for the year. Declines in revenues from direct operations were somewhat offset by growth in the company's international and commercial businesses, which were up 20.2 percent and 25.3 percent, respectively, for the year compared to 2009.

"We are pleased with the greatly improved performance of our affiliated operations, which saw our leaner title organization structure produce higher profits and profit margin," said **Stewart Morris Jr.**, president and co-chief executive officer. "Our primary focus is on sales growth and higher productivity from our utilization of the regional production centers. In addition, the substantial completion and deployment of our newly developed production engine will reduce the time and cost of title production while delivering higher quality in the coming year."

Stewart said the company did achieve increased revenues and strong profit margins in its real estate information services segment (REI). Revenues in the REI segment increased 88.5 percent and 42.7 percent, respectively, for the fourth quarter and year-end 2010 versus 2009. In the REI segment, the company said it is focused on increasing revenues from existing major product offerings — including loan loss mitigation solutions, distressed borrower contact services and loan servicing support — and expanding services into short sale support, REO solutions, county government support services and international land record enhancement.

Stewart's regional production centers now account for 65 percent of all affiliated title searches and commitments for its direct title business, up from 47 percent in December 2009.

Losses from title policy claims decreased 18.8 percent in 2010 compared to 2009, but increased 10 percent in the fourth quarter. As a percentage of title revenues, title losses were 11.1 percent in Q4 2010 and 8.8 percent in Q4 2009.

"We recorded a $5.1 million reserve strengthening charge in the fourth quarter of 2010 relating primarily to policy years 2007 and 2008, due to continuing adverse claims experience attributable to those policy years and to charges for large claims," the company explained.

For the years 2010 and 2009, title losses as a percentage of title revenues were 9.6 percent and 11.3 percent, respectively. Charges related to reserve strengthening, including large losses and defalcations, fell 71 percent from $52.6 million in 2009 to $15.3 million in 2010.

Losses incurred on known claims in 2010 decreased 15.7 percent compared to 2009. Cash claims payments remained elevated for the fourth quarter and year-end, and consequently, Stewart has maintained a relatively high provisioning rate for title losses. The company believes it is on track to return to a normal loss ratio by the end of 2012. The loss ratio on known claims from the independent agencies canceled in recent years was 9.2 percent in 2010, while the loss ratio from the current independent agency network was 2.9 percent. More than 70 percent of independent agency claims payments in 2010 were related to agencies canceled in recent years.

"We continue to refine our field policy issuance practices, which we believe will lead to lower future claim levels," said **Malcolm Morris**, chairman and co-chief executive officer. "Our target return on equity in a normal year is 10 percent. We will continue taking the necessary steps to streamline our operations to reach that goal. Complicating achievement of our 2011 goals is a consensus forecast of significant reductions in 2011 residential lending, which is expected to fall below $1 trillion for the first time since 1997. While having to adjust to residential lending volumes of almost half of 2009 levels, we foresee a rise in commercial business, which we expect to more than double from the 2009 volumes."

The company has been in the process of renegotiating independent agency remittance agreements with a goal of increasing the average overall remittance rate to near 20 percent. Stewart experienced an overall increase in the average percentage remitted by independent agents from 17.1 percent in 2009 to 17.6 percent in 2010.

FEATUREREPORT

Survey standards, *continued from Page 4*

to do research that's apparently unnecessary."

For the uninitiated, the process goes like this, according to Kent: An endorsement is issued; the agent looks at a zoning map or calls the jurisdiction and asks how the property is zoned; the agent looks up that zoning ordinance for the designation (retail restaurant, etc.); the agent then looks at the survey for the other required information (height, setbacks, floor space, etc.) to ensure there are no issues.

Kent also mentioned that this item, as is the case with all Table A items, "is negotiable between the client and surveyor. So, the client could potentially negotiate to have the surveyor do the research for himself — assuming the surveyor was comfortable doing that and assuming there was appropriate compensation."

However, even if the title company easily assumes this new standard and completes the research, the lender expects to see something on the survey in this regard.

"You're going to have pushback from lenders if you cut it completely off," Kent said. So that's why the title agent needs to send the information to the surveyor to include on the survey.

Potential issues

For the most part, this transition to the new standards should be seamless for the title industry. Kent said there are a few situations where item 6 judgments become problematic, like figuring out which yard is the "front yard" in a corner lot. This is where surveyors shied away from providing information.

"I don't know that title agents are any more or less qualified to make those judgments than a surveyor," Kent said. "We'll look at it, and we don't know either. And that's where you'll call a jurisdiction and say, 'how are you going to apply the setbacks to this property?' Surveyors aren't uniquely qualified to make those decisions, and actually the title company is probably better qualified because they do it on practically every commercial project."

Another issue for a title agent who perhaps has not assumed this responsibility in the past is the partial costs associated with gathering the documents and information.

"If they want an actual document from the city, that can range in costs depending on the city, from $25 to $497 in the city of San Diego," Anderson said, in reference to obtaining a zoning compliance letter, which some lenders may require. "Plus any out-of-pocket reimbursables for any municipal letters or any other documentation that somebody might want. It's not expensive as a line item, but it'll be something they'll have to think about."

And, of course, there will be some costs associated with overlooking this part of the process.

