

2020 State of the Title Industry



A REPORT BY PROLOGIX



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INTRODUCTION

Our third annual State of the Title Industry survey was launched in January of 2020. This year started off with a strong housing market and projected continual growth in title orders, but the strength of the real estate market was tested when the COVID-19 pandemic became a legitimate threat to public health in the United States in March.

Optimism quickly turned into uncertainty for professionals involved with real estate transactions. From municipal closures causing delays in important property research to governors banning open houses, real estate agents, title and escrow agents, and homebuyers and sellers were faced with a big question of how closings would stay on schedule and how to mitigate any health concerns.

At the beginning of the pandemic, it was shaky, but we quickly saw the market rebound in ways that were seemingly impossible, miraculous even, given the staggering numbers of unemployment across the country. The designation of title agents and escrow officers as

essential certainly helped keep the wheels in motion while other industries faced devastating losses.

While many of these responses were collected before the pandemic, they still reflected an embrace of digital closing solutions that we didn't see in previous surveys. A changing tide of sentiment regarding the use of technology to improve the customer experience, better title production processes, and reimagine the closing of the future.

This year, we expanded the scope of the survey to include real estate agents. We hope title professionals find their responses provide valuable insights on how to strengthen these relationships.

To those of you who took the time to share your thoughts, thank you!

We hope this report serves as a catalyst of new conversations and innovation among your team!

Who We Surveyed

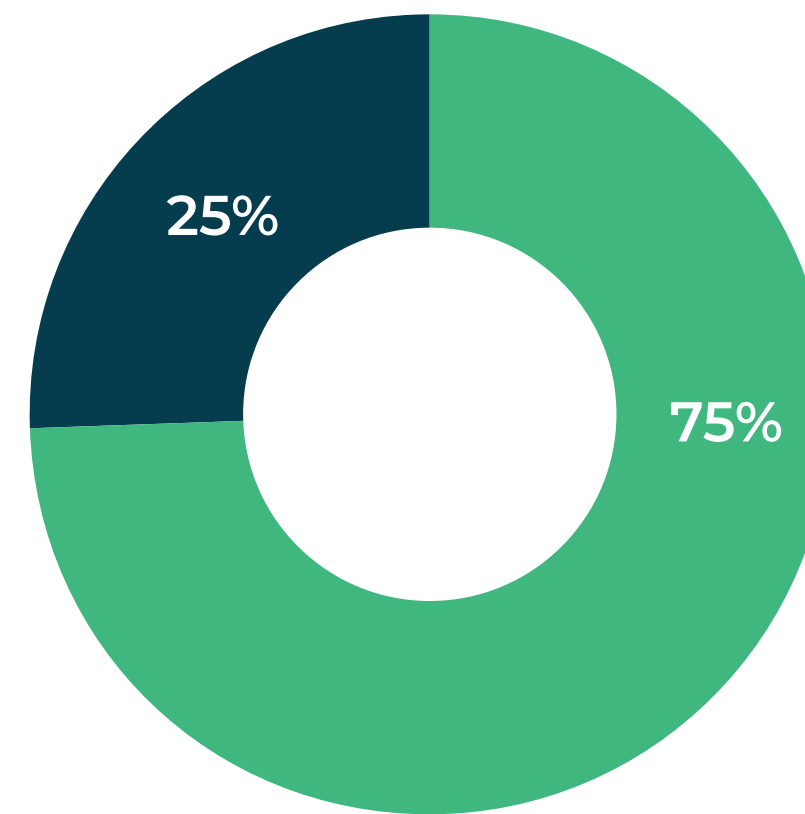
DEMOGRAPHIC HIGHLIGHTS

More than 450 people responded to our 2020 State of the Title Industry Survey. Here's a demographic breakdown of those respondents working for title companies, real estate law firms, and direct operation of underwriters.

- ✓ The industry is dominated by female professionals.
- ✓ Title professionals are likely to be older.
- ✓ Most respondents live and work in Florida.

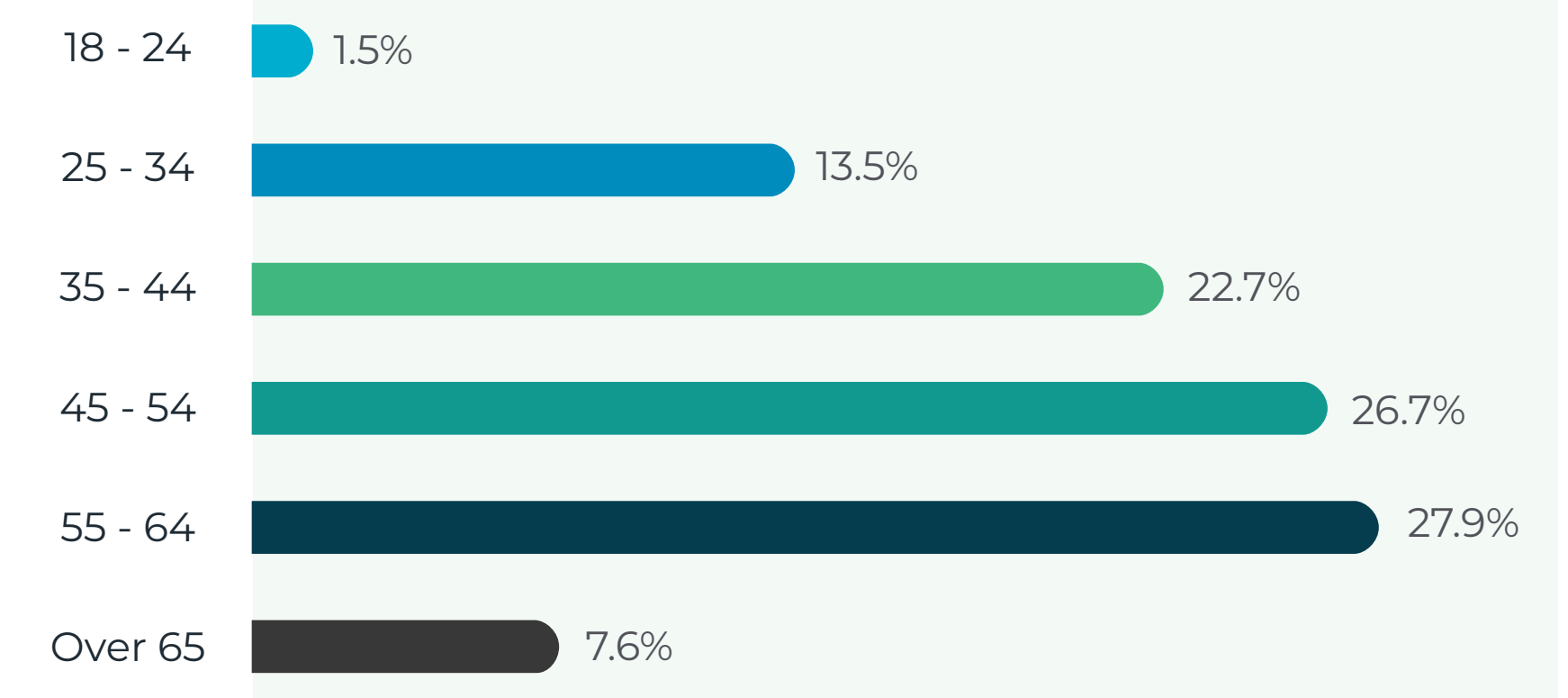
In last year's report, we noted the largest age range was 45-54 and the "Silver Tsunami" phenomena worrying many professionals in the industry. This year, the next oldest age range of 55-64 represents the greatest portion of respondents at 27.9%, barely beating out last year's largest segment of 45-54 at 26.7% this year.

