

Breakfast Sponsored by:



2009

National Settlement Services Summit

Brought to you by *The Title Report*





Welcome

Chris Casa

Chief Operating Officer

October Research Corporation



Reality of 1 Trillion Dollars

Currently the largest U.S.
denomination
in general
circulation. \$100



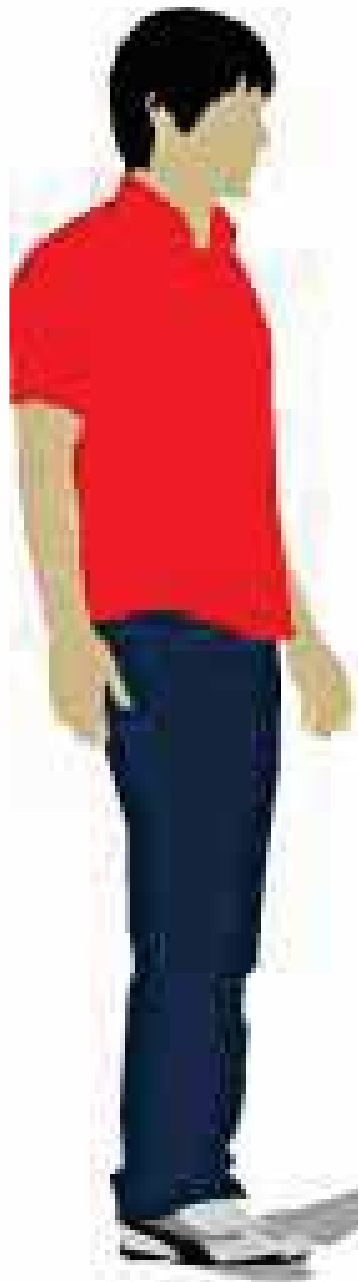
Reality of 1 Trillion Dollars

A packet of one hundred \$100 bills is less than 1/2" thick and contains \$10,000.

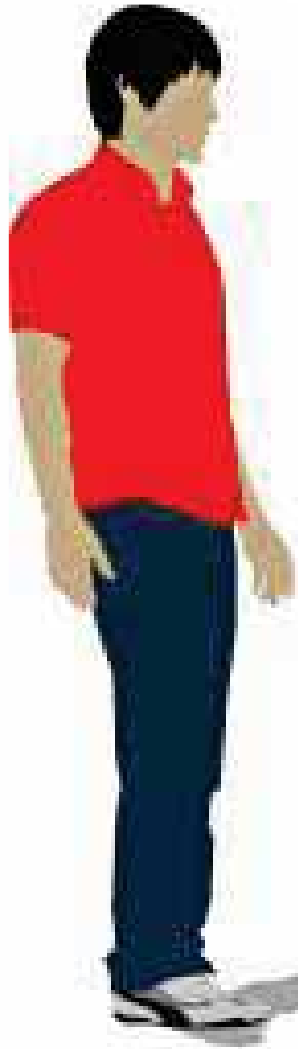


Reality of 1 Trillion Dollars

This next little pile is
\$1 million dollars (100
packets
of \$10,000).