"If the surveyor received the items from the lender, and item 6 was checked and was supposed to be provided by the insurer, but the insurer never sends the information, then the surveyor doesn't put it on the survey," Anderson said. "Three weeks later, the lender will ask for its zoning information, and the surveyor says, 'nobody sent me anything.' Still not a disaster, but now they don't have the costs covered, and it's going to come out of their margins."

> I asked title companies, 'when you issue your endorsement, do you rely on the information the surveyor provides you?' And the unanimous answer was, 'no — this is really important; we're going to do our own checking.'
>
> **— Gary Kent,**
> Integrated Services Director
> Schneider Corp.

Other updates to the standards

■ Going forward, the surveyor needs to be provided a copy of the current title work, which needs to include copies of adjoiner deeds. It's likely a title agent did not research the adjoiner deeds previously, but Kent said it's been "required under the standards that the surveyor look at the adjoiners."

"ALTA's position is, 'if we want surveyors to provide that information, we should give them those documents,'" Kent said, pointing out that a title agent could charge for this service.

■ If there is an issue of junior or senior rights, the new standards do not require the surveyors to make a judgment, but to let the title company know about the issue ahead of delivering the survey in order to facilitate discussion with all of the parties involved.

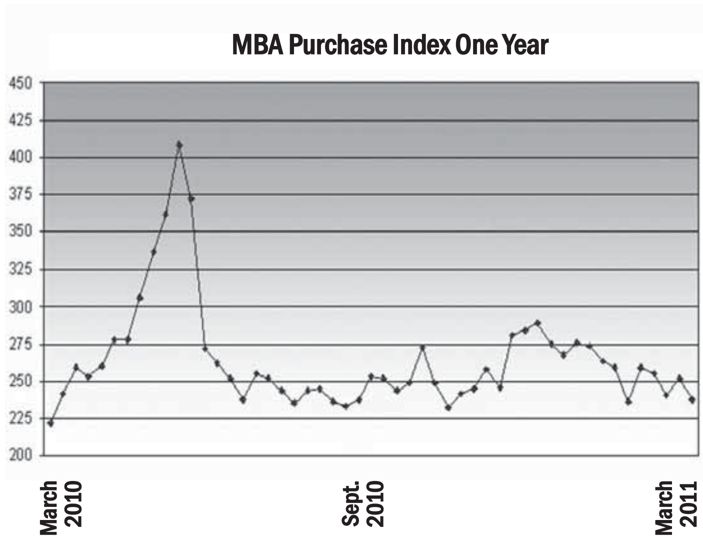
■ If a surveyor decides to update an old or inaccurate deed, instead of arbitrarily making the decision and writing up a new deed, the title company is now required to be a part of that conversation.

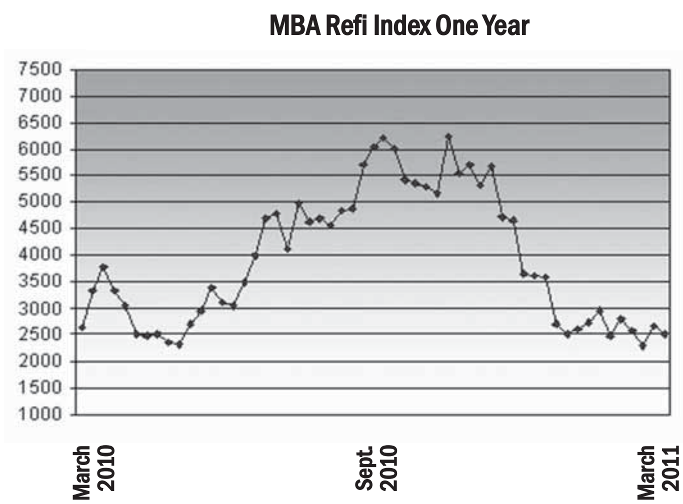
■ The burden placed on the surveyor to locate certain items, like utilities, and determine whether they are "visible" or "observable" was reworded to be less confusing, Kent said. "Almost everything is visible, but how easy is it to see? This was a problem, so we settled on 'observed in the process of conducting the survey.'"

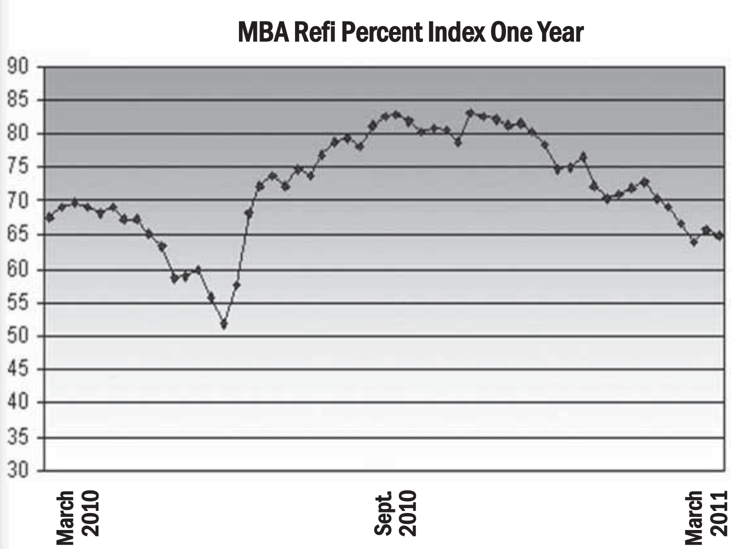
■ Kent said a sentence was added that defined what constitutes an ALTA/ACSM Land Title Survey. "There had been concern that some people were taking shortcuts and perhaps not doing what they were supposed to be doing," he said. "So we said, 'here's the stuff you have to do in order to have conducted one of these surveys.'"