Gender



- Female
- Male

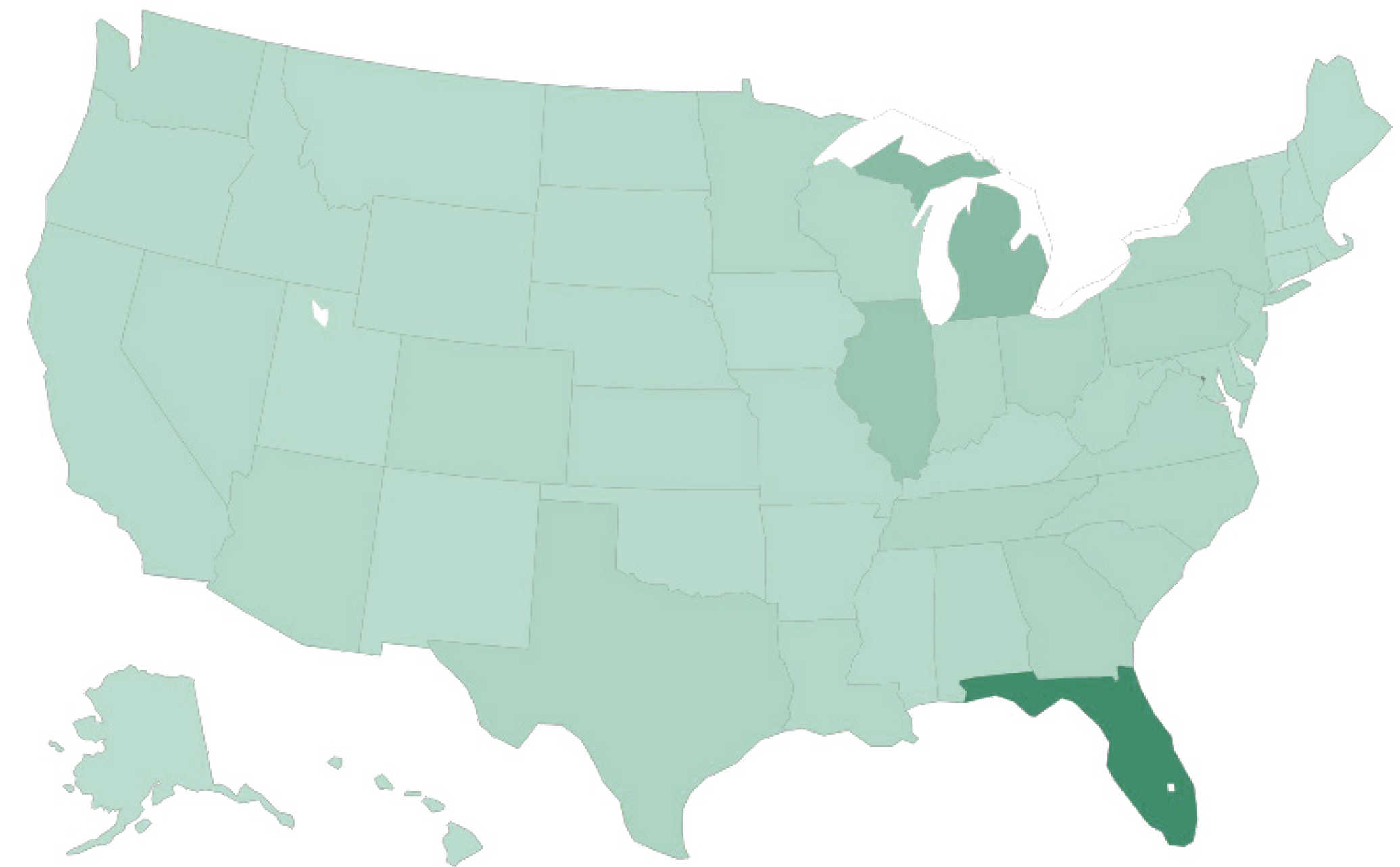
Age



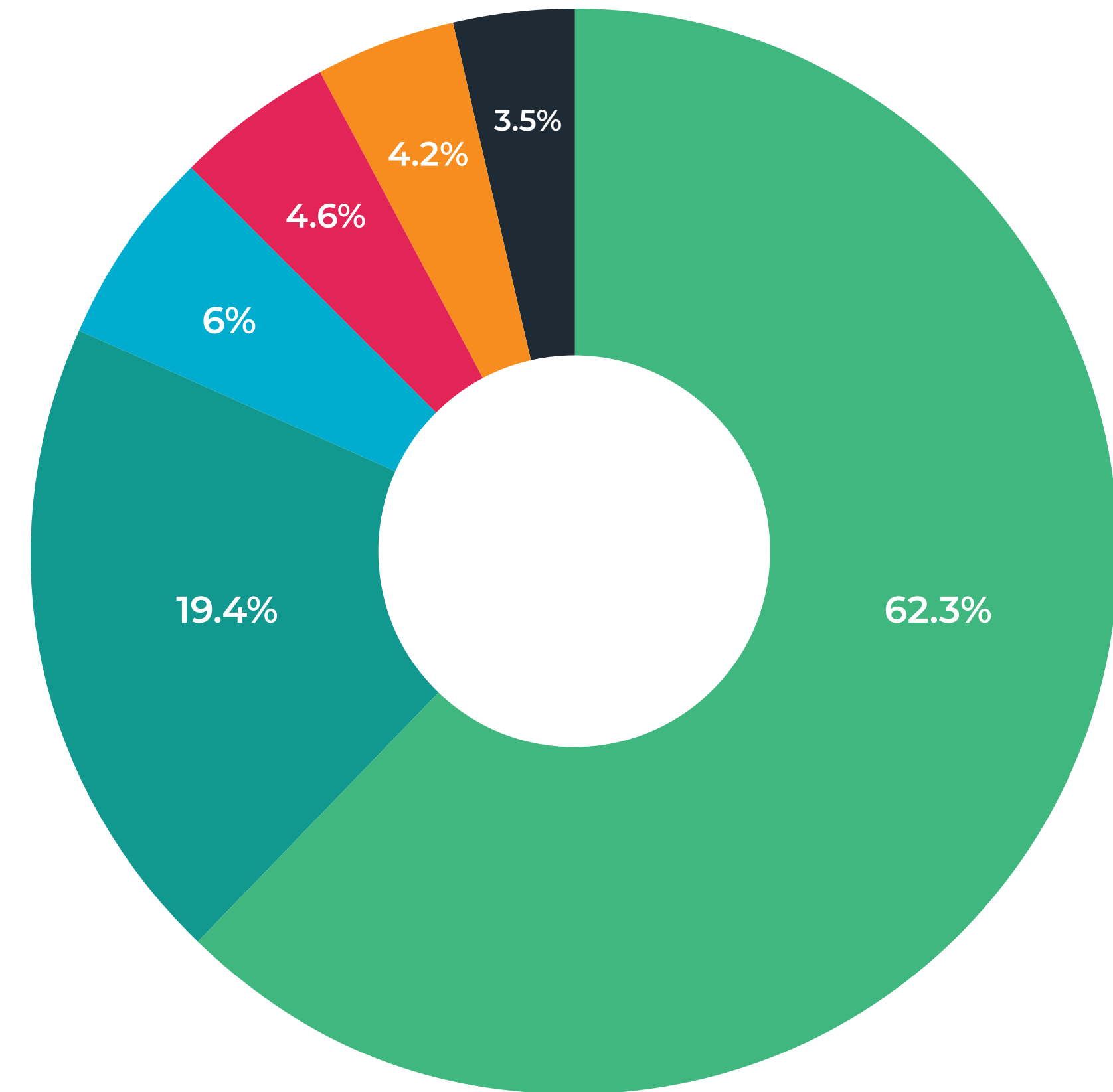
WHERE OUR RESPONDENTS DO REAL ESTATE CLOSINGS

The majority of our respondents work in the state of Florida, followed by Michigan, Illinois, Ohio, and Pennsylvania.

About 18% of respondents said that they perform closing outside of their main state of business.

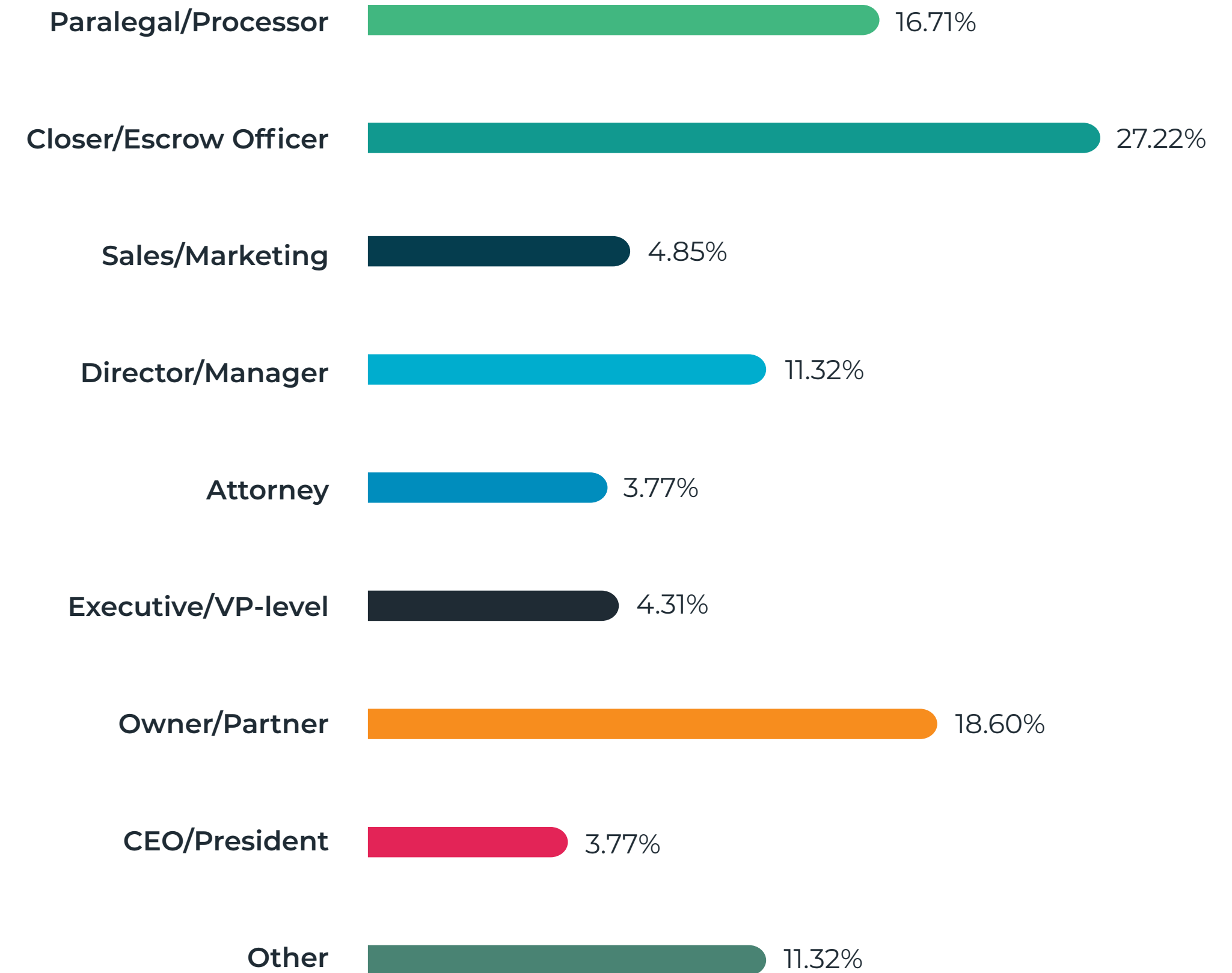


WHICH BEST DESCRIBES THE KIND OF COMPANY YOU WORK FOR?



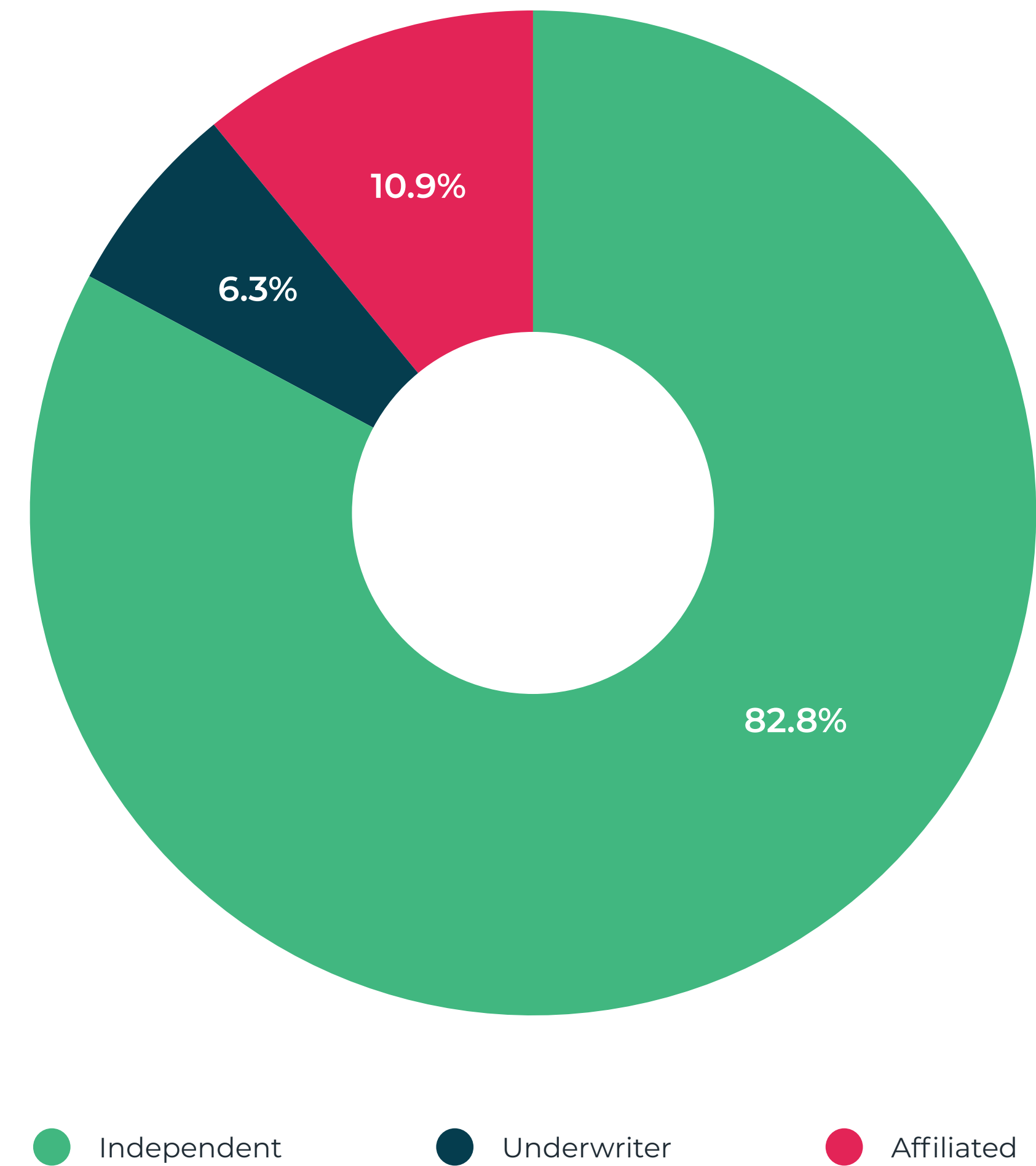
- Title Company/Agency
- Law Firm
- Title Insurance Underwriter
- Vendor or Title Support Service
- Real Estate/Brokerage
- Other

WHAT BEST DESCRIBES YOUR JOB ROLE IN YOUR ORGANIZATION?



WHAT KIND OF AGENCY OR ORGANIZATION DO THEY WORK FOR?