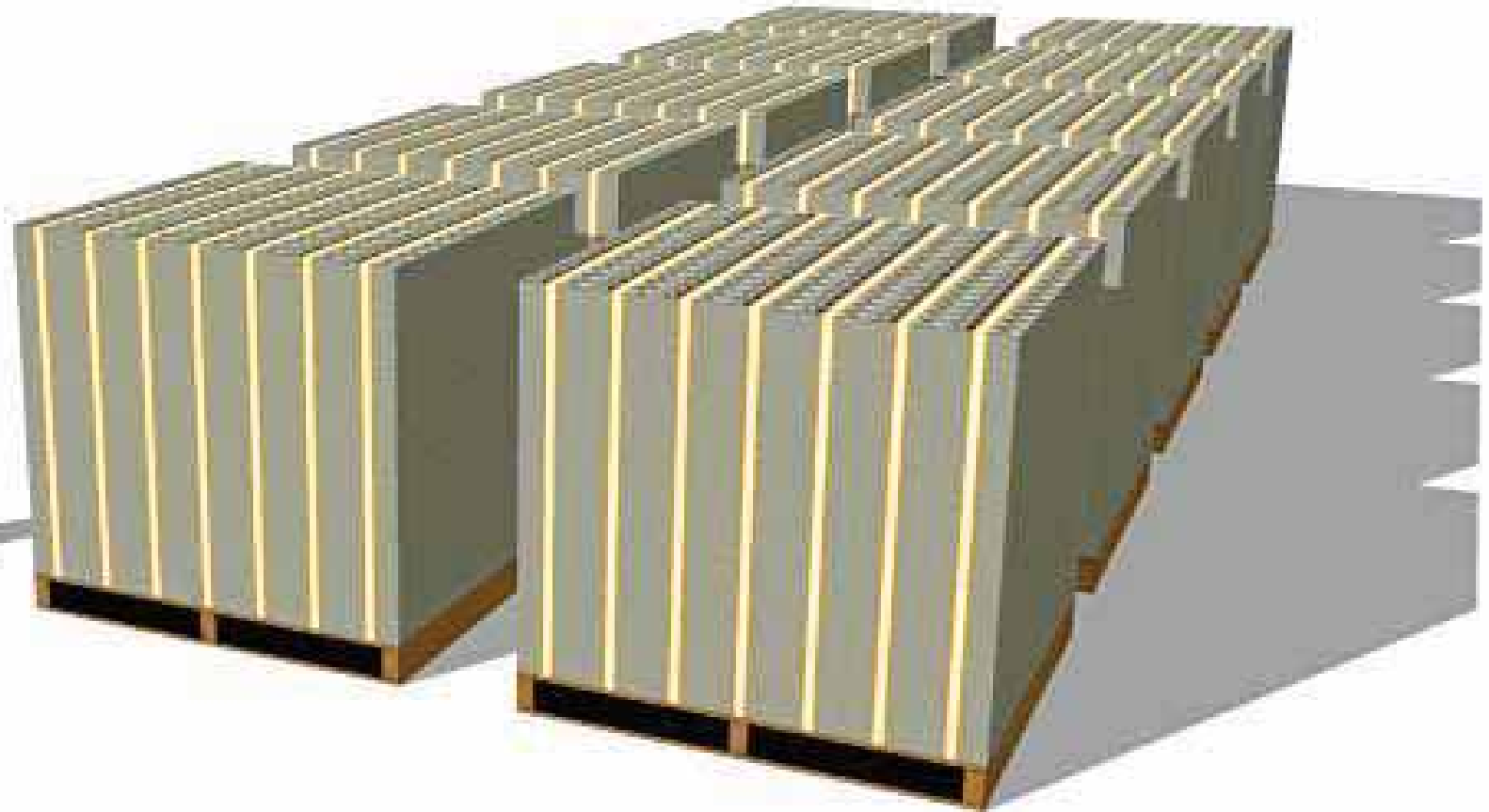
Reality of 1 Trillion Dollars



While a measly \$1 million looked a little unimpressive, \$100 million is a little more respectable.

Reality of 1 Trillion Dollars

And \$1 BILLION dollars... now we're really getting somewhere...



Reality of 1 Trillion Dollars

Next is ONE TRILLION dollars. The number we've been hearing so much about.

What is a trillion dollars?

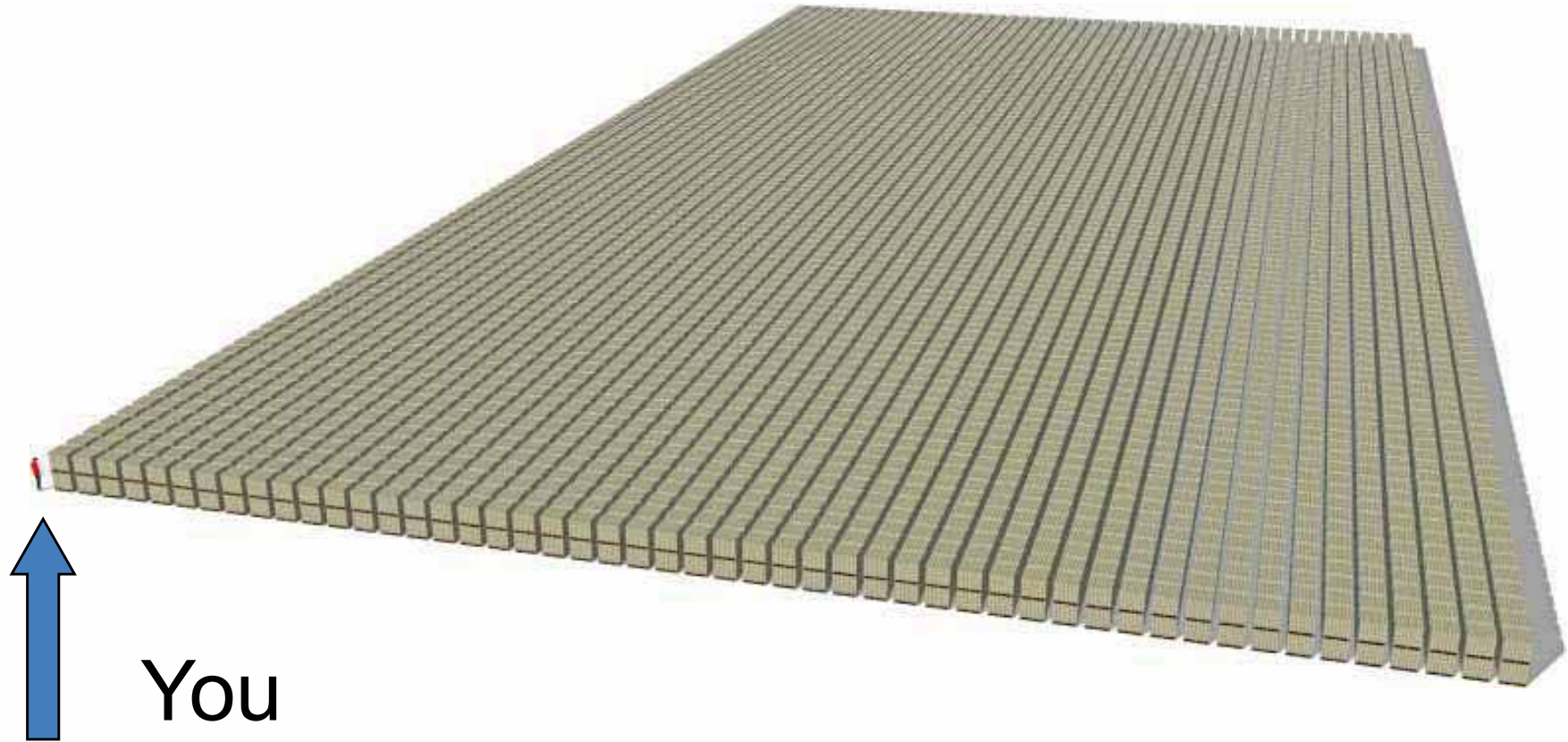
Well, it's a million million.