INDUSTRY DASHBOARD

MORTGAGE ORIGINATIONS







Mortgage applications keep up-and-down trend

Mortgage applications decreased 6.5 percent from one week earlier, according to data from the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey for the week ending Feb. 25. The results do not include an adjustment for Presidents' Day.

The Market Composite Index, a measure of mortgage loan application volume, decreased 6.5 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the index decreased 5.5 percent compared with the previous week. The Refinance Index decreased 6.5 percent from the previous week. The seasonally adjusted Purchase Index decreased 6.1 percent from one week earlier. The unadjusted Purchase Index decreased 3.5 percent compared with the previous week and was 19.6 percent lower than the same week one year ago.

The four-week moving average for the seasonally adjusted Market Index is down 2.5 percent. The four-week moving average is down 2.2 percent for the seasonally adjusted Purchase Index, while this average is down 2.7 percent for the Refinance Index.

The refinance share of mortgage activity decreased to 64.9 percent of total applications from 65.7 percent the previous week. The adjustable-rate mortgage (ARM) share of activity decreased to 5.5 percent from 5.6 percent of total applications from the previous week.

The average contract interest rate for 30-year fixed-rate mortgages decreased to 4.84 percent from 5 percent, with points increasing to 1.3 from 0.96 (including the origination fee) for 80 percent loan-to-value (LTV) ratio loans. This is the third consecutive weekly decrease for the 30-year contract rate.

MARKETREPORT

Treasury's proposed plan 'winds down' Fannie, Freddie

The Obama Administration delivered a report to Congress for reforming America's housing finance market. The U.S. Department of the Treasury said the administration's plan will wind down Fannie Mae and Freddie Mac and "shrink the government's current footprint in housing finance on a responsible timeline."

"This is a plan for fundamental reform — to wind down the GSEs, strengthen consumer protection and preserve access to affordable housing for people who need it," said Treasury Secretary **Timothy Geithner**. "We are going to start the process of reform now, but we are going to do it responsibly and carefully so that we support the recovery and the process of repair of the housing market."

The American Land Title Association (ALTA) spoke out against the proposed plan. ALTA warned the Obama Administration and Congress that any plans to significantly alter or eliminate Fannie Mae and Freddie Mac would have a severe impact on consumers as mortgage rates would increase and small businesses would be pushed out of the market.

"The GSEs' role should be restored to their original mission of providing affordability and liquidity to the U.S. housing and mortgage markets," said **Anne Anastasi**, president of ALTA. "While reform is needed, we must remember Fannie and Freddie are an effective counterbalance to the largest businesses pushing out smaller competitors and create standards that make it more efficient to provide credit to consumers. Privatization of Fannie and Freddie may seem like an alluring option, but the consequences of not having them are frightening."

ALTA's stance is that Fannie and Freddie promote competition in the market and "encourage uniform standards that help lower the costs of providing credit to consumers." ALTA believes lending standards have made it easier and cheaper for Americans to buy and sell their homes, and that eliminating Fannie and Freddie would have severe repercussions on the economy and consumers.

"Costs to obtain loans would skyrocket and competition would dwindle," Anastasi said. "For several decades, Fannie and Freddie have provided funds in order to make homeownership available and affordable. Instead of terminating their existence for falling into the subprime lending trap in an effort to make significant profits, their roles should be curbed to providing stability in the secondary market for residential mortgages."

The administration's plan also lays out reforms to try to fix flaws in the mortgage market through consumer protection, increased transparency for investors, improved underwriting standards and other critical measures.

"This report provides a strong plan to fix the fundamental flaws in the mortgage market and better target the government's support for affordable homeownership and rental housing," said Housing and Urban Development (HUD) Secretary **Shaun Donovan**. "We must continue to take the necessary steps to ensure that Americans have access to quality housing they can afford. This involves rebalancing our housing priorities to support a range of affordable options, from promoting much-needed financing for quality, affordable rental homes to ensuring the availability of safe and sustainable mortgage products for current and future homeowners."

According to the Treasury, the administration's reform plan for Fannie and Freddie will include:

- Winding down Fannie Mae and Freddie Mac and helping to bring private capital back to the market. The Obama Administration believes that, under normal market conditions, the private sector should be the primary source of mortgage credit and bear the burden for losses. The report recommends using a combination of policy levers to wind down Fannie Mae and Freddie Mac, shrink the government's footprint in housing finance and help bring private capital back to the mortgage market.
- Phasing in increased pricing to make room for private capital. The administration recommends ending "unfair capital advantages" for Fannie Mae and Freddie Mac by requiring them to price their guarantees as though they were held to the same capital standards as private banks or financial institutions. The administration recommends bringing Fannie Mae and Freddie Mac to a level even with the private market over the next several years.
- Reducing conforming loan limits. To further reduce Fannie Mae and Freddie Mac's presence in the market, the administration recommends that Congress allow the temporary increase in those firms' conforming loan limits to reset as scheduled on Oct. 1 to the levels set in the Housing and Economic Recovery Act (HERA).
- Phasing in a 10 percent down payment requirement.
- Winding down the GSE investment portfolios at an annual rate of no less than 10 percent per year.
- Returning the Federal Housing Administration (FHA) to its traditional role to ensure that the private sector picks up this new market share. The administration recommends that Congress allow the present increase in FHA conforming loan limits to expire as scheduled on Oct. 1, after which it will explore further reductions.