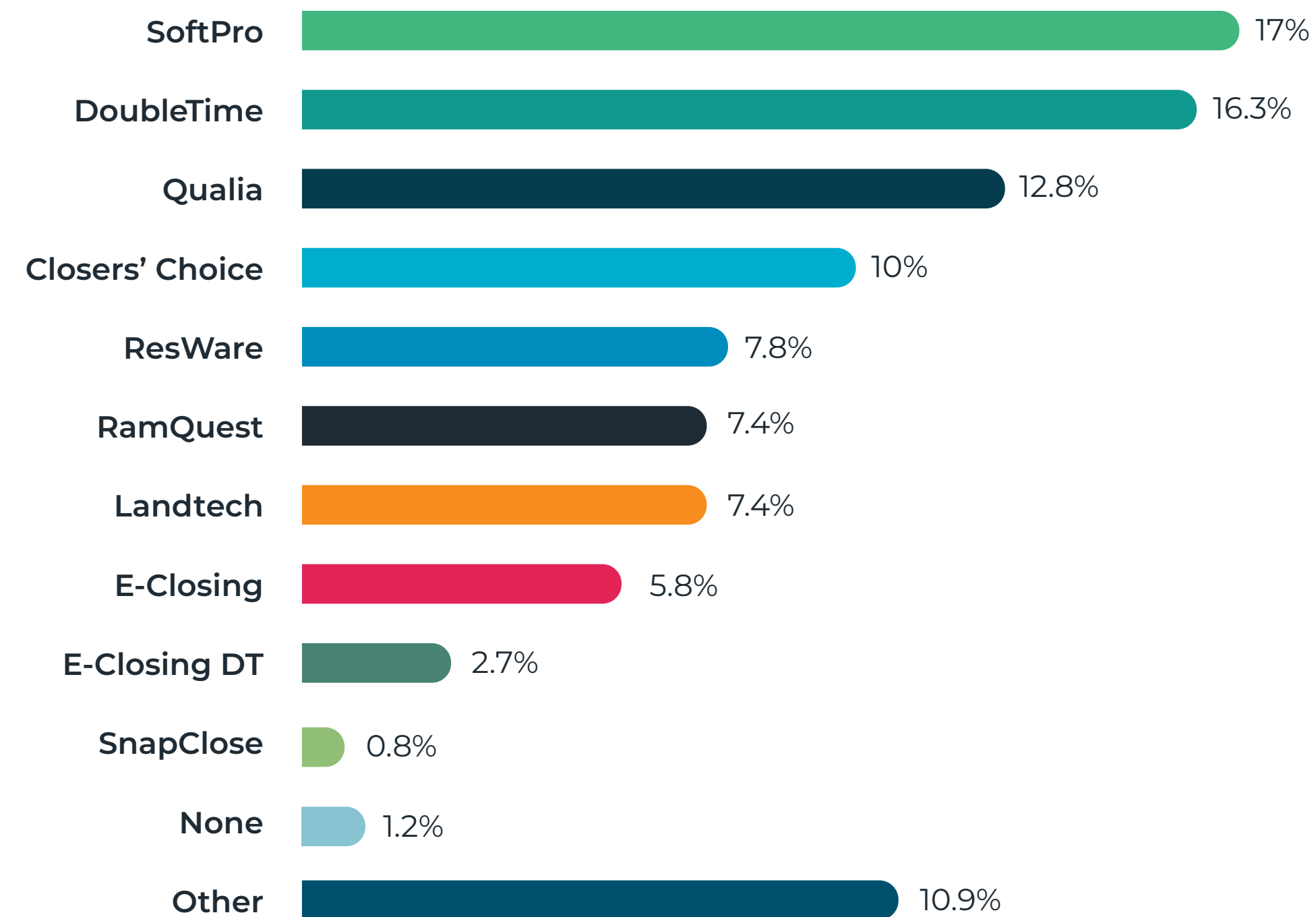
The overwhelming majority of those working in the title industry do so for an independent operation. Followed by an Affiliated Title Company (11%) and then Underwriter-owned and operated (6%).





What It's Like Working in the Title Industry

Does your company use closing software? If so, which one?



WHAT SORT OF TOOLS DO THESE COMPANIES USE IN THEIR TITLE PRODUCTION?

A title company's ability to efficiently open a new file, clear title defects, coordinate between all parties in the closing, and follow up with proper post-closing tasks relies heavily on the internal processes and best practices followed by all staff. At the epicenter of that workflow is the closing software utilized by processors, paralegals, examiners, closing agents, and attorneys.



Some of the biggest reasons why respondents **love** their title production software included

- ✓ Ease of use
- ✓ Accessibility to the right documents
- ✓ Integrations with underwriters, vendors, and other software tools
- ✓ Flexibility and customization of the software to suit their workflow

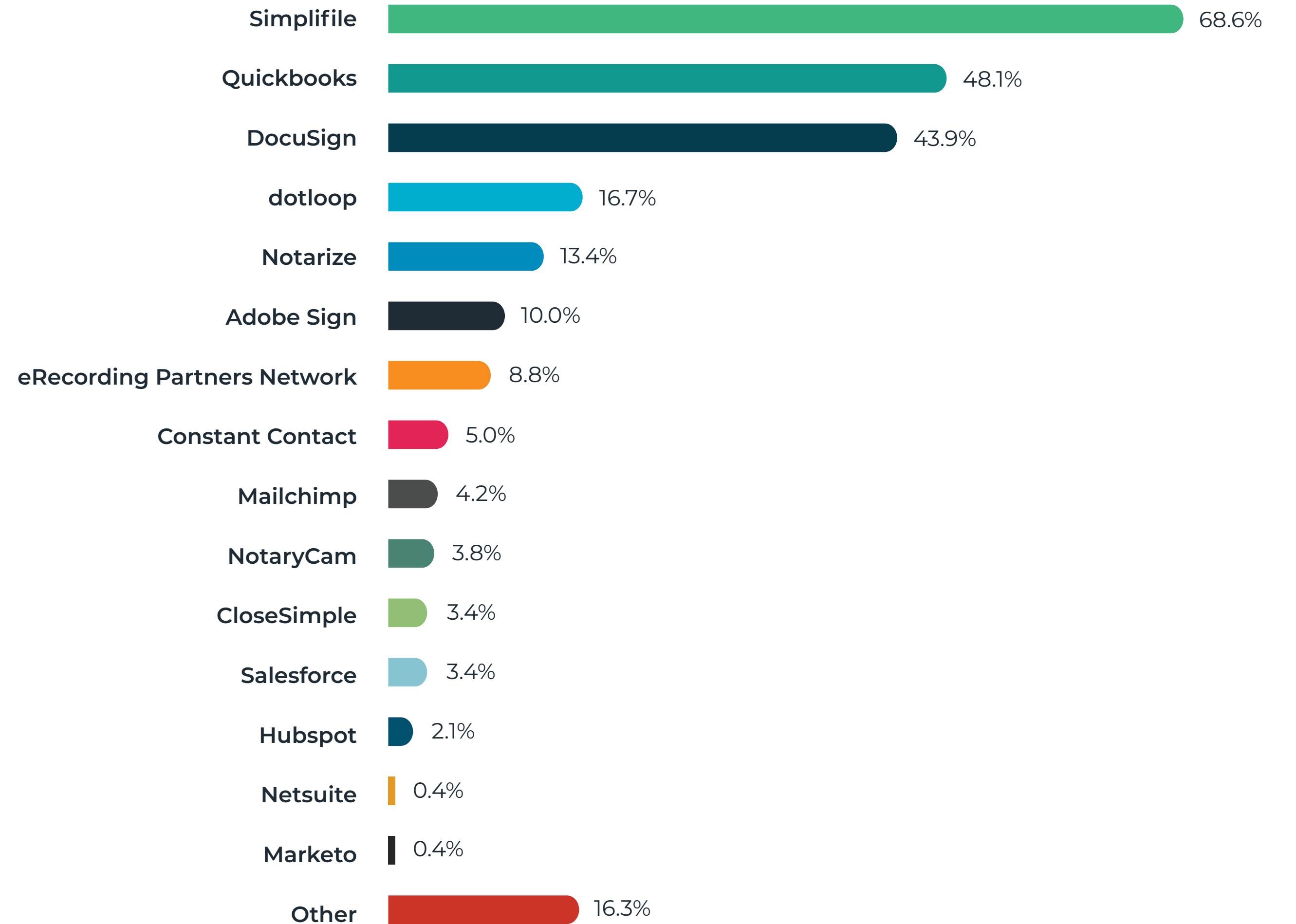


Some things they didn't **love** were

- ✗ Lack of updates
- ✗ Lack of good reporting options
- ✗ Data entry or editing issues
- ✗ Design and experience that is outdated or not intuitive enough
- ✗ Lack of cloud based options
- ✗ Lack of customer support

OTHER BUSINESS TOOLS USED BY TITLE PROFESSIONALS

In addition to their closing software, title professionals use the following business tools.

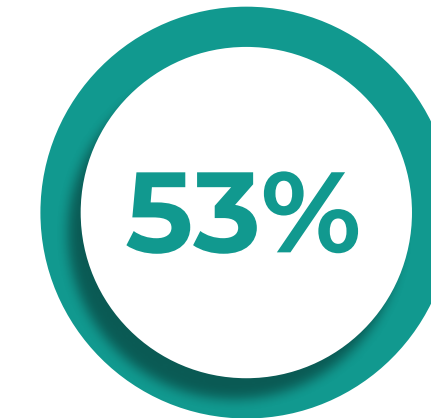


Other responses included: Closing Virtual Solutions, Pavaso, Perfect Practice, Sharefile - Right Signature, Outlook, Excel, Word, Propel, Adobe Acrobat, Sign Now, PC Law, GreenFolders, SnapDocs, Digital Docs, and ePrepare.

WHAT KIND OF TRANSACTIONS DO THEY HANDLE?



of respondents do only or mostly purchase/resale title orders. Only 6.8% sometimes do purchase/resale orders.

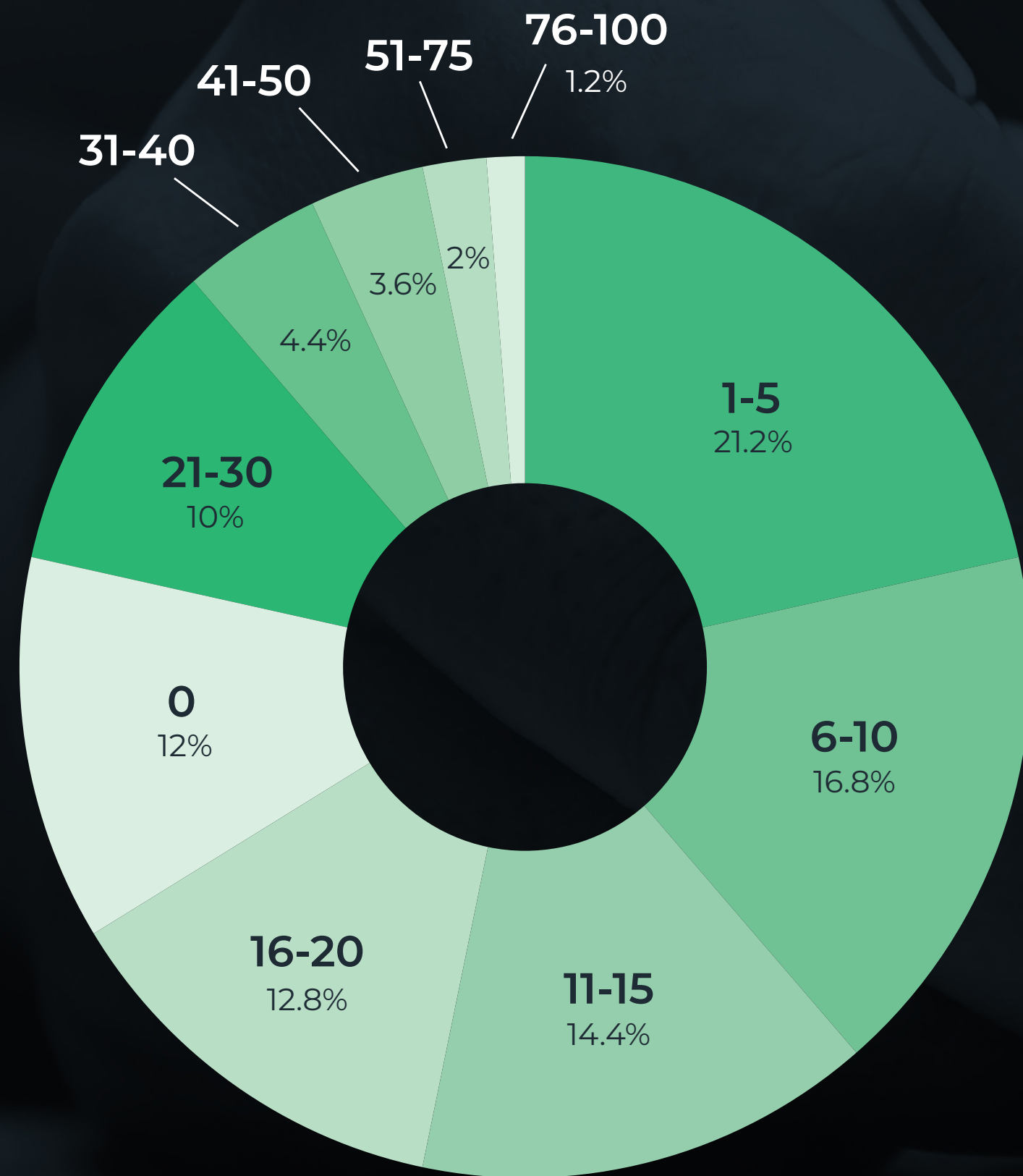


of those who mostly do purchase/resale orders also mostly do refinances.