It's a thousand billion.

It's a one followed by 12 zeros.

You ready for this? It's pretty surprising.

Reality of 1 Trillion Dollars



Welcome

George Naumoff

Senior Agency Manager,
Stewart Title Guaranty Company



Fourth Theory of Success

Anticipate and Observe Trends in your Market

Kevin Breeland

General Manager, Residential Mortgage of South
Carolina

Howard W. Hanna, IV

President, Howard Hanna Ohio

Travis Wright

Principal, Wright Advisors

Meeting of the Minds: Networking Break

Sponsor Area 9:30 – 9:45



Upcoming

Operations & Systems as Money-Makers Lab

Held in this room

Marketing & Lead Generation Lab

Breakout Room

Innovation Lab

Operations & Systems as Money-Makers

Mick Goldstein

EVP Business Development, Realty Data Corp

Lou Phillips

Deputy General Manager, UST Global

Bill Stueber

Chief Executive Officer, Garden Home Title



Upcoming:

Learning Lunch

Travis Wright

Principal, Wright Advisors

Networking Lunch

Elevators (4th Fl) to The Cafe



Learning Lunch

Travis Wright

Principal, Wright Advisors

Across from registration (Salons A,B & C)

Networking Lunch

Elevators (4th Fl) to The Cafe

Upcoming:

Fifth Theory for Success

– Respa and the Parameters of
Compliance



Fifth Theory of Success

- Respa and the Parameters of Compliance

Jeff Arouh

Partner, Holland & Knight LLP

The Final RESPA Rule

Basic principals of RESPA reform:

- Help consumers shop for the best available loan;
- Shopping leads to greater competition and lower prices;
- Key final terms of the loan have to be disclosed to the borrower at closing; and
- Preserve a competitive market for all settlement service providers.



Purposes of RESPA Rule Amendments

- Improve and standardize the GFE;
- Ensure page 1 provides a clear summary;
- Provide a more accurate estimate of costs;
- Improve disclosure of YSP;
- Facilitate comparison of the GFE and the HUD-1/HUD 1A settlement statements;



Purposes of RESPA rule amendment (cont.)

- Ensure that at settlement borrowers are aware of final costs;
- Clarify the HUD-1 instructions;
- Permit the listing of an average charge on the HUD-1/HUD-1A; and
- Strengthen the prohibition against requiring the use of affiliated businesses.



Changes from proposed rule

- No closing script
- Shorter GFE
- Single application process
- Removed volume based discounts
- Added 30 day right to cure errors, and
- Use the HUD-1 to disclose key terms and conditions.



Effective dates

January 16, 2009:

- Servicing Disclosure Statement (Section 6)
- Average cost pricing
- Required use (now withdrawn)

January 1, 2010

- New GFE and HUD-1/HUD-1A

Exception: If you choose to use the new HUD-1A before Jan. 1, 2010, then you have to use the new GFE with it.



Good Faith Estimate

The good faith estimate creates a standardized form for general use.

- Contains key loan terms and costs;
- Contains consolidated charges;
- Establishes tolerances that have to be observed; and
- Applies yield spread premiums in determining costs.



HUD-1/1A

The HUD-1 Settlement Statement revisions

- Revised to permit easy comparison with GFE
- Simplified to highlight key loan terms and categorized to eliminate third party fees, and
- Third party charges are listed outside buyer and seller columns.



Additional HUD-1/1A notes

- Inadvertent or technical errors are no longer a violation of RESPA Section 4 if a revised HUD-1 is provided within thirty (30) calendar days after settlement.
- Commission split between a title agent and a title underwriter must be identified.
- HUD-1 Comparison Chart compares charges listed on GFE and actual charges listed on the HUD-1/1A. It identifies tolerance compliance or violation.



Categories of charges

Charges that cannot increase

- Origination charge (line 801)
- Borrowers credit or charge (points) for the specific interest rate chosen (line 802)
- Adjusted origination charges (line 803);
- Transfer taxes (line 1203)

Charges that cannot increase by more than 10%

- Appraisal (line 804);
- Credit report (line 805);
- Tax service (line 806);
- Flood Certification (line 807);
- Up Front Mortgage Insurance Premium (line 902)

Charges that can increase

- Initial deposit for reserves or escrow (line 1001);
- Daily interest charges (line 901);
- Homeowner's insurance (line 903)



Average cost pricing

- Calculations are to be based on a specific class of transactions and consistency is required throughout.
- The calculation is required during a specific time period and for a specific geographic area.
- The charge made may not exceed the average calculation.
- The sum of all charges may not exceed the total price paid to any third party provider.
- The originator must retain all documentation determining the accuracy of pricing for at least three (3) years.



