

Title Insurance and Settlement Company Best Practices

Executive Summary

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AMERICAN
LAND TITLE
ASSOCIATION



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ALTA seeks to guide its membership on best practices to protect consumers, promote quality service, provide for ongoing employee training, and meet legal and market requirements. These practices are voluntary and designed to help members illustrate to consumers and clients the industry's professionalism and best practices to ensure a positive and compliant real estate settlement experience. These best practices are not intended to encompass all aspects of title or settlement company activity.

ALTA is publishing these best practices as a benchmark for the mortgage lending and real estate settlement industry. ALTA seeks comments from stakeholders as the Association seeks to continually improve these best practices. A formal committee of ALTA members will regularly review and make improvements to these best practices, seeking comment on each revision.

1. Best Practice: Establish and maintain current license(s) as required to conduct the business of title insurance and settlement services.

Purpose: Maintaining state mandated insurance licenses and corporate registrations (as applicable) ensures that the company remains in good standing with the state.

2. Best Practice: Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation.

Purpose: Appropriate and effective escrow controls and staff training help title and settlement companies meet client and legal requirements for the safeguarding of client funds. These procedures ensure accuracy and minimize the exposure to loss of client funds. Settlement companies may engage outside contractors to conduct segregation of trust accounting duties.

3. Best Practice: Adopt and maintain a written privacy and information security plan to protect Non-public Personal Information as required by local, state and federal law.

Purpose: Federal and state laws (including the Gramm-Leach-Bliley Act) require title companies to develop a written information security program that describes their procedures to protect non-public customer information. The program must be appropriate to the company's size and complexity, the nature and scope of the company's activities, and the sensitivity of the customer information the company handles. A company evaluates and adjusts its program in light of relevant circumstances, including changes in the firm's business or operations, or the results of security testing and monitoring.

4. Best Practice: Adopt standard real estate settlement procedures and policies that ensure compliance with Federal and State Consumer Financial Laws as applicable.

Purpose: Adopting appropriate policies and conducting ongoing employee training can ensure that a real estate settlement company can meet state, federal and contractual obligations governing the settlement process and provide a safe and compliant settlement.

5. Best practice: Adopt and maintain written procedures related to title policy production, delivery, reporting and premium remittance.

Purpose: Appropriate procedures for the production, delivery and remittance of title insurance policies ensures title companies meet their legal and contractual obligations.

6. Best Practice: Maintain appropriate professional liability insurance and fidelity coverage.

Purpose: Appropriate levels of professional liability (errors and omissions insurance) ensure that title agencies and settlement companies have the financial capacity to stand behind their professional services. In addition, state law and contractual obligations may require a company to maintain fidelity bond and surety bond policies with prescribed minimum amounts of coverage.

7. Best Practice: Adopt and maintain procedures for resolving consumer complaints.

Purpose: A process for receiving and addressing consumer complaints is important to ensure that any instances of poor service or non-compliance do not go undiscovered.