

AMERICAN  
LAND TITLE  
ASSOCIATION



# **Title Insurance and Settlement Company Best Practices**

American Land Title Association



# Agenda

- **Background in Best Practices**
- **Best Practices Pillars**
- **Best Practices 2.0**
- **Assessment Procedures**
- **Certification Package**
- **Workbook**
- **Policy-building Tool**
- **Questions**



# Need for Best Practices

- **Regulatory Guidance to Lenders**
  - Previous Guidance from OCC, FDIC
  - Federal Government and State Attorneys General – 2011-2012
  - CFPB Bulletin - April 2012
  
- **CFPB Enforcement Actions**
  
- **The Message:** Lenders are responsible and liable for acts of third-party providers that harm consumers



# ALTA Responds

## Title Insurance & Settlement Company Best Practices

1. Establish and maintain current licenses as required
  2. Written procedures & controls for trust accounts
  3. Physical & network security – protect money & confidential customer information
  4. Ensure consistent pricing & refund overpayments (if they happen) & record documents in a timely manner
  5. Deliver title policies, report & remit premium in a timely manner
  6. Professional liability insurance & bonding
  7. Respond to consumer complaints in a timely manner
- For more information, go to [www.alta.org/bestpractices](http://www.alta.org/bestpractices)



# Best Practices 2.0

- **Meant to be Living Document**
  - Improvements were based on conversations with agents, underwriters, lenders, regulators and other stakeholders.
- **What Changed?**
  - Removed employee credit checks
  - Simplified insurance requirements
  - Clarified recording timelines



# Assessment Procedures

- **What is the Assessment?**
- **How does it work?**
- **Who will conduct these Assessments?**
- **How often do I need to undergo an Assessment?**



# Assessment Example

| Assessment Procedure Number | ALTA Best Practices Framework: Assessment Procedures  | Assessment Recap   |
|-----------------------------|---|--|
|                             | <p><b>ALTA Best Practice 1:</b></p> <p><b>Establish and maintain current License(s) as required to conduct the business of title insurance and settlement services.</b></p>   | <p><b><i>Overall Assessment Recap: If any individual procedure marked with an asterisk FAILS, Best Practice 1 FAILS.</i></b></p> |
| 1.01*                       | <p>Confirm the active status of the Company and/or individual Licenses/registrations for each state in which the Company conducts business. Validate compliance with ALTA Policy Forms Licensing Requirement. Documentation reviewed may include actual licenses, Department of Insurance or appropriate state regulatory agency websites/screenshots, Bar Association status, corporate or business registrations with the state and other documentation as applicable to state/license.</p> <p>Sample Selection:</p> <ul style="list-style-type: none"> <li>◆ 100% of all required licenses and corporate registrations in all states in which Company operates on assessment date.</li> <li>◆ View Company's active ALTA Policy Forms License or verify compliance on ALTA website.</li> </ul> | <p>PASS / FAIL</p>   |



# Certification Package

## **Three-Part Product:**

1. Open letter to customers
2. Certificate
3. Copy of insurances





---

ALTA Best Practices Framework: Certification Package  
Agency Letter (Part 1)

**[Instructions: Print on Company letterhead and update references to "Company" to actual Company name]**

Date: **[Insert Date]**

Subject: ALTA Best Practices Framework Dated July 19, 2013.

We are providing this letter in connection with the ALTA Best Practices Framework ("Framework") dated July 19, 2013. We intend that it be considered by any consumer, mortgage originator or mortgage servicer doing business with our company during the 24-month period following the date of this letter.

"Company" has implemented the ALTA Title Insurance and Settlement Company Best Practices ("Best Practices") dated July 19, 2013, listed in the attached ALTA Best Practices Certificate. As of the date of this letter, we comply with the Best Practices in all material respects.

We represent that, during the 24 month period commencing on the date of this letter, we will remain in material compliance with each of the Best Practices.

Attached to this letter, please find (i) an ALTA Best Practices Certificate issued to us pursuant to the Framework, and (ii) a copy of the current Declarations Page for our errors and omissions or professional liability insurance.