Average cost pricing taboos

Average cost pricing may not be used with respect to any charge based on the loan amount or property value, such as:

- Transfer taxes
- Interest charges
- Escrow reserves
- All insurance premiums including title insurance



Required Use

Required use exists in any "situation in which a person's access to some distinct service, property, discount, rebate or other economic incentive, or the person's ability to avoid an economic disincentive or penalty, is contingent upon the person using or failing to use a referred provider of settlement services.



Required use controversy

- New rule created considerable controversy over builder exclusion.
- Litigation was commenced to prevent the implementation of the new definition of required use.
- On May 11, 2009, HUD announced that it was deleting the new definition of required use.



Affiliated business arrangements

Question: Are AfBAs and JVs still a viable alternative for maintaining a strategic relationship with a partner?

Answer: Unequivocally, yes.

Question: Are AfBAs as easy to establish, maintain and operate as they were in the past?

Answer: Unequivocally, no.

Question: Are AfBAs still worth doing (as opposed to other forms of strategic alliance relationships)?

Answer: Unequivocally, maybe.



General principles for success

- Size does matter – bigger is better.
- Operational separation from the participating partners is a necessity.
- Any joint venture should look, feel and act like a real business.
- Ultimately, the joint venture, if successful, becomes or should become a competitor of its parent, competing for the same business.



Legal framework for AfBAs

- External framework - RESPA statute, RESPA Rule and regulations, and HUD interpretations.
- Second level framework - state and federal restrictions and limitations.
- Narrow framework – created by enforcement proceedings and settlements. Creates nuances that otherwise don't have any apparent statutory or regulatory basis.



HUD sham entity test

- HUD sham entity test – articulated in Policy Statement on Sham Controlled Business Arrangements – HUD Statement of Policy 1996-2, June 7, 1996.
- Ten factors are considered in determining if the entity is real or a sham.



AfBA operational issues

- Organization
- Capital
- Office Space
- Licenses
- Technology
- Employees
- Management
- Competition
- Disclosure
- Services
- Return on investment



Documentation needed

- Organizational documents for entity
- Any required licenses
- Business Plan/Pro Forma
- Operating Agreement
- Administrative Services Agreement
- Lease/Sublease
- Issuing Agency Agreement
- Technology/Licensing Agreement
- Employee Benefits/Payroll Agreement
- AfBA Disclosure Statement



Alliance agreements

- Payment for leads agreements
- Workshare agreements
- Marketing agreements



Payment for leads agreement

- The simplest alliance arrangement.
- Easy to determine "reasonable market value".
- Fairly clear authority to pay
- May not pay *only* for leads that "pan out."
- May not pay *more* for leads that "pan out."
- If lead is coupled with an endorsement by provider of leads, may be viewed as payment for a referral rather than simply for a lead.



Workshare agreements

Definition: An agreement between persons in which one of the partners performs services for, and is compensated by, the other alliance partner.

- All services provided must be ordinary, necessary and non duplicative.
- All payments must be reasonably related to the market value of the services performed.
- These agreements involve payments for goods or facilities provided or services actually rendered.



Marketing agreements

Definition: An agreement under which a person who is a referral source will perform services to market the products and services of its Alliance Partner, and receive compensation for services, not counting the value of any referral.

- Marketing services should be of a type that could be provided by an advertising or marketing company.
- The payment should be consistent with the typical payment to an independent advertising agency.
- Any payment must be reasonable in relation to the market value of the services.



Home Valuation Code of Conduct

- Effective May 1, 2009
- FHLMC will no longer purchase mortgages from sellers that do not adopt the Code.
- FHLMC seller servicers must represent and warrant the appraisal report is consistent with the Code.
- The appraiser providing the appraisal must be independent of the lender.



Truth in Lending Act

- Adoption of the Mortgage Disclosure Improvement Act of 2008 and enactment of the Emergency Economic Stabilization Act of 2008 requiring early disclosures for loans secured by dwellings other than the consumer's principal dwelling.

Effective July 30, 2009.

- Amendment to regulation Z would require creditors to deliver a GFE or place it in the mail no later than 3 business days after receiving a consumer's application.

Effective October 1, 2009.



Brokers administration fees

Busby v JRHBW Realty, Inc. d/b/a Realty South

Case No. 2:04-CV-2799-VEH

United States District Court for the Northern District
of Alabama

April 20, 2009



Unauthorized practice of law

*Real Estate Bar Association For Massachusetts v.
National Real Estate Information Services and
National Real Estate Information Services Inc.,*

Civil Action No. 07-10224-JLT

United States District Court for the District of
Massachusetts

April 13, 2009



Breach of fiduciary duty

- Are all affiliated businesses per se conflicts of interest or breaches of fiduciary duty?
- Does a conflict of interest exist per se when a fiduciary stands to receive an incentive or other consideration to steer business in order to receive profit?