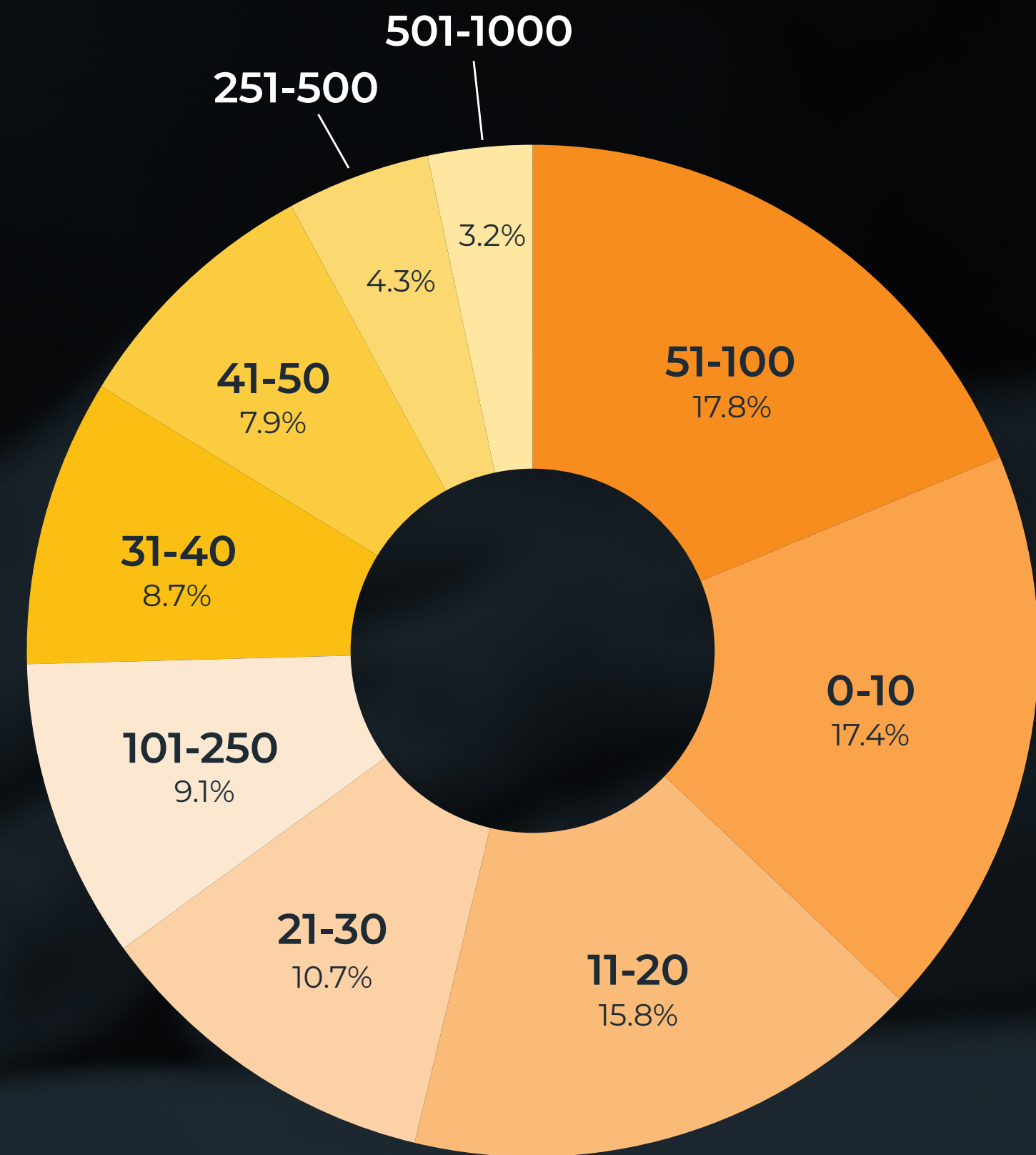


mostly do simultaneous lender and owner title insurance policies.

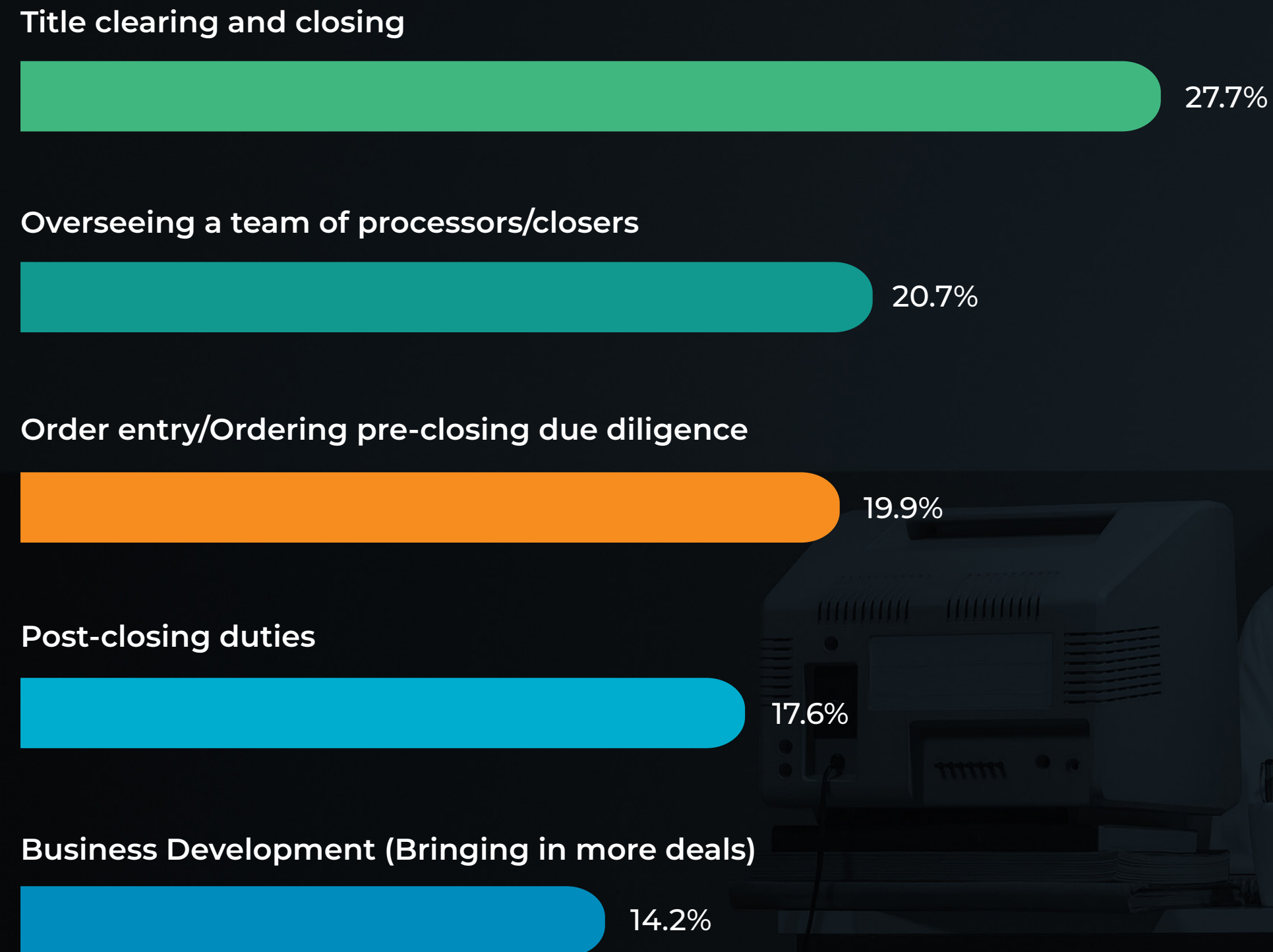
How many closings are **you personally** handling each month?



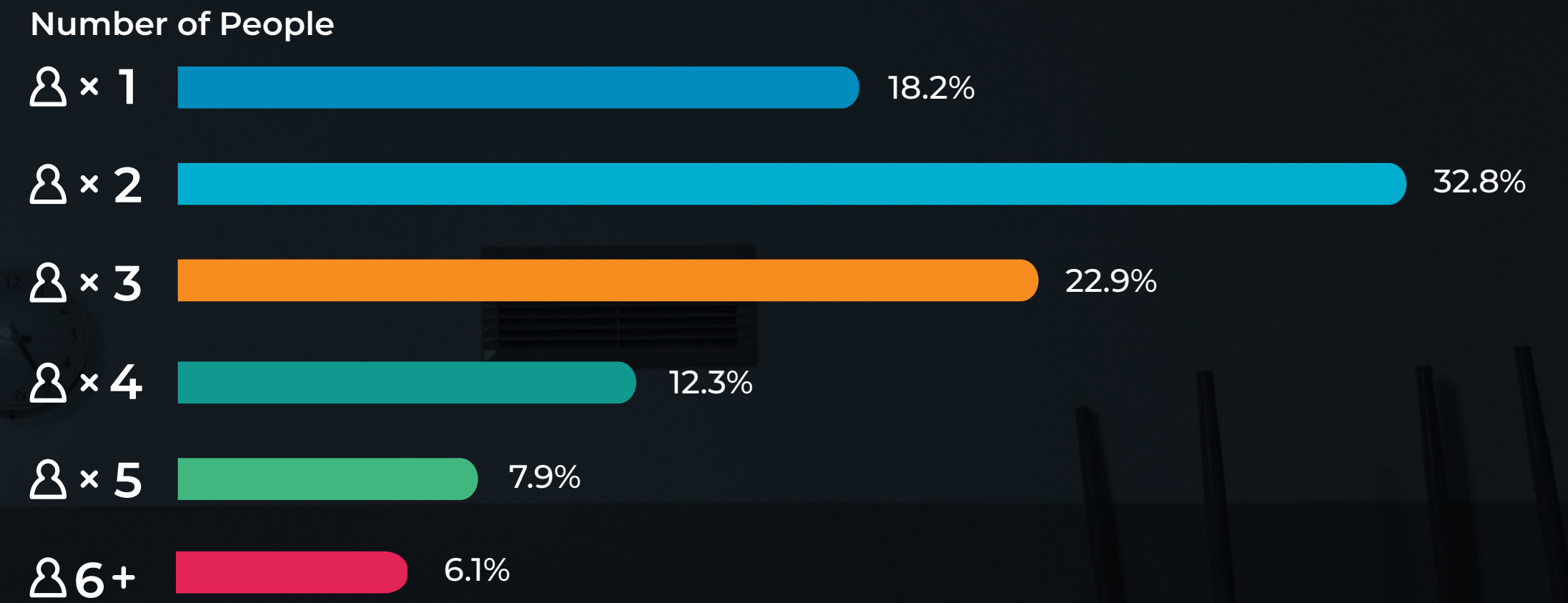
How many closings does **your organization** handle each month?