The Treasury also stated that, throughout the transition, it remains committed to ensuring that Fannie Mae and Freddie Mac have sufficient capital to perform under any guarantees issued now or in the future and the ability to meet any of their debt obligations.

THE Dodd Frank WEBINAR SERIES

Managing Risk:
Gearing Up for Title X's Unfair, Deceptive or Abusive Practices

Under **Dodd-Frank's Title X**, the new Consumer Financial Protection Bureau (CFPB) will assume full regulatory and enforcement powers over unfair and deceptive acts and practices on the part of the lending community.

In taking this responsibility from the Federal Trade Commission, the Dodd-Frank Act has added language, *i.e.*, "abusive," that will no doubt cause confusion and ambiguity for lenders.

While nobody really knows what the broad term "abusive" will mean for lenders and loan originators in the long term, there are a number of things they need to know about this area of Title X *right now*.

The new Webinar from October Research, **Managing Risk: Gearing Up for Title X,** will provide critical information about the implementation of the unfair, deceptive or abusive acts or practices (UDAAP) language of Title X, and how the act defines these actions. Our legal expert will also analyze prior FTC cases that have looked at these terms in similar circumstances, and offer lenders advice on how to prepare for business under CFPB authority.

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- Take a look back at the major historical developments in the unfair, deceptive or abusive acts or practices law
- Provide information about the definition and implementation of UDAAP under Title X
- Forecast how these laws might be applied against the mortgage industry in the future
- Map out issues to be aware of and compliance solutions to minimize risk going forward.

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Company: ____________________

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TITLEINSURANCE

Outsourcing opinions mixed in recent *Title Report* poll

How does the title industry feel about outsourcing? *The Title Report* took a snapshot of reader sentiment in a recent poll by asking that very question. The results surprised two industry consultants.

More than 75 percent of poll respondents were pro-outsourcing to varying degrees. Comprising that number: 15 percent were all in, saying, "Outsource anything you can; it's good business," while 29 percent were "OK with outsourcing; it's offshoring I don't like."

The most popular choice was pro-outsourcing as well, but just barely. Receiving almost 33 percent of the vote was: "Never outsource title functions, just areas like payroll, accounting, etc."

Joe Piernock, president of Corporate Development Services, said, based on his discussions with clients, that he was surprised by the mostly positive response the outsourcing options received. "But that might have something to do with how we define 'outsourcing,'" he said.

From Piernock's experience, most independent agents do not have sufficient work to maintain dedicated staff for legal, IT or accounting and that they engage these services as needed.

"Agents share title plants in some areas as well, which might be seen as outsourcing 'light.'" Piernock said. "Since these practices have been in place for decades, most do not consider it outsourcing. Larger agents and underwriters have the largest decisions to make regarding core title services."

For **Rusty Solomon**, chief executive officer of the Mandrien Consulting Group, the number of votes for the "outsource everything" option still seems too low.

"It leads me to believe that the majority of the people who viewed this don't like outsourcing, which is not surprising, and in a way disappointing, but consistent with what I have been seeing," he said.

Solomon is a proponent of outsourcing, and specifically offshoring, which a large majority of respondents seem to be against. Twenty-nine percent specifically said they were against it, another 12 percent are "leery of outsourcing because of the risks involved" and 10 percent had a bad experience and will not outsource again. The latter two responses did not expressly call out "offshoring," but given the fact that they expressed opposition to "outsourcing" in general, by implication, one may assume their opposition to offshoring.

Outsourcing in the title industry

Solomon knows there is a large opposition to outsourcing in the title community. He recently posted a question about recommended offshoring facilities for high volume title agents in a LinkedIn group, and he said a "wild fight" broke out in the comments section.

"I think major title insurance companies all have retail strong divisions now," Solomon said. "I think those retail strong companies are rolling up the industry as we speak. The bottom line is we're living in a global economy, and the title industry is slow to catch on to that."

The example Solomon uses as a case study in outsourcing is his former company, Linear Title, which he said outsources 18 components of its process — about 60 percent of the operations — to India.

"This is where it's headed, I think. As there is price compression in the market … you can't make money with those types of margins unless you're outsourcing," he said. "The eight key components of outsourcing run about $61 per unit, and it's far more than that to hire people."

He said typed title commitments cost $2, and locating and grabbing the closing protection letter can cost 75 cents.

"An order hits the website, it automatically goes to India, it's abstracted, turned into a title commitment, the CPL is dragged off the website, put into a PDF and uploaded onto their website," Solomon said. "You don't even know you have an order until it's done and that order cost you $3."

Piernock has a different view on the topic. He highlighted two main concerns with title industry offshoring: For one, he said it will weaken the industry's response to increased scrutiny and pressure from regulators and the public if there is widespread outsourcing.

"If we are highlighting all the benefits we provide, it is hard to justify increased margins if those benefits are provided from overseas," he said.

Secondly, he thinks the gains from outsourcing are

Please see **Outsourcing**, *Page 12*

TITLEINSURANCE

Team Title applies for 12 state licenses

Team Title Inc., a wholly owned subsidiary of TEAM Nation Holdings Corp., announced it has submitted its applications for authority to do business in 12 additional states.