State issues

- California – adoption of SB-133 which prohibits inducements in connection with the issuance of title insurance.
- Florida – title insurance rate reviews and data calls.
- New Mexico – title insurance rate reviews and data calls and potential for new fee structures.
- Colorado – review of marketing agreements.
- New York – review of potential licensing of title agencies.



Breakout Session:
Additional Questions
Located across from registration
Erie & Superior Room

Jeff Arouh

Partner, Holland & Knight LLP



Meeting of the Minds: Networking Break

Sponsor Area 2:00 – 2:15



Upcoming:

Sixth Theory for Success

- Observation, Deduction . . .
Innovation



Sixth Theory for Success

– Observation, Deduction . . . Innovation

Tom Cronkright

Owner & CEO, Sun Title Agency

Paul J. Mass

President, Closing.com

Anthony Nalbhone

National Director, Evofi Connect



What does the word “innovation” mean to you?

- | | |
|---|----|
| 1. New idea which leads to better operating efficiency | 0% |
| 2. A new idea manifested in a new product/service | 0% |
| 3. A business creation as a result from study and experimentation | 0% |
| 4. A new idea that lowers the costs and/or increases the benefits of a product or service | 0% |
| 5. All of the above | 0% |



Top innovative ideas to make money with your title agency

Idea No. 1: Move from the traditional brick and mortar presence by centralizing processes, and then implement a fleet of mobile closing units.

- Great idea! 0%
- Good idea 0%
- Maybe 0%
- Not the best I've heard 0%
- Uh, I don't think so 0%



Top innovative ideas to make money with your title agency

Idea No. 2: Make sure you are leveraging the Internet to drive more business to your title agency by ensuring that you are marketing yourself, your service, and your rates to all parties involved in the closing process.

- Smashing! 0%
- I like it! 0%
- I'm not sure about this one 0%
- Probably not 0%
- A definite "no" 0%



Top innovative ideas to make money with your title agency

Idea No. 3: Start providing on-the-go access to information by sending your customers title insurance pricing and information via text messages.

- Fantastic! 0%
- Good idea 0%
- It's an okay idea 0%
- Not so good 0%
- Um, *NO* 0%



Leveraging the Internet

Growing Internet Use for Real Estate:

- 67 million people actively engaged in RE activities online *(Yahoo!)*
- Over 30 million searches/year for closing services *(ClosingCorp)*
- Nearly 1 billion real estate-related searches on Google each month *(ClosingCorp)*

Leveraging the Internet

Growing Internet Use for Real Estate:

- 87% of homebuyers used the Internet to look for a home in 2008, just 2% in '95 *(NAR)*
 - 40% found their home on the Internet before retaining a RE agent
- 90% of sellers used internet to market their home in 2008 *(NAR)*



Leveraging the Internet

Demographic Shift Toward Younger Home Buyers:

- Over 90% of home buyers aged 44 or younger used the Internet as a source of information during their home buying process *(NAR)*
- 60% of today's buyers were born after 1964 (i.e., members of Gen X and Gen Y) *(NAR)*
- 54% of first-time buyers are in the 25-to-34 age group *(NAR)*

Leveraging the Internet

HUD's RESPA Reform Becomes Effective on January 1, 2010

- Increases consumer awareness of their right to shop for loans and closing services, including title insurance
- Introduces new uniform GFE form (delivered within 3 days of loan application) and HUD-1 settlement statement

Leveraging the Internet

HUD's RESPA Reform Becomes Effective on January 1, 2010

- Lenders have an increased “fiduciary” obligation to borrower with respect to new GFE:
 - Obligation to provide borrower with lists of closing providers
 - Heightened obligation to provide accurate closing cost estimates if provider has been “identified” or recommended” by lender (10% tolerance constraint)



Leveraging the Internet

How Do Title Insurers and Agents Take Advantage of RESPA Reform?

- Ensure that you are marketing yourself, your service, and your rates to all parties involved in the closing process:
 - Become part of lenders' preferred providers networks

Leveraging the Internet

How Do Title Insurers and Agents Take Advantage of RESPA Reform?

- Participate in or associate with online directories, MLS platforms, vendor management systems, LOS software platforms and directories – any relationship that will put you in front of the people or lenders that are choosing title insurers



Leveraging the Internet

How Do Title Insurers and Agents Take Advantage of RESPA Reform?

- Don't ignore the consumer – get ahead of the curve because, over time, more and more of them will take a direct or influential role in purchasing title insurance



Internet - Transaction Process Flow



Home Search



- Neighborhood
- Social/Community

ClosingCorp Inc.
Settlement and Closing Services Industry Analysis

2009

	Units	Annual Expenditure
Industry Aggregates		
New Homes Sales	350,000	
Home Re-Sales	4,800,000	
Refinance	14,800,000	
Total	19,950,000	
Title Insurance		75,000
Title Insurance		00,00
Settlement		00,00
Appraisal		75,00
Home Inspection		00,00
Pest Inspection		00,00
Home Valuation		00,00
Land Survey		00,00
Notarize		00,00
Geotec		00,00
Transaction Coordinators	144,000	36,000,000
Natural Hazard	1,056,000	105,600,000
Other (Units)	149,625	14,962,500
Total	96,097,625	\$ 50,098,112,500