Sincerely,

\_\_\_\_\_, President

"Company"



# Certificate

- From the company that conducts the assessment to the title company
- Two parts
  - Information Security and Privacy
  - Everything else
- Like audits, it is not intended to be relied upon by anyone other than the Company itself



ALTA Best Practices Framework: Certification Package  
Certificate (Part 2)

**Certificate**

Issued to:

**ACME Title Agency, Inc.** "the Company"

**Blank Company** performed the assessment procedures enumerated in the ALTA Best Practices Framework: Assessment Procedures dated July 19, 2013 ("Procedures"). These Procedures were agreed to by the Company to assist it in evaluating compliance with the ALTA Title Insurance and Settlement Company Best Practices, dated July 19, 2013 ("Best Practices"), as of \_\_\_\_\_.

Procedures executed related to the following ALTA Best Practices:

- 1. Licensing
- 2. Escrow Accounting Procedures
- 4. Settlement Procedures
- 5. Title Policy Production & Delivery
- 6. Professional Liability Insurance Coverage
- 7. Consumer Complaints
  
- 3. Privacy and Information Security

Our performance of such Procedures rendered a resulting grade of:

**PASS**

The scope of our engagement was limited to performance of the Procedures. We neither express an opinion regarding (i) the sufficiency of the Procedures for any particular purpose, nor (ii) compliance with the Best Practices.

This certificate is intended solely for the use of the Company. It is not intended to be relied upon by anyone other than the Company itself. Use of or reference to this certificate other than by the Company is at the user's sole responsibility and risk.

**Blank Company**

By: \_\_\_\_\_  
Authorized Signatory



# Insurance Information

- Copy of declarations page of E/O or Professional Liability insurance
- Evidence of other insurance maintained by the Company



# Workbook

- **Assessment Preparation Workbook**
  - Tool for title companies to assist in understanding readiness for the Best Practices assessment.
  - Provides guidance on each of the Best Practices.



# Workbook Example

## Best Practice # 2

**Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation.**

### ESCROW TRUST ACCOUNT CONTROLS

|   |  | YES | NO | Is the control / procedure included in the Company's existing written procedures? | Is compliance with control / procedure documented? | Descriptions/Comments   |
|---|--|-----|----|---|--|---|
| 1 | Are escrow funds or other funds the Company holds in a fiduciary capacity kept separate from the Company's operating accounts and the personal accounts of managers and employees?   |     |    |   |  |   |
| 2 | Describe the controls and procedures the Company has in place for ensuring that escrow funds and other funds held in a fiduciary capacity are kept separate from the Company's operating accounts and the personal accounts of managers and employees. |     |    |   |  | Example: Funding checks are restrictively endorsed "for deposit only" to the escrow trust account immediately upon receipt. |
| 3 | Are all Escrow Trust Accounts properly identified as either an "escrow" or "trust" account on all account-related documentation including bank statements, bank agreements, disbursement checks and deposit tickets?                                   |     |    |   |  |   |



# Drafting Guide

- **Policies & Procedures Drafting Guide**
  - Guide for agents as they create written procedures necessary to execute the policy of adhering to Best Practice
  - Important for each company to craft own policies and procedures
  - Cookie-cutter policies not helpful



# Assisting Members

- ALTA website: [www.alta.org/bestpractices](http://www.alta.org/bestpractices)
  - Best Practices Framework
  - Articles about Best Practices
  - Recorded Webinars
  - FAQs
- TitleNews Online: Every Thursday
- Email questions to [bestpractices@alta.org](mailto:bestpractices@alta.org)





# Assisting Members

ALTA - Best Practices

www.alta.org/bestpractices/index.cfm

Search ALTA | Login Now | Forgot Password | For Members | For Consumers | Join ALTA | Find Your State LTA | ALTA Store

**American Land Title Association**  
Protecting the American Dream Since 1907

REDVISION | Savings is a click away  
The highest standard in real property research

Consumers | About | Advocacy | Meetings | News Room | Publications | Education | Resources

Home > Resources > Best Practices

## ALTA's Title Insurance and Settlement Company Best Practices

ALTA created best practices to help members highlight policies and procedures the industry exercises to protect lenders and consumers, while ensuring a positive and compliant real estate settlement experience.

**Title Insurance and Settlement Company Best Practices**  
Download the full document of ALTA's Best Practices.

**Assessment Procedures**  
The standard assessment procedures can be used by third parties to evaluate settlement services providers.