What best describes your job responsibilities *(Check all that apply)*



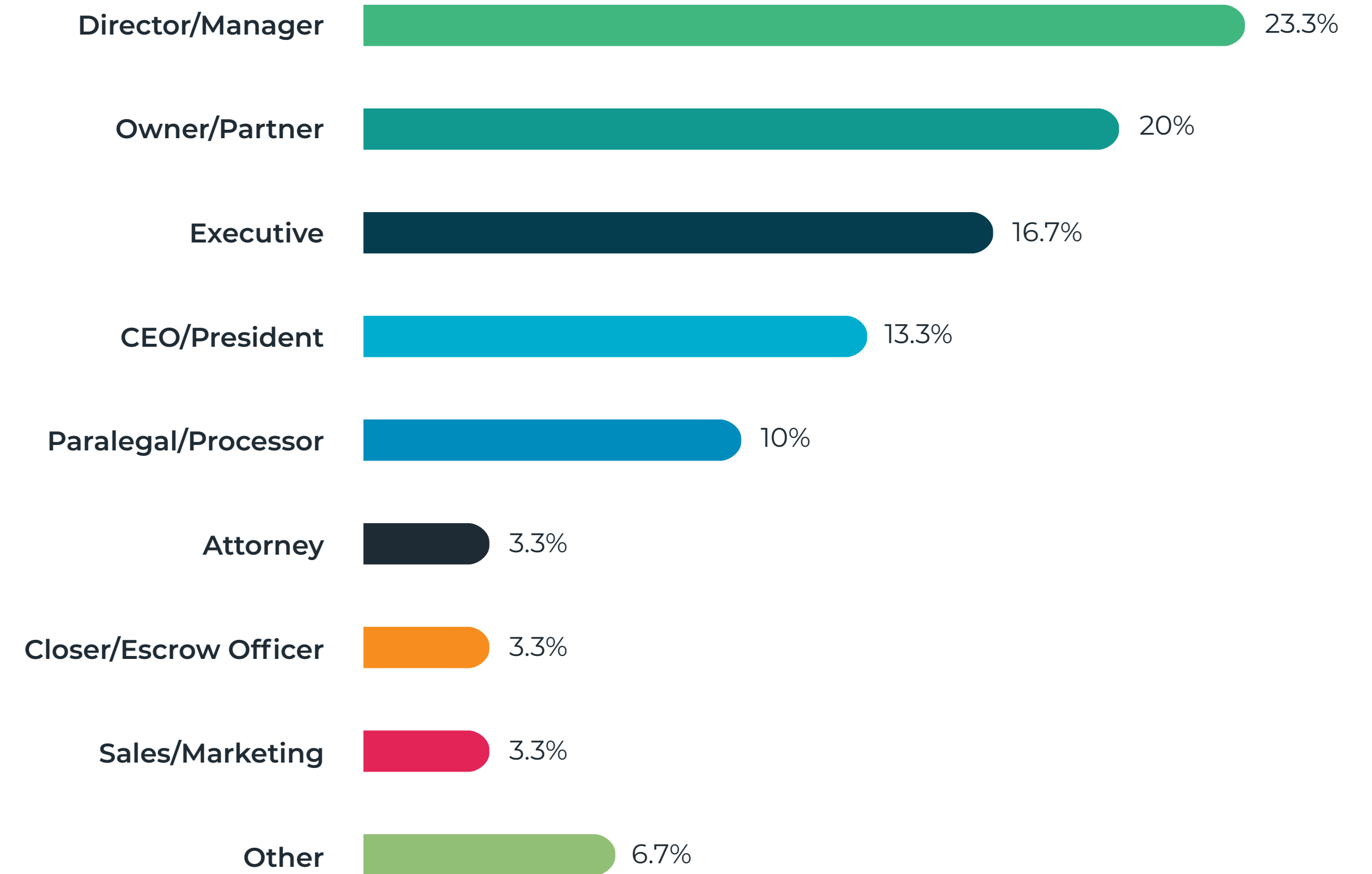
On average, how many people in your organization work on a single file?



WHO DOESN'T HANDLE CLOSINGS REGULARLY?

Only a small percentage of our respondents said they handle zero closings on average throughout the month. When segmenting this response by job role, the majority are in leadership positions, with 20% of all CEOs/Presidents, Owners/Partners, and other Executives answering zero.

However, 40% of respondents in those roles are handling anywhere from 6-30 closings per month.

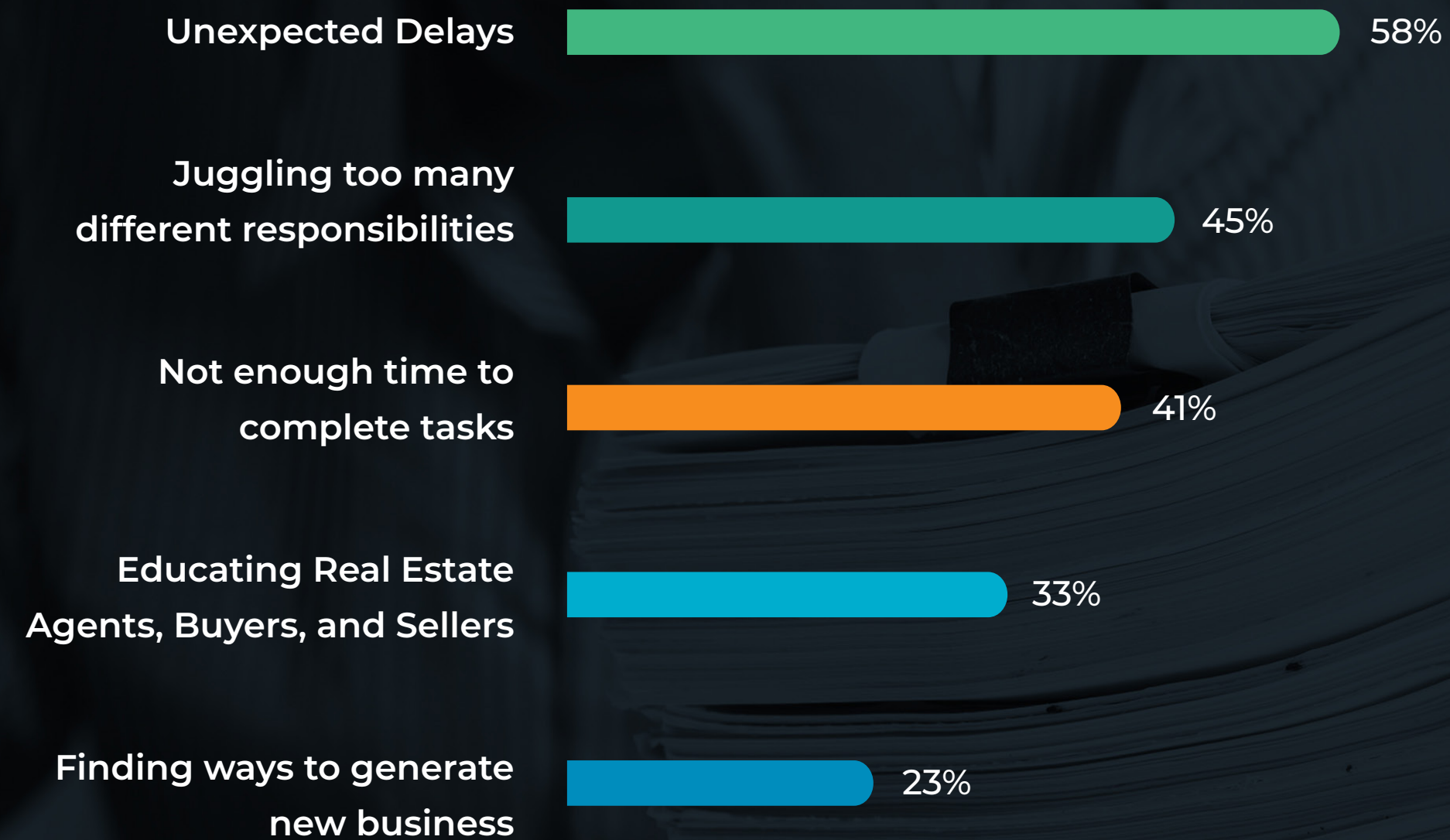


Other responses included: Accounts Manager, Construction Escrow Officer & Endorsement.

BIGGEST CHALLENGES

TOP 5 CHALLENGES

For Closers, Attorneys, and Processors

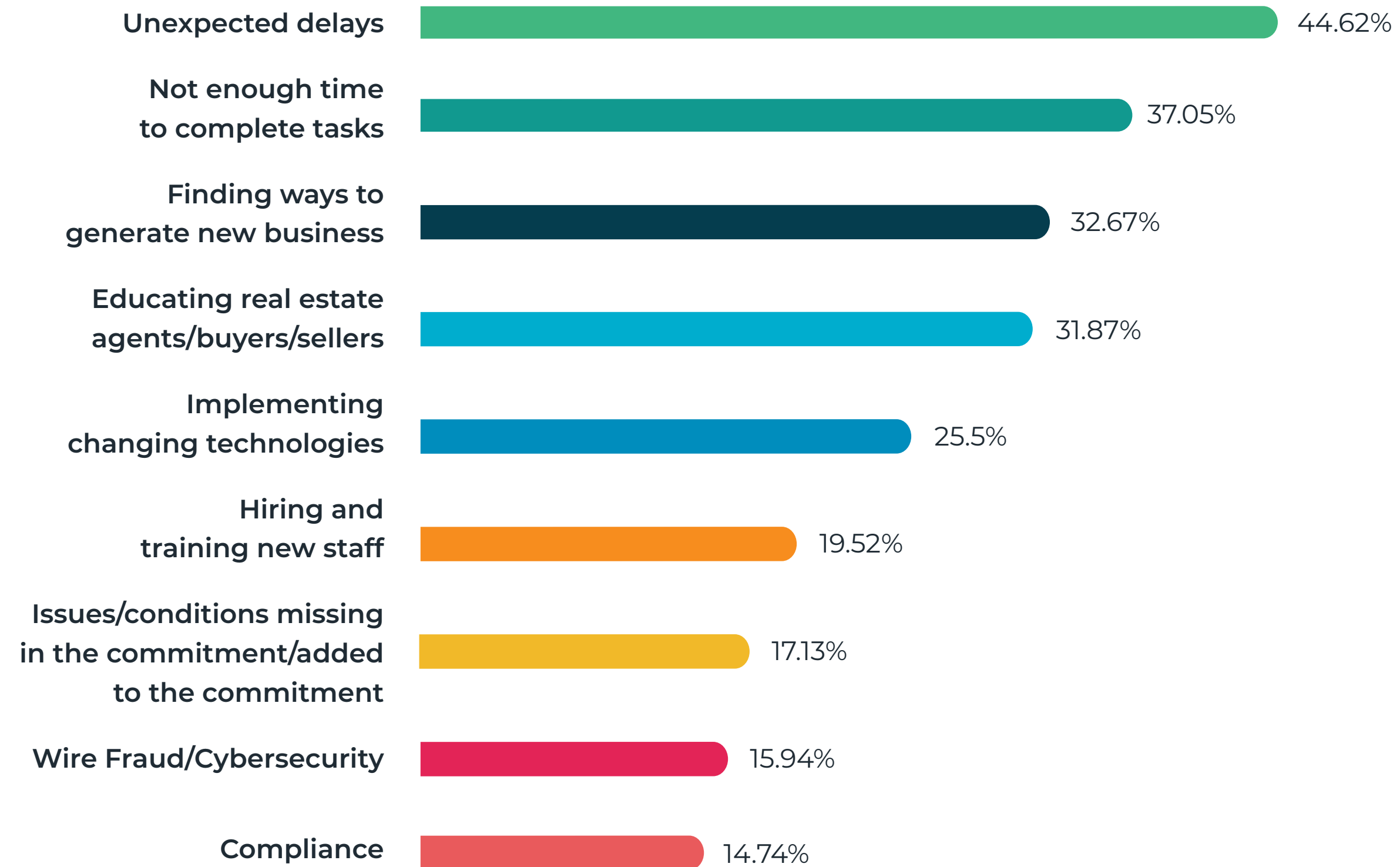


TOP 5 CHALLENGES

For Owners, CEOs, and VPs



BIGGEST CHALLENGES



The biggest challenges and concerns facing closers, processors, and attorneys are a clear reflection of their daily responsibilities.

For those in leadership roles, hiring and training new staff has moved up from the fifth position last year to the third biggest challenge this year, but finding ways to generate new business remains this group's top challenge.

Surprisingly, wire fraud concerns dropped from the top five list completely this year for all respondents. Hopefully, this is a sign that title and escrow agents feel better equipped to handle wire fraud than in previous years.



Training & Recruiting in the Title Industry



“ You don’t learn the title industry just by pushing buttons. ”

– ROBIN MORGAN,
Licensed CE Instructor &
Closing Agent

QUALITIES OF SUCCESSFUL CANDIDATES

As a closing agent with almost thirty years of experience in the industry, Robin Morgan is one of the many professionals in the industry training the next generation of professionals. Here are some of the personality traits and soft skills that she recommends owners and hiring managers look for when recruiting:

- High tolerance for stress
- Familiar with technology and processing platforms
- Ability to adapt
- Effective Communication

Additionally, setting expectations of what it’s like to be in the middle of the transaction and managing multiple parties is important to keep employees with great potential from leaving.

Age shouldn’t deter someone. Real estate agents looking for a career change often make for great

recruits for the title industry because they already have a wealth of knowledge about real estate, so it won’t be like starting from scratch.

Today’s workplace is a multi-generational melting pot and each person has something valuable to contribute, and the title industry is no different.

Listen to Robin’s complete interview on training and recruiting here.



SOFTWARE AS A RECRUITING AND TRAINING TOOL

It's true that pushing buttons won't teach a new processor or paralegal the nuances of clearing title defects and issuing marketable policies in a given region; however, how many buttons someone pushes to get their job done can be a source of stress, low morale, and employee turnover.