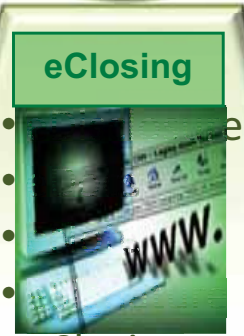


Loan Search



- Analysis
- Credit Report
- Comparisons

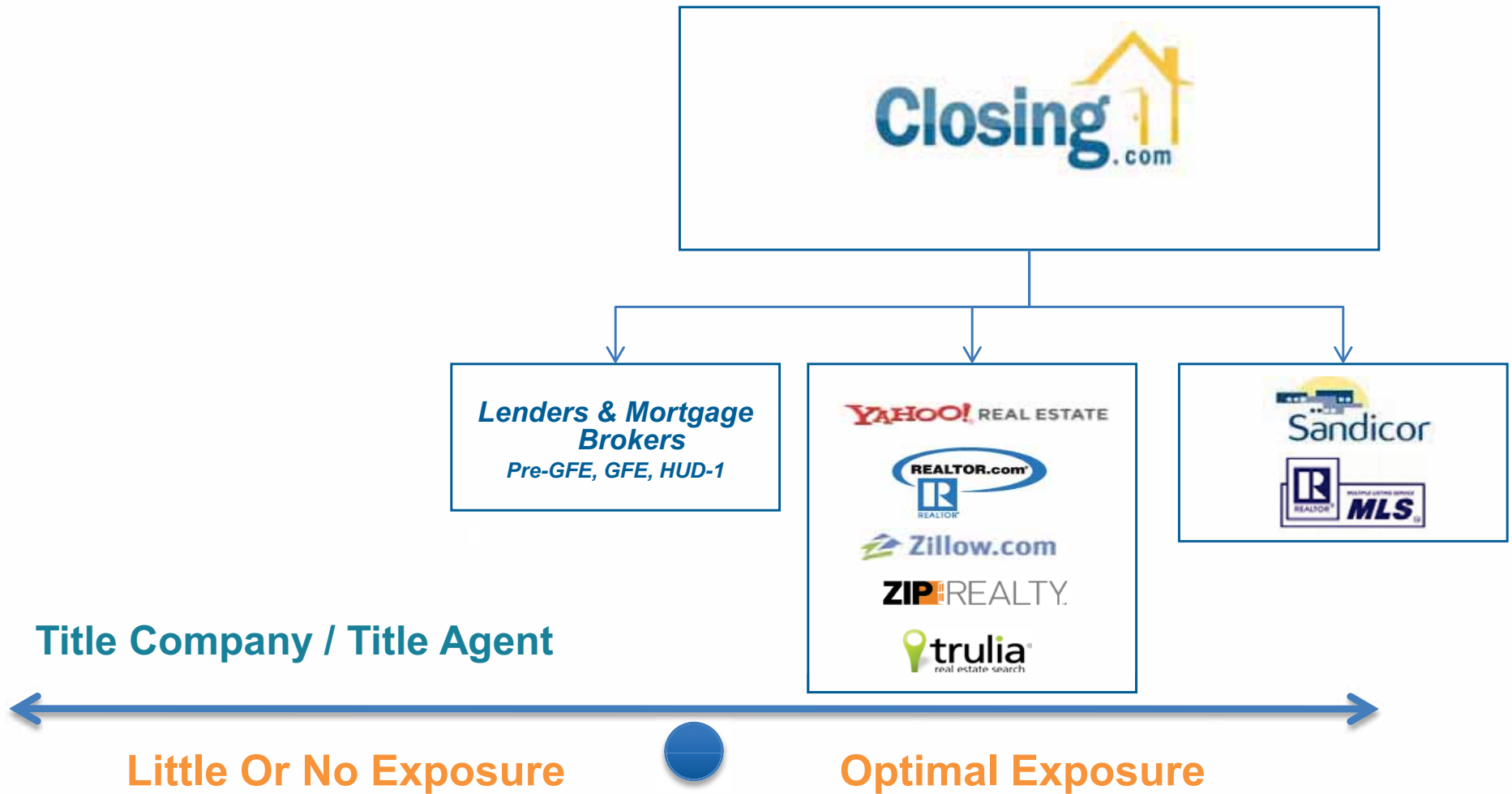
eClosing



- eClosing



Leveraging the Internet



Text Messaging

The next evolution of
settlement services
communications



Text Messaging Data

- **Realtors and loan officers on the go can get information about:**
 - Title fees (your advertisement)
 - Order prelims
 - Property comps
 - Pre-qual and payment calculations
 - Current mortgage interest rates
 - And more



Texting Is Very Popular

- **Worldwide**
 - 1.98 trillion messages sent in 2008
 - Est. 2.5 trillion by 2012*
- **United States**
 - 220+ million text users in US
 - 234 billion messages sent in 2008
 - 10% per annum growth over the next 5 years

* Ovum, Messaging Forecasts 2008



Common Platform

- **A universal tool**
 - Most real estate agents and loan officers conduct their business via cell
- **Phones Are Miniature Computers**
 - Provides users with unprecedented on-the-go access to information not previously available