The company said this expansion is expected to bring the company upwards of $2 million to $5 million in additional revenue after expansion costs. By 2012, the company said it expects to exceed $2 million in revenues with an estimated 15 to 20 percent profit.

Team Title is currently seeking licensing in Colorado, Mississippi, Montana, New Hampshire, New Jersey, North Carolina, North Dakota, Rhode Island, South Carolina, Vermont, West Virginia and Wisconsin. The company said it expects to file applications to conduct title and settlement services with the insurance commissioners in each of the listed states as soon as it receives authority from the individual secretaries of state.

"Applying for authority is yet another step forward in our bid to expand Team Title's licensing in 2011," said **Dennis Duffy**, chief executive officer of Team Title. "Our industry is valued at more than $6.89 billion right now; the states we plan to move to represent about 13 percent of that figure, meaning, within 36 months, our company could expect more than $5 million in net revenues due to this expansion. As licenses are granted for each state, our ability to substantially increase our revenues and assert our dominance beyond California's borders becomes reality."

Investors Title shows Q4 premium increase

Investors Title Co. announced its results for the fourth quarter and year-end 2010. Title premiums written jumped up 53.7 percent in the fourth quarter, from $12 million to more than $19 million, but for the year premiums actually declined slightly from 2009.

For the quarter, net income increased to $2,368,550, or $1.04 per diluted share, compared with $309,300, or $0.14 per diluted share, for the prior-year period. For the year, net income increased 32 percent to $6,372,626, or $2.78 per diluted share, compared with $4,828,779, or $2.10 per diluted share, for the prior year.

The company said the increase in net income for the quarter was driven primarily by "revenue growth and favorable claims experience" and higher levels of refinance activity contributed to the increase in net premiums written.

Operating expenses increased 28.9 percent to $18 million versus the prior-year period, primarily due to a 73.2 percent increase in commissions, commensurate with the increase in premium volumes and a greater contribution from the company's agency business. The increase in commission expense was partially offset by lower claims expense. Despite the increase in premium volume, the provision for claims decreased 31.2 percent versus the prior-year period due to a recovery of approximately $600,000 as well as favorable claims experience related to prior policy years.

The company said the increase in net income for the year is due to reductions in claims expense and other operating expenses, as well as realized gains on investments, partially offset by a higher effective income tax rate compared with 2009. While total revenues were flat versus 2009, Investor Title's operating expenses decreased 4.1 percent to $62 million. The higher effective income tax rate is attributable to a change in the mix of tax-exempt investment income relative to the prior year.

"We are pleased to report a substantial improvement in operating results for 2010," said Chairman **J. Allen Fine**. "Net premiums written in the second half of the year increased 41.7 percent over the first half from an increase in refinance activity as well as contributions from new agents. Operating expenses were favorable compared with the prior year due to continued improvement in our claims loss rate as well as reductions in other operating expense categories. Our balance sheet and financial condition remain very strong, and we continue to enhance our competitive strengths and market position by emphasizing operational efficiency and the expansion of our agency base."

TITLEINSURANCE

Stewart Title forms New England agency services district

Stewart Title Guaranty Co. announced the formation of the Northern New England Agency Services District, which will bring Stewart's independent title agencies in Massachusetts, New Hampshire, Maine and Vermont into one district. The district was formed in order to optimize efficiency and strengthen the service and support that Stewart Title provides to title agencies in Northern New England.

To lead the new district, Stewart Title has promoted **Stephen Dinsmore** as senior vice president and Northern New England agency services district manager, and **James Bilodeau Jr.**, as vice president and Northern New England agency services district director of sales. **Harold Hayes** will continue to serve as senior vice president and northeastern states agency services district manager, responsible for Stewart's independent agency operations in New Jersey, Delaware, Pennsylvania, Virginia, West Virginia, Maryland, the District of Columbia, Connecticut and Rhode Island.

"Because there is such a high concentration of independent agencies in the Northeastern United States, this organizational change will allow us to give greater oversight to our agency network, and in turn lead to continued growth and increased profitability while providing better service to these title agencies," noted **George Houghton**, executive vice president, agency services group for Stewart. "Harry has done an outstanding job in providing leadership over his many years of service to Stewart, and with the addition of Steve and Jim, we are poised to continue our success in service and support in the region."

Both attorneys and title industry veterans, Dinsmore and Bilodeau joined Stewart in 2007 and bring a wealth of knowledge and experience in sales, agency relations, underwriting and claims to their new roles in establishing new agency relationships and growing those within Stewart's existing network of independent agencies, while focusing on the core competencies of the district.

Resource Title National adds to retail division

Cleveland-based Resource Title National Agency Inc. has added **Donna Betley** as an account executive in its retail division.

As account executive, Betley will take on a development role, servicing existing customers and working to build new relationships and sales with lenders, builders and Realtors. She has been in the real estate industry since 1998. Betley will work from the Independence, Ohio, headquarters of the national agency.

"Donna has a well-deserved reputation as a relationship-builder and will help us to implement several new lines of business in 2011," said **Andrew Rennell**, chief operating officer. "Her priorities align naturally with those of Resource Title National, making her an outstanding addition to our team."

Outsourcing, *continued from Page 10*

temporary. "Prices rise in a few years once we lose the ability to provide these services for ourselves. We place ourselves in a weaker negotiating position after abdicating training and personnel development to other firms. We see this in IT outsourcing today. Prices are certainly low, but not like they used to be. The cost/benefits of outsourcing have narrowed," he said.