Considering the feedback on what title and escrow agents dislike about their current closing software, there is an opportunity to improve the user experience of title production software.

Individual responses for “What do you like least about your closing software?” included:

- “It's old enough to not also work with our emails. PDFs are a challenge.”
- “Constant errors and speed delays.”
- “There is no Dashboard for quick glance. Platform is too old school and not intuitive at all.”
- “Many details and glitches that affect other things.”

- “I can't easily click and drag files to be uploaded.”
- “Antiquated interface, lack of built-in tracking application, lack of client interface.”
- “Not entirely intuitive.”
- “Too many screens and you have to jump around a lot.”

Since the closing software serves as the backbone of most title operations, it's important to choose one that best suits your company's needs and unique internal processes while still providing some out-of-the-box features and functionality of a typical title production workflow.

The right software can serve as an equally powerful training tool for your next team of closing agents who meet the characteristics of successful candidates as described by seasoned veterans in the industry like Robin Morgan. Conversely, the wrong software can create an even steeper learning curve if the user experience is working against the trainee.





What Do Real Estate Agents Look for in Title Companies?

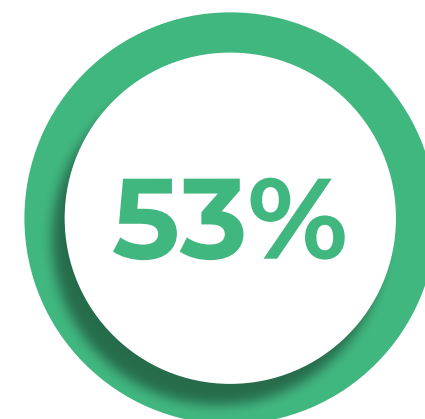


“ The only way to authentically grow your business is to increase your customer base ”

– DARRYL TURNER,
*Title Sales Coach, Speaker,
and Author*

The title industry is driven by the professional relationships you build with real estate agents and lenders. While homebuyers and sellers are at the nexus of a real estate transaction, most consumers rely heavily on the expertise and advice of their real estate agent, which means having a strong understanding of what real estate agents need from you is imperative to drive business growth.

How many title companies do real estate agents recommend to their clients?



of the real estate agents we surveyed said they recommend three title companies on a regular basis.



work with more than one title company or law firm.

We asked real estate agents “What are the most important things you look for in a title company or real estate law firm?”

The number one most commonly occurring word (35%) in their responses was communication.

Accuracy/quality, attitude/courtesy, and fair pricing that reflects standard fees were other common themes.

Comfort saturation denotes the number of orders your current clients are willing to give you. For owners and executives struggling with generating new business, the solution may seem simple: increase your order counts from your most loyal clients.

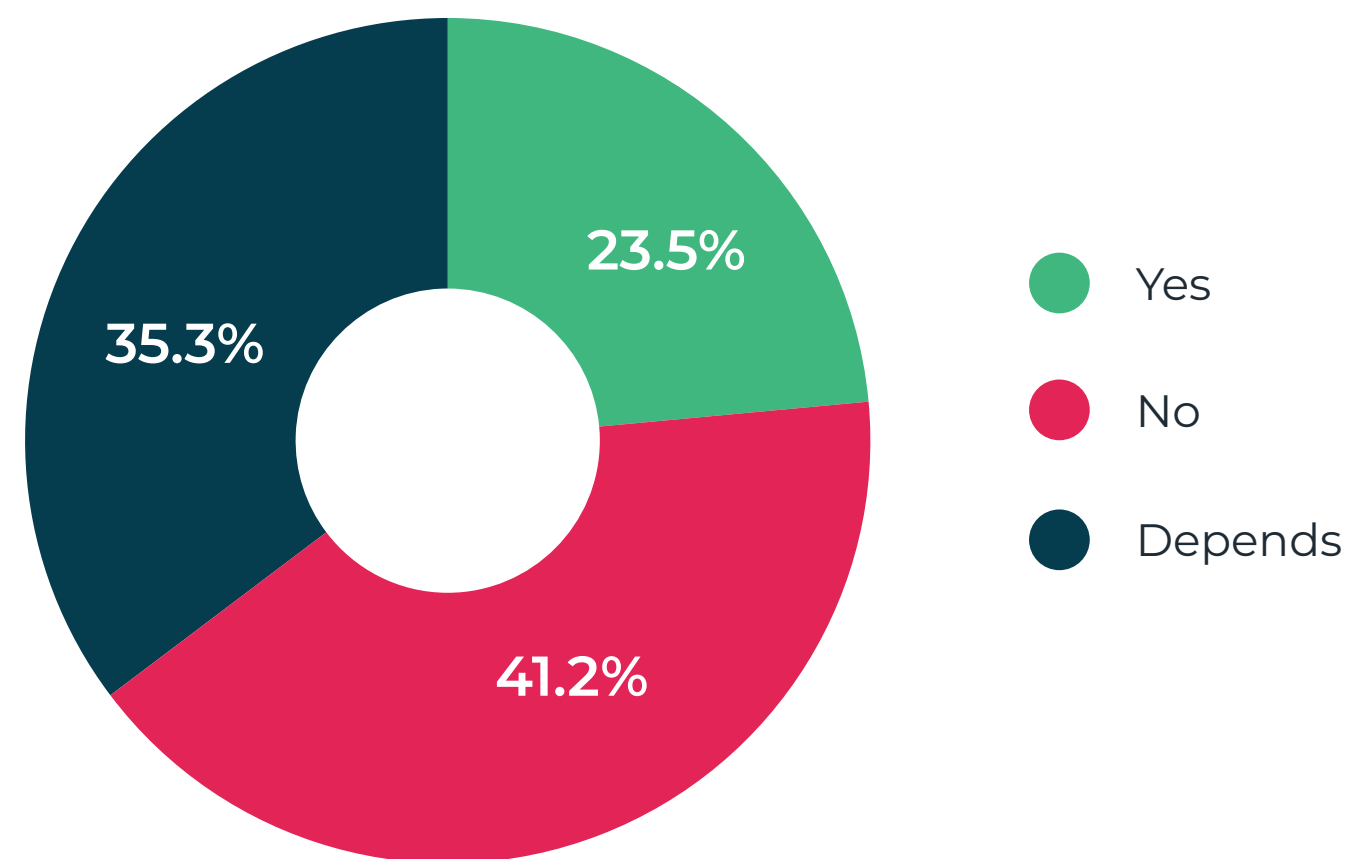
While you may be able to convince some of your most loyal clients to increase their comfort saturation, be sure that you can match that increase with additional value (e.g. increasing your accuracy, decreasing your pricing, and/or improving your communications). Otherwise, you may lose that client forever.

Get more tips on growing your title business, watch the on-demand webinar with Darryl Turner.

WHO SHOULD PAY FOR A TITLE SEARCH?

Who pays for what in a real estate transaction all depends on what's customary in that region as well as the competitiveness of that market. We wanted to know what real estate agents recommend to their clients.

Do you recommend the buyer pay for the title search?



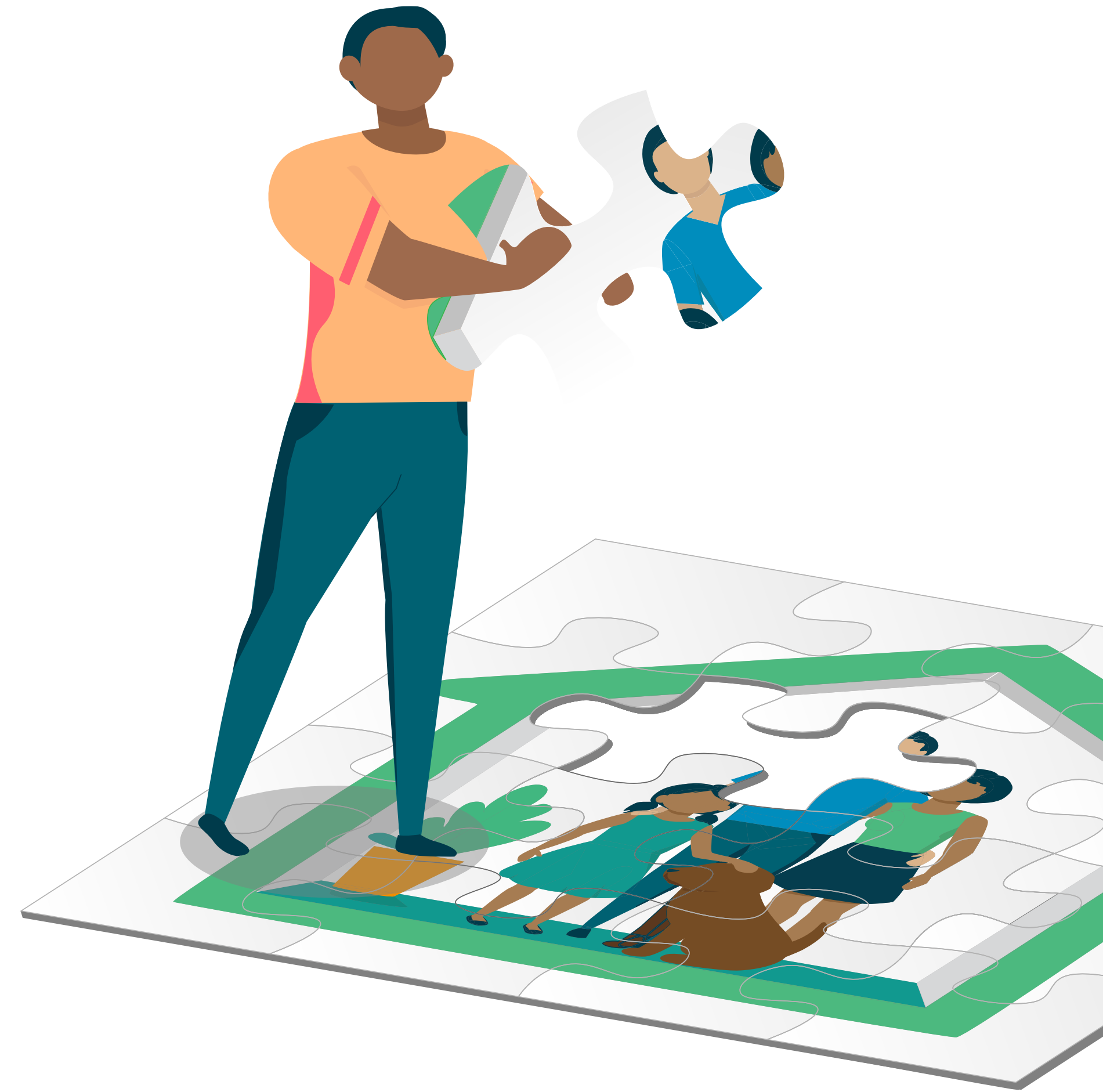
The majority of respondents make recommendations on either a case by case basis or don't recommend the buyer purchases the title search. The typical sentiment is that the seller has the obligation to prove the title is clear; it's their home and their title, so it's on them to cover this cost. While many homebuyers may love the idea of passing off another closing cost to the seller, it's important for real estate agents to understand the power that comes with this purchase.

As one respondent pointed out, "We use that as a negotiating tool, but I do tell buyers it gives them more control over what is happening during the closing process."

That control includes creating a title insurance policy that will cover all of the buyer's concerns and intended future uses of the property. Title companies and their underwriters can vary in what's included in their standard search, which all eventually affects the quality of the title policy and the new homeowner/policyholder.

Some of the issues that go uncovered include unpaid utility bills, pending code violations, opened permits with fees, and special assessments that aren't listed on the tax roll. These problems are not found with a traditional title search because they aren't recorded in the public record, but they usually attach to the property anyway. Unless the real estate contract explicitly includes a Municipal Lien Search for these caveats, the seller has no obligation to request their title company include them in the search.

Encouraging the buyer and their agent to work directly with a trusted title company or law firm means that the final policy includes the best coverage.