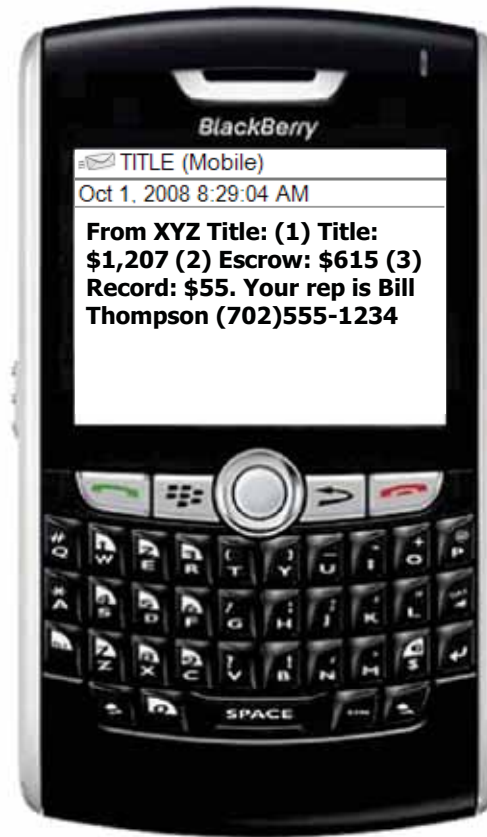
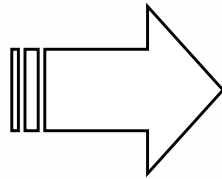


Texting Is Here to Stay

- **Texting is brief and concise!**
 - More likely to be read
 - Authors are forced to “get to the point” having only 160 characters
 - Texts have different alerts than emails always notifying the user
 - Users can stay focused on other tasks



Example: Requesting Fees



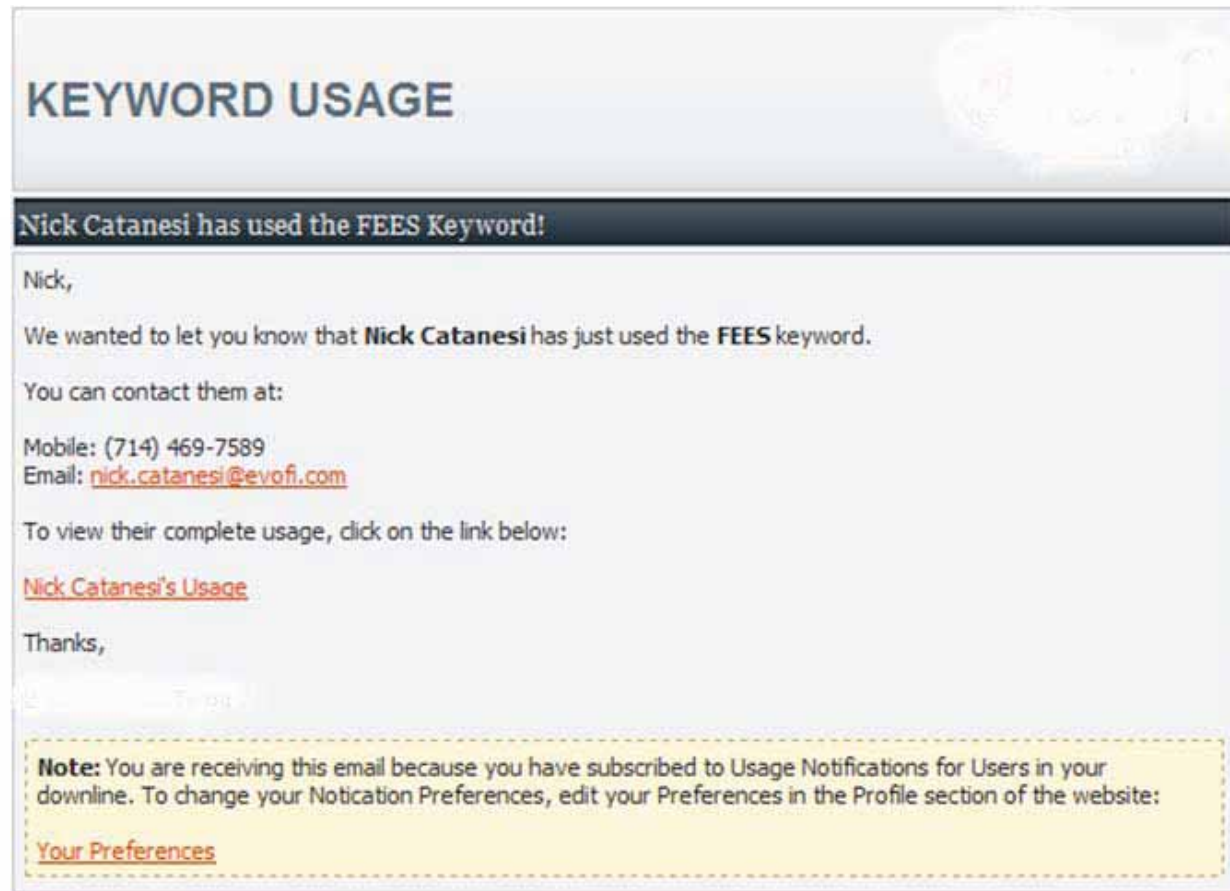
Send Request

Receive Data



This Is a Sales Tool

- **Sales opportunity** - Each time data is requested, your account executive is alerted via text or email



KEYWORD USAGE

Nick Catanesi has used the FEES Keyword!