He continued, "It is much less risky to outsource non-strategic functions in which you are not trying to distinguish yourself. You cannot tout superior service if you are outsourcing to the same provider as the agent down the street. After a while, the agency would become a storefront and a box of business cards. … That being said, I have seen firms enter new geographic regions simply by buying services from one of the large providers."

Both Solomon and Piernock believe there are functions that cannot be outsourced, at least not yet. In the mostly outsourced model, Solomon said the U.S. staff is basically comprised of quality control, legal and customer relations management.

"You have a customer relationship management face that is in each department to handle any client issues that may occur," Solomon said, indicating that he sees that function being sent offshore as well, as soon as there is an effective way to overcome the language and dialect barrier.

"Outsourcing is a tactic, not a strategy," Piernock said. "It will find a position in the market, but will not substantively change the industry. Early adopters will increase margins for a time, but they will erode soon enough in response to competitive pressure."

Between the two consultants contacted for this story and our poll respondents, there remain many schools of thought about outsourcing, offshoring and their role in the title industry.

The Title Report welcomes continued discussion on this issue in our LinkedIn group, on Twitter or in an e-mail to editor Chris Crowell at *ccrowell@octoberresearch.com*.

FRAUDWATCH

Licenses revoked from several title agents in Maryland

The Maryland Insurance Administration (MIA) has revoked the licenses of several title agencies and the owners of those companies in an order handed down on Jan. 28.

On Dec. 20, 2010, **Linda Rose**, vice president and Maryland state manager of Fidelity National Title Group, notified the administration that Fidelity had terminated its agency agreements with **John Dwyer**, **Joseph Hughes** and the companies they owned: Beltway Title and Abstract Inc.; Advantage Title Services LLC; Benefit Title Services LLC; Century Title Services LLC; Chevy Chase Title Services LLC; Heritage Title; Home Town Title Services LLC; Kare Title Services LLC; Merit Title Services LLC; and Optimum Title Services LLC.

Fidelity had recently performed a formal audit of Beltway Title, which included an examination of its escrow account. The audit revealed several irregularities in which funds were being transferred from the escrow account to Beltway Title's various operating accounts. Upon questioning by Fidelity representatives, it was admitted that funds were being taken from escrow to pay for employee payroll and other office expenses. As a result, the funds received by Beltway Title and the respondent entities in connection with the real estate transactions were not being utilized for their intended purpose.

According to the MIA order, the respondents were allegedly using the funds that were being received to cover the conversions or misappropriations of money from the escrow account. The $1,028,500 will now have to be paid by Fidelity to cover disbursement shortages. The audit determined that as of Dec. 16, 2010, the Beltway Title escrow account was overdrawn in the amount of approximately $157,000 and as of Dec. 20, 2010, contained only approximately $32,000.

Dwyer told *The Title Report*'s sister publication, *The Legal Description*, that the outage was a mistake made by the accounting department, but since he is responsible for the company, he takes full responsibility for what happened. He also noted that the amount has yet to be determined, but he believes it will be far less than reported.

On Dec. 21, 2010, Commonwealth and Chicago Title filed a lawsuit against the respondents in the Circuit Court for Montgomery County, Md., seeking a restraining order freezing all of the respondents' bank accounts. On Jan. 4, the parties entered into a consent order of preliminary injunction authorizing Chicago Title and Commonwealth to, among other things, take possession of the files and assets of the respondents, granting full access to all documents and files of JCB Unicom LLC and the respondents and freezing all of the respondents' bank accounts.

Title attorney disbarred in Minnesota fraud connection

After suspending an attorney last year for misconduct related to a mortgage fraud scheme, the Minnesota Supreme Court disbarred the attorney.

In May 2010, the director of the Office of Lawyers Professional Responsibility filed a petition for disciplinary action alleging that **Trent Christopher Jonas** committed professional misconduct warranting public discipline in connection with Jonas' operation of two title insurance companies that collectively failed to record more than 3,000 mortgages on real estate transactions, failed to make more than $1.32 million in mortgage payoffs to prior lenders with funds entrusted to the title companies for that purpose, and failed to remit more than $196,000 in title insurance premiums to title insurers.

All of this resulted in the revocation of Jonas' Minnesota real estate broker's license, Minnesota real estate closer's license and insurance producer's license.

Jonas waived his procedural rights and admitted the allegations of the petition. The parties jointly recommended a suspension from the practice of law for a minimum of one year as punishment. In presenting supporting information regarding the recommendation for discipline to the court, the director specifically noted that Jonas had not been criminally charged for his misconduct. At the time of the submissions to the court, Jonas and the director mistakenly believed that no criminal proceedings were pending, contemplated or imminent.

On Oct. 20, 2010, the court imposed the parties' recommended discipline and indefinitely suspended Jonas from the practice of law for a minimum of one year. In November 2010, Jonas was charged by criminal information with two counts of felony wire fraud and engaging in a monetary transaction in criminally derived property, in violation of federal law.

The director and Jonas agreed that the absence of criminal charges against Jonas was a significant factor in their recommendation for discipline, and on Jan. 26, 2011, the director petitioned the court to vacate its prior order of suspension and to impose additional discipline, in light of the new changes.

The parties jointly recommended that, in light of Jonas' guilty plea, Jonas be disbarred.