**Certification Package**  
The certification package can be used by title professionals to demonstrate to lenders that they have implemented Best Practices. The certification package includes a cover page, an agency letter, a Best Practices certificate and a declarations page.

**Resources and Documents**  
Here you will find guidance material to aid implementation for each pillar of the Best Practices, including checklists, webinars and links to additional information.

**Best Practices FAQs**  
These FAQs are designed to give you a better understanding of the Best Practices.

**Get Started Today on the Best Practices Using Our Checklists**  
The checklists are a tool to help organize your efforts to meet the Best Practices.

**Attend a Best Practice Presentation Near You**  
ALTA leadership, in conjunction with state land title associations, is hosting several presentations across the country.

**Submit a Sample Policy for the Best Practices**  
ALTA asks members to submit sample policies, procedures and practices companies already have in place to help produce standard policies or guidelines for the industry.

### News on Best Practices

**July 23, 2013 ALTA Updates Best Practices, Develops Assessment and Certification Package**  
ALTA has updated its "Title Insurance and Settlement Company Best Practices" and created additional tools to help title professionals confirm to lenders the policies and procedures implemented at their companies. [Read on for details.](#)

**July 18, 2013 Wells Fargo Exec: ALTA's Best Practices 'Good Step' in Reducing Lender Liability**  
While the CFPB's bulletin last year only related lenders' responsibility for third-party service providers, it sparked a shift in the relationship between lenders and title professionals. [Read on for thoughts from an executive at Wells Fargo on why ALTA's Best Practices can help lenders meet regulatory requirements.](#)

**July 16, 2013 Best Practices Update: New Webinar, Meeting, and Guide**

**Communicate With Your Customers**  
SOFTPRO  
From Just About ANYWHERE



# Assisting Members

Having trouble viewing this? [Go to alta.org](http://go.to/alta.org) for a better viewing experience.

Mobile Device Users [Please click here](#) for a better viewing experience.



February 28, 2013

New regulations are **FAST APPROACHING...**  
What does the **1,099 PAGE CFPB RULING**  
mean for your business?



## Member-Only News

### [Tips on Documenting Your Escrow Trust Account Policies](#)

Nearly 300 people participated in ALTA's Title Topics webinar on Feb. 20 as Pam Sember of First American SMS and Dick Reass of RynohLive outlined procedures on how to document escrow trust account policies. Read on to access a recording of the webinar or download a copy of the presentation.

### [Checklist to Implement Escrow Trust Account Procedures](#)

Appropriate and effective escrow controls and staff training help title and settlement companies meet client and legal requirements for the safeguarding of client funds. ALTA has created this checklist to help you begin the process of gauging where your company stands in ensuring accuracy and minimizing the exposure to loss of client funds.

### [ALTA Best Practices Toolkit: Have You Started Implementing Policies and Procedures?](#)

While the majority of title professionals across the country already follow ALTA's "Title Insurance and Settlement Company Best Practices," a good number of those agents have not formalized and documented their practices. It is essential title professionals assess their operations now in order to understand what areas, if any, need addressed regarding implementation of the "Title Insurance and Settlement Company Best Practices." ALTA has developed the *TitleNews* Best Practices Toolkit, which

Official Publication of the  
American Land Title Association

# TitleNews

## BEST PRACTICES TOOLKIT

Stay connected with ALTA



See more findings  
from RamQuest's  
Electronic Production  
Practices Survey

Click Here  
See More!



## ALTA Calendar

### 2013 ALTA CONFERENCES

**2013 Business Strategies Conference**  
March 13 - 15, 2013  
Renaissance Hotel  
Oklahoma City, OK  
[Register Now](#)

**2013 Federal Conference**  
May 6 - 8, 2013



# Get Started Now

- Set Deadlines for Completion
- Use Workbook to Prepare for Assessment
- Use Drafting Guide to Craft Policies & Procedures
- Communicate with Your Lender(s)



# Disclaimer

- This information is not a substitute for legal advice, is for your reference only, and is not intended to represent the only approach to any particular issue. This information should not be construed as legal, financial or business advice, and users should consult legal counsel and subject-matter experts to be sure that the policies adopted and implemented meet the requirements unique to your company.



# Questions?