Nick,

We wanted to let you know that **Nick Catanesi** has just used the **FEES** keyword.

You can contact them at:

Mobile: (714) 469-7589
Email: nick.catanesi@evofi.com

To view their complete usage, click on the link below:

[Nick Catanesi's Usage](#)

Thanks,

© 2009 Evofi, Inc. All rights reserved.

Note: You are receiving this email because you have subscribed to Usage Notifications for Users in your downline. To change your Notification Preferences, edit your Preferences in the Profile section of the website:

[Your Preferences](#)

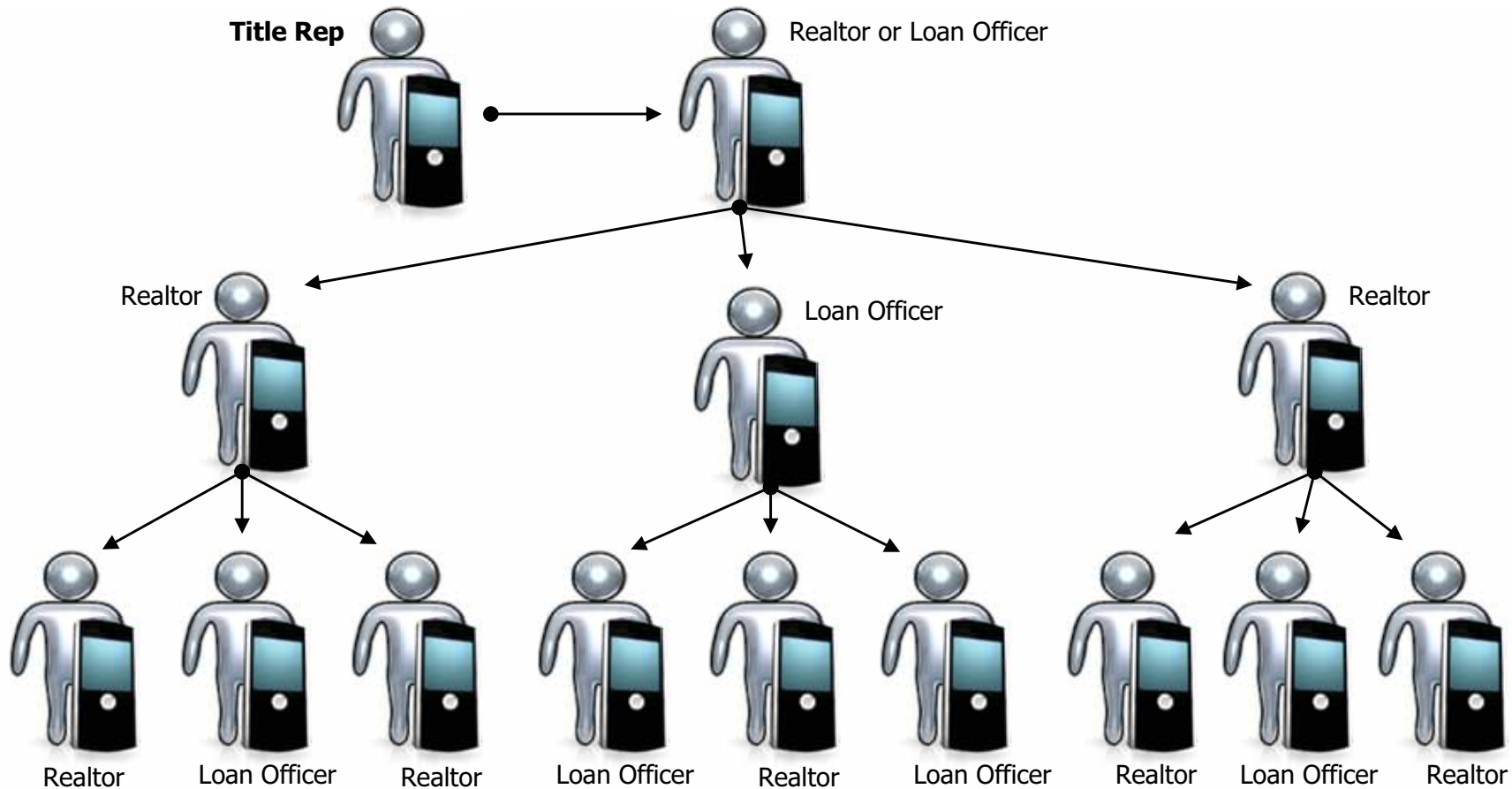


Google Is Doing It Twitter Is Doing It Too

- **Why aren't you?**
- **Texting is everywhere**
 - Realtors are doing it
 - Lenders are doing it



Social Media Sites Work



Social media sites help realtors and loan officers grow their business.
Users grow at a viral rate.



Go Green!

- **Save time and money** by not printing and distributing fee books
- **Fee data is REALLY available 24x7**



Closing

Chris Casa

Chief Operating Officer

October Research Corporation

End of Conference

Safe travels and see you
all next year.