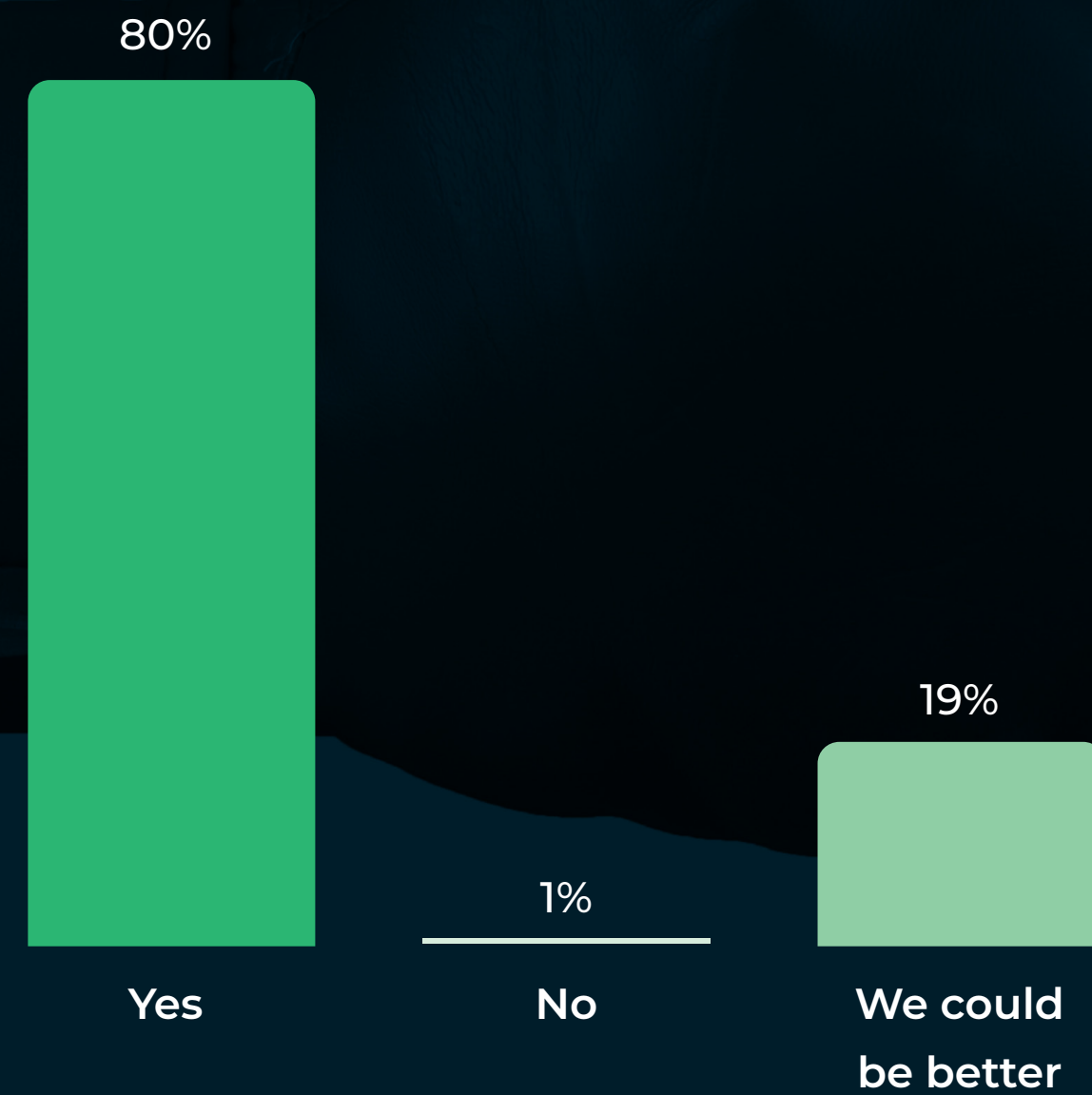


Real Estate Due Diligence

SIZING UP THE COMPETITION

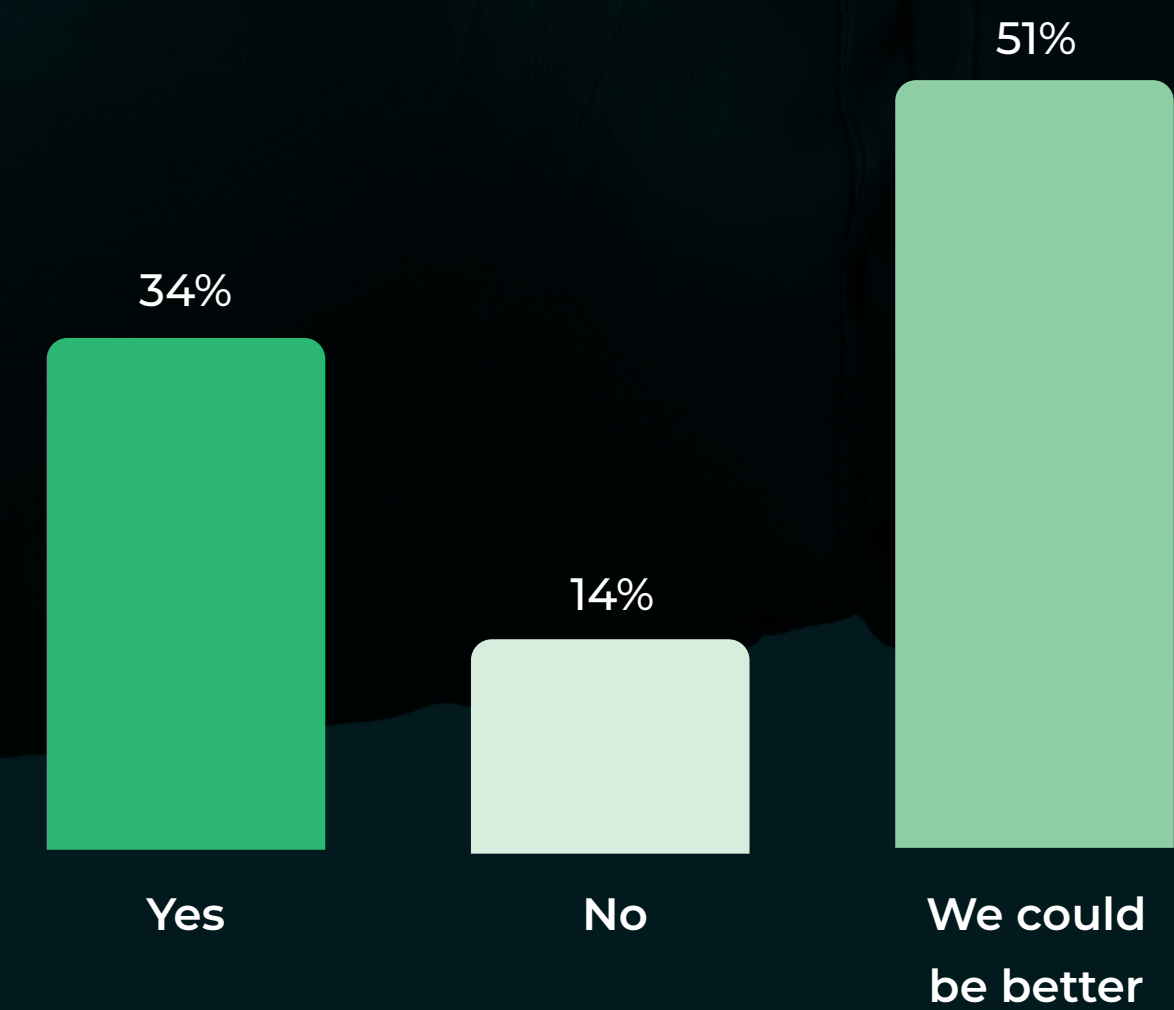
We asked title professionals to gauge their due diligence efforts and then tell us what they think of their peers.

Do you think your organization's pre and post-closing due diligence efforts are sufficient?



VS.

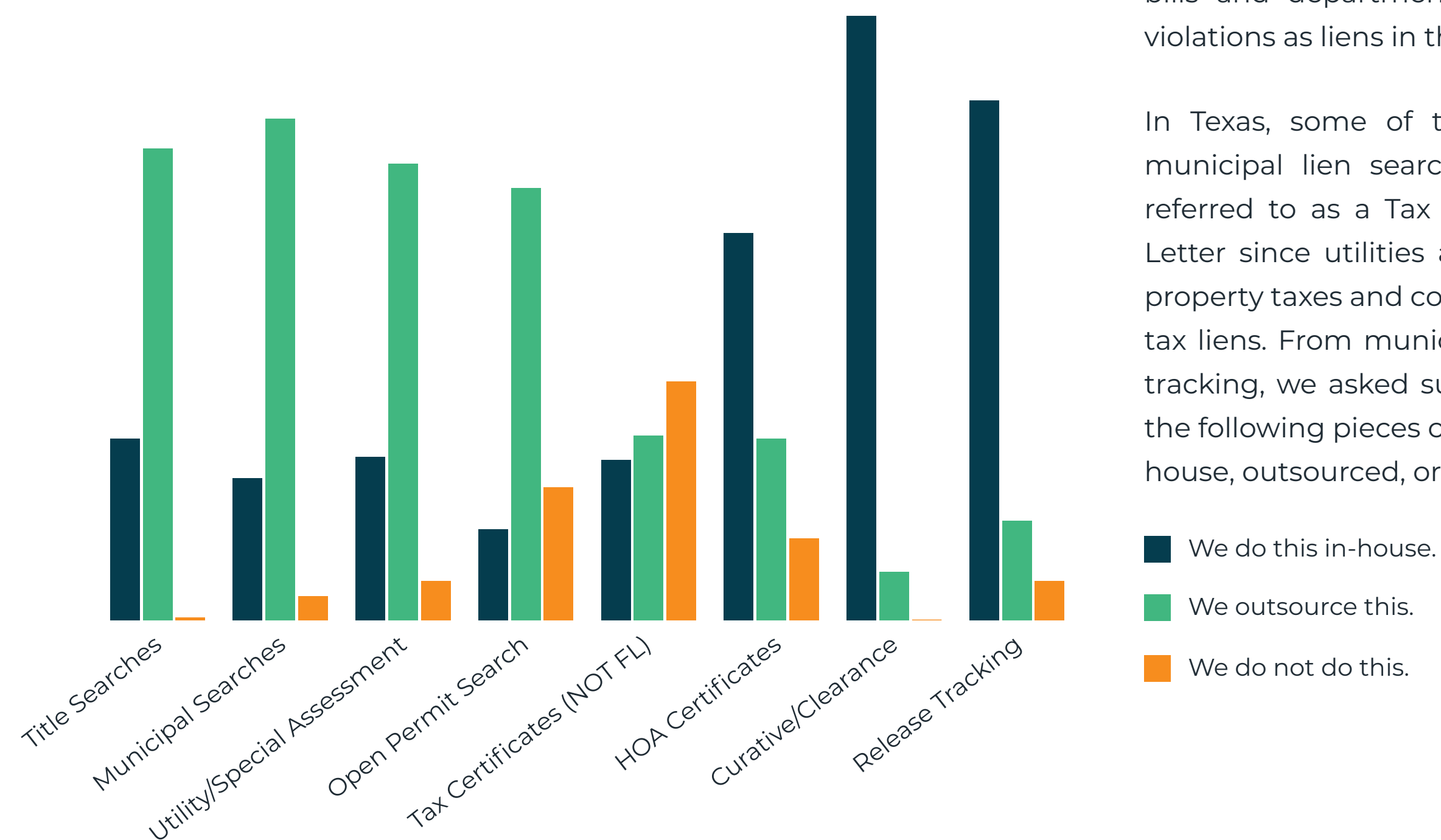
Do you think others in the industry do a sufficient job with pre and post-closing due diligence?



TITLE PRODUCTION

The following tasks are simply a snapshot of some of the pieces of title work. These tasks can involve a significant amount of sleuthing that changes from one region to another, and it's become increasingly common to outsource some research as more specialized third-party vendors fill the market and companies look to grow their regional and national footprint.

How does your company handle these pieces of title production?



While everyone starts with a title search of the property, the steps to clear defects and issue title policies look different in each state. Some of these regional nuances that impact a policyholder take years to learn, and they are often accompanied by their own colloquial terminology.

For instance, a municipal lien search is commonly conducted in parts of Florida due to state statutes allowing municipalities to lien on properties for code violations and unpaid utility bills and departmental delays in recording the violations as liens in the public record.