NOTABLENEWS

WFG National Title Insurance Co. named **Clinton Yarborough** its agency state manager/counsel for South Carolina. He will be based in Columbia, S.C. Yarborough's role will be to grow WFG National Title's presence in South Carolina, with an emphasis on recruiting and serving as a resource for agencies there. He comes to WFG National Title from one of the industry's largest title insurers, where he served as associate state counsel. Before that, he was underwriting and claims counsel for Atlantic Title Insurance Co., where he oversaw the underwriting and claims administration for all 13 states in which that firm was licensed. He also has extensive experience in private law practice, having served as the managing attorney for the REO and residential real estate department with a large, statewide firm.

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RealtyTrac, an online marketplace for foreclosure properties, released its U.S. Foreclosure Market Report for January 2011, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 261,333 U.S. properties in January, a 1 percent increase from the previous month but a 17 percent decrease from January 2010. The report also shows one in every 497 housing units received a foreclosure filing during the month. The company said it has now seen three straight months with fewer than 300,000 properties receiving foreclosure filings, following 20 straight months where the total exceeded 300,000. However, according to the company, this is less a sign of a robust housing recovery and more a sign that lenders have become bogged down in reviewing procedures, resubmitting paperwork and formulating legal arguments related to accusations of improper foreclosure processing.

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Digital Docs.net, the providers of Digital Closing Docs with Forever Marketing and automated digital marketing technology for the title industry, announced the launch of their new integration with **Digital Street Inc.** (DSI). According to **Robert Reich**, president of Digital Docs.net, this integration provides title agent users with "the highest inbox delivery rates in the industry." DSI's service follows reputation guidelines for every major ISP worldwide to ensure email delivery and automatically tracks open rates.

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Builder confidence in the market for newly built, single-family homes remained unchanged at 16 for a fourth consecutive month in February, according to the **National Association of Home Builders/Wells Fargo Housing Market Index (HMI)**. On a positive note, two out of three HMI component indexes edged slightly upward in February. The component gauging current sales conditions improved by two points to 17, while the component gauging sales expectations in the next six months rose a single point to 25. Meanwhile, the component gauging traffic of prospective buyers held unchanged at 12. On a regional basis, HMI scores were mixed in February, with gains reported in two parts of the country and declines in two others. The Northeast registered a two-point gain to 22, the South posted a one-point gain to 18, the Midwest posted a one-point decline to 12 and the West posted a two-point decline to 13.

***

Interthinx released its quarterly Mortgage Fraud Risk Report, covering data collected in the fourth quarter of 2010. The report, which tracks overall and type-specific mortgage fraud risk, provides an in-depth analysis of fraud risk from specific ZIP codes at state and national levels. According to the most recent data available, previously localized risks in one or more ZIP codes pose a danger of spreading throughout a metropolitan area. The fourth-quarter report indicates that fraud risk in Chicago's ZIP code 60621, which has been the riskiest ZIP code in the United States for three consecutive quarters, may have driven risk higher for the entire city. Chicago's overall risk has increased dramatically since second-quarter 2010, from "moderate" to "very high risk" in the fourth quarter; and Illinois' quarter-on-quarter jump of 26 index points was the largest nationally. This data suggests that "very high" fraud risk at the ZIP code level can, in a short period of time, spread and elevate the overall risk of much larger geographies. Analysts also noted that short sales and REO sales constitute a significant share of all sales in the majority of the highest-risk metropolitan statistical areas (MSAs) in the occupancy and property valuation fraud risk indices, which both rose by more than 25 percent over the last year. Mortgage fraud risk is acute in short sale transactions, in part because servicers and loss mitigation departments do not typically screen for fraud.

***

TSS Software Corp. announced the promotion of **Toni Carroll** to national sales director and **Erika Rollins** to marketing director. A 16-year veteran of the company, Carroll brings extensive title industry knowledge and software sales experience to her new purview. Carroll will also continue to have direct contact with TSS customers. Prior to joining TSS in early 2010 as marketing coordinator, Rollins spent more than eight years in the communications and creative marketing fields. She holds a master's degree from Savannah College of Art and Design.

REGULATORYROUNDUP

Borrower uses RESPA to foreclose on Wells Fargo branch

Patrick Rodgers sued Wells Fargo in the Philadelphia Municipal Court claiming that Wells Fargo failed to respond to his qualified written requests (QWR). Wells Fargo did not respond to Rodgers' claims, so the court granted a default judgment against Wells Fargo and ordered the bank to pay damages. Wells Fargo did not pay the damages and the court granted a writ of execution directing the Philadelphia County Sheriff to place a levy on Wells Fargo's downtown Philadelphia branch. When Wells Fargo allegedly failed to pay damages, Rodgers requested a sheriff's sale of the branch.

Utah proposes RESPA-related legislation

The Utah Legislature introduced legislation that would require a fee for recording a document that is subject to RESPA.The bill, **HB 259**, was introduced by Rep. **R. Curt Webb**, Providence. The bill states that "for recording a document that is subject to and complies with [RESPA] for a residential property constructed for at least one family but no more than four families," county recorders shall receive: $14 for each deed of conveyance; $40 for each deed of trust; and $14 for each assignment of deed of trust when recorded concurrently with the assigned deed of trust. In addition, the legislation would state that county recorders would not be required to refund the fee or change the fee amount collected at the time of recording.

For more, go to www.RESPAnews.com

Fla. judge grants class certification in reissue rate case

After a trial court granted class certification to Florida homeowners who allege they were not provided a reissue rate when they refinanced their home, the title insurers appealed the decision. The case, heard in the District Court of Appeal, First District of Florida, is *Commonwealth Land Title Insurance Co. v. Kenneth Higgins and Deete Higgins (No. 1D10-2139) and First American Title Insurance Co. v. James Raffone and Patricia Raffone (No. 1D10-2114)*. The appellee homeowners advocated for an interpretation of Florida law that places the burden on the appellant title companies to determine when the reissue rate applied.

Unrecorded assignment moves action against MERS forward

An Oregon homeowner sued MERS and others for wrongful foreclosure and to quiet title to his home at the time he filed for bankruptcy. The bankruptcy court judge who heard the case had much to say about MERS' motion to dismiss each claim, hinging his decision on the motion to dismiss the wrongful foreclosure claim on the evidence of documents recorded in the Jackson County Recorder's office. Heard in the U.S. Bankruptcy Court for the District of Oregon, the case is *Donald E. McCoy III v. BNC Mortgage Inc., Mortgage Electronic Registration Systems Inc., Finance America LLC, Lehman Brothers Holdings Inc., and Impact One Mortgage Services.*

For more, go to www.thelegaldescription.com

Freddie, Fannie release updated UAD resources

In December 2010, Freddie Mac and Fannie Mae published the full details of the Uniform Appraisal Dataset (UAD). The GSEs announced new resources to assist in the implementation of the UAD. Now, they are focusing their efforts on providing resources to assist lenders and the appraisers they work with to prepare to implement the UAD. To help prepare underwriting and property valuation staff, the following new and updated resources are now available on its website: Using the Uniform Appraisal Dataset Tutorial and Interactive Reference Manual, which introduces lender staff, appraisers and industry professionals to the requirements and instructions necessary to complete appraisal report forms in accordance with the UAD; updated Questions & Answers; and an updated Field-Specific Standardization Requirements document.

Texas AMC bill addresses variety of appraisal issues

A bill that would require the registration and regulation of appraisal management companies has been introduced in Texas, addressing, among other things, customary and reasonable fees, as well as the removal of appraisers from AMC panels. **HB 1146**, introduced on Feb. 7 by **John Kuempel**, R-Seguin, and its companion, **SB 734**, introduced on Feb. 16 by **John Carona**, R-Dallas, is entitled the Texas Appraisal Management Company Registration and Regulation Act, and adds Chapter 1104 to Subtitle A, Title 7, of the Occupations Code. Significant sections of the bill include: Exemptions; Compensation of Appraisers; Statement of Fees; Removal of Appraisers from Appraisal Panel; Prohibited Practices; and Complaints.

For more, go to www.valuationreview.com

Positive marks for industry from invesment analyst

On Seeking Alpha, a website for stock market opinion, analysis and finance discussion, **Jim Ryan** from Morningstar analyzed various housing market insurance sectors from an investment standpoint, and said title insurers are one specialty insurance category worth investigating.

"Unlike mortgage insurers and guarantors, title insurers have no major liabilities threatening their survival, and the business is relatively straightforward and driven by fees generated by real estate sales and refinancings," Ryan stated.

He said a shift in business will lead to gains in revenue as residential refinancing gives way to residential resale and commercial transactions, a shift that's already showed some movement.

Ryan doesn't expect this to be a quick shift, as 2011 should be another tough year. He wrote: "In the beginning stages of this recovery, we think title insurers will see premiums increase as the result of distressed residential property sales and workouts in the commercial real estate sector. The combination of higher transaction volumes, higher profitability per order, and expense reduction actions taken over the past two years should set the stage for significant positive operating leverage once real estate markets normalize."

He noted that risks clearly remain in the title industry with declining refinance activity and a still-shrinking origination environment. But what historically helps the industry, from an investment perspective, is its ability to effectively reduce costs, especially the top underwriters. Because of this, Ryan said the industry's combined ratio usually rebounds quickly.

"For example, the title insurance industry's combined ratio — insurance expense divided by premiums — averaged 108 percent in the recession years of 1980-1982, which fell to an average of 98 percent in the four years after the recession. Similarly, the real estate downturn of the late 1980s and early 1990s caused the industry's combined ratio to average about 104 percent. In the four years after that the combined ratio averaged 97 percent. We think the same margin expansion will occur once the housing market gets back on its feet, but even more so due to industry consolidation that has softened the degree of competition."

Ryan said First American Financial and Fidelity National Financial were both profitable in 2010 despite another down year for the housing market because of cost-cutting measures and implementing other operational efficiencies.

Upcoming Industry Events

March 9, 2 p.m. EST
The Dodd Frank Webinar Series
Title X: Prohibition of Unfair, Deceptive or Abusive Acts and Practices
October Seminars Webinar
www.octoberstore.com

March 14
Missouri Land Title Association
2011 Title School
Holiday Inn Select
Columbia, Mo.
www.mlta.com

March 18
Nebraska Land Title Association
Spring Seminar & Ethics Program
Lied Lodge & Conference Center
Nebraska City, Neb.
www.nelta.net

April 14-16
Oklahoma Land Title Association
2011 Annual Convention
Hard Rock Hotel and Casino
Tulsa, Okla.
www.oklahomalandtitle.com

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