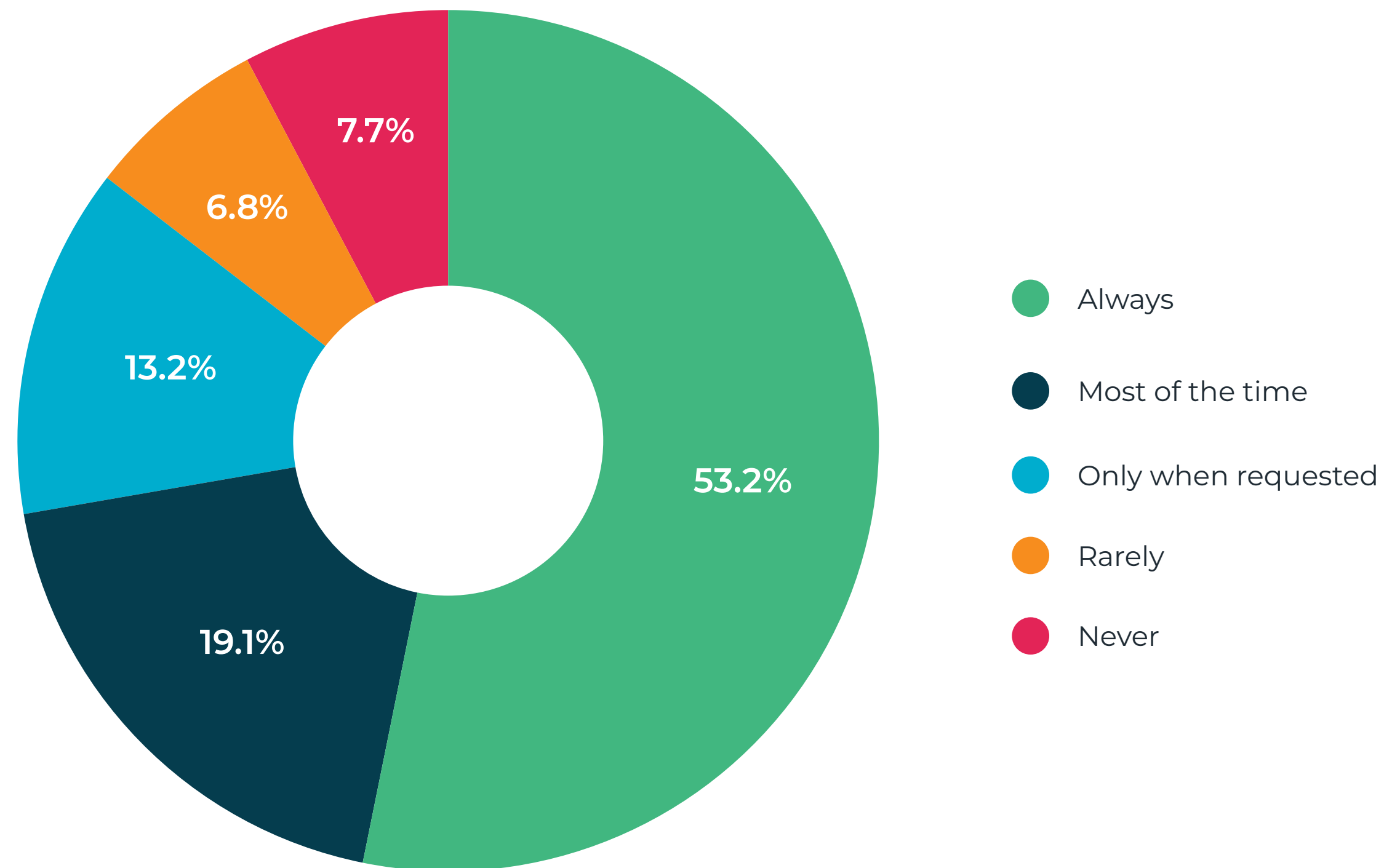
In Texas, some of the information found in a municipal lien search is found in a tax report referred to as a Tax Certificate or Tax Clearance Letter since utilities are often billed through the property taxes and code violations are enforced via tax liens. From municipal lien searches to release tracking, we asked survey respondents if they do the following pieces of real estate due diligence in-house, outsourced, or not at all.





Municipal Lien Searches

Beyond a title search, do you look for unrecorded municipal debt?



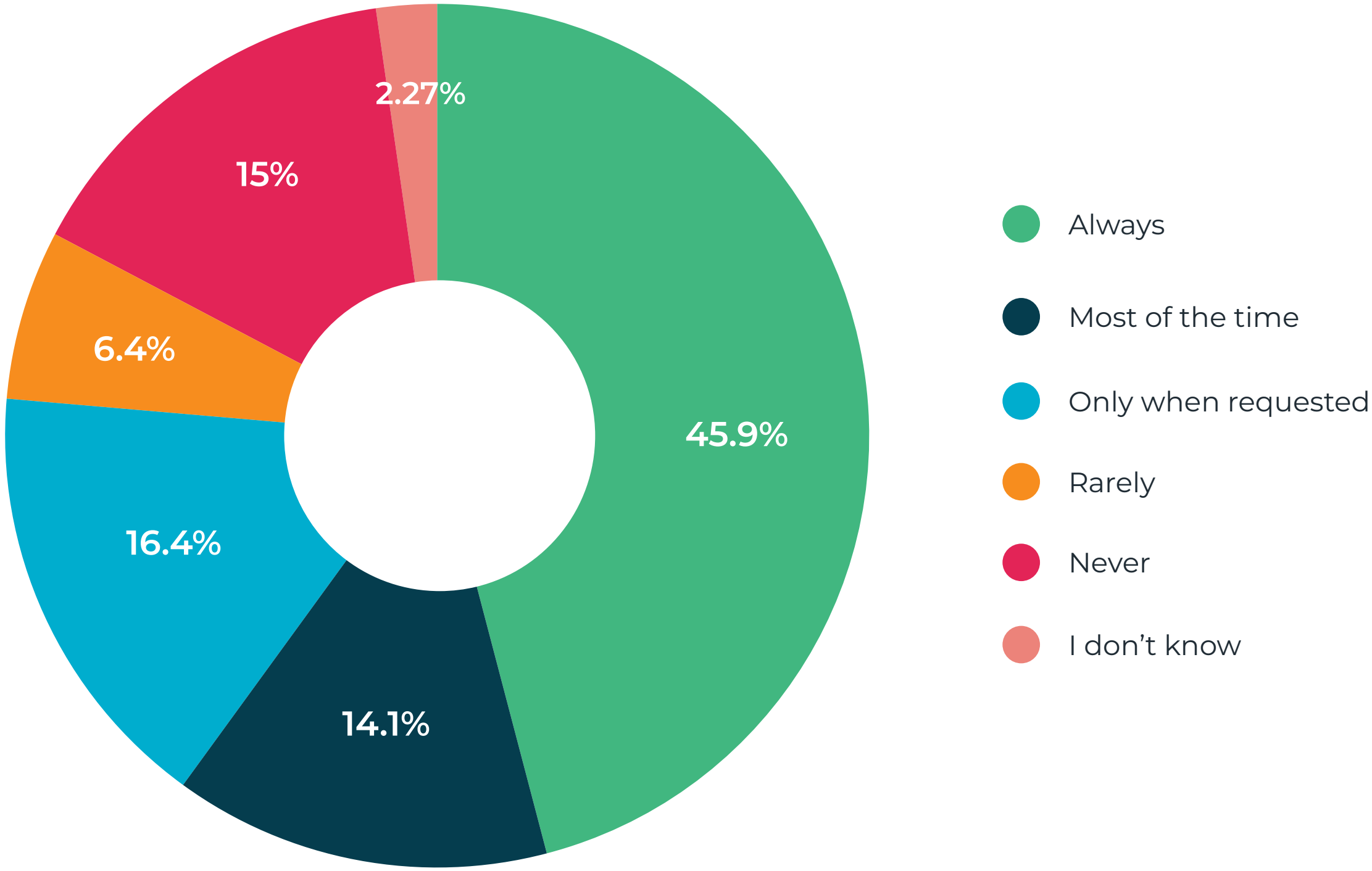
Depending on the area, a municipal lien search may or may not be a typical part of a title professional's search process. The name is a bit of a misnomer as it searches for property issues that aren't yet recorded as liens in the public record, but these pending issues have the potential to become a lien in the future or require the new owner to pay fines to settle the issue.

A standard municipal lien search includes:

- An overview of Property and Tangible Taxes
- Special Assessments
- Code Violations
- Open and/or Expired Permits
- Utility Billing Information



Does your organization check for open or expired permits?



For the overwhelming majority of our respondents, a permit search was conducted either always or most of the time. This is most likely a reflection of where most of the respondents work. As one respondent noted, "If I handled sales in Tennessee and Florida, I would, but it's not needed in northern Virginia."

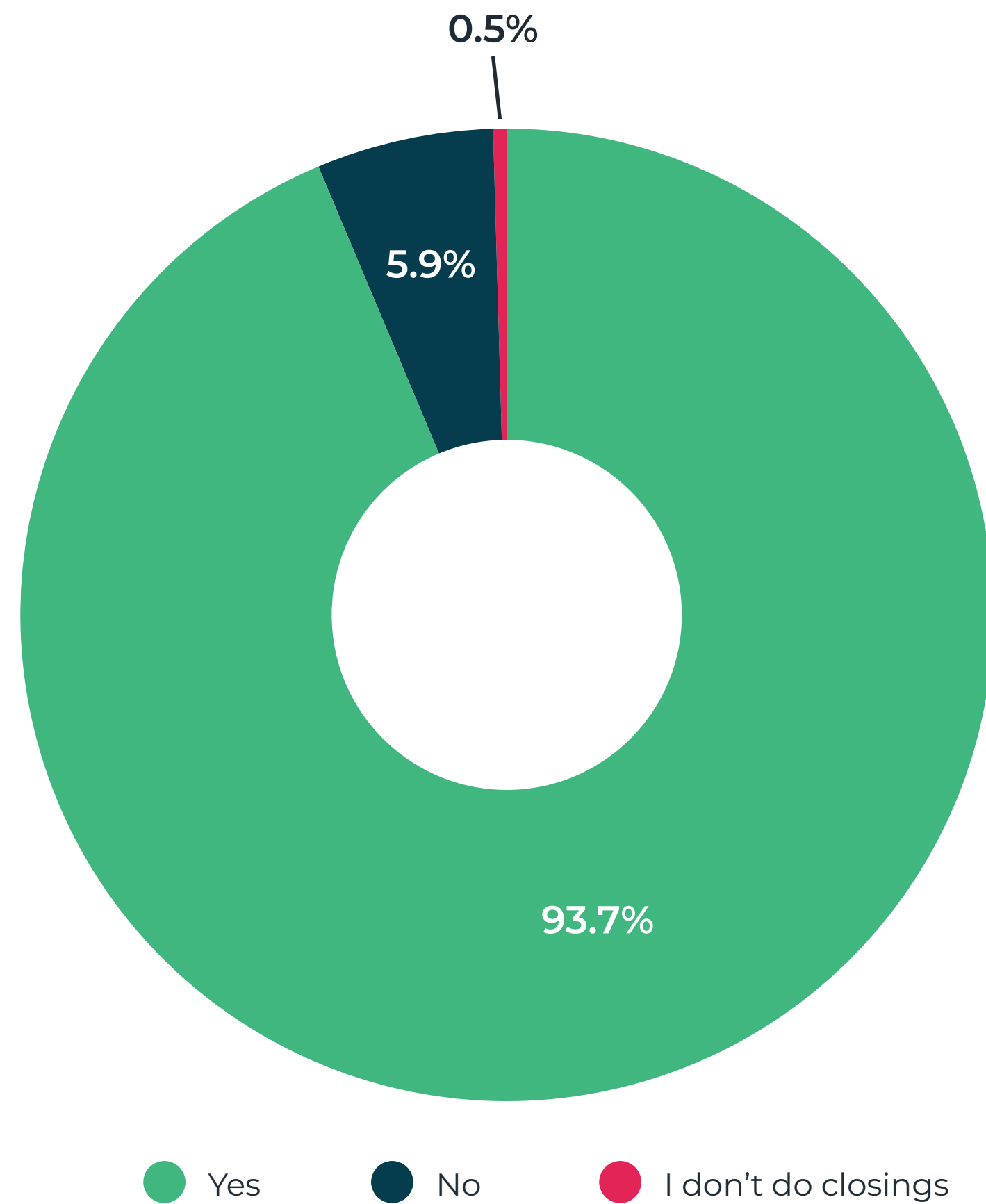
For those who don't do a permit search regularly, it usually comes down to it being out of the scope of work for title professionals in their area. For instance, the standard contract may state that the seller is to disclose all permit matters, so it isn't within the purview of the real estate attorney or title agent to do a permit search.

Other situations that decide whether a permit search is conducted included the type of property, the buyer's intent to demolish and pull new permits, and specific requests to expand the title insurance policy beyond the standard coverage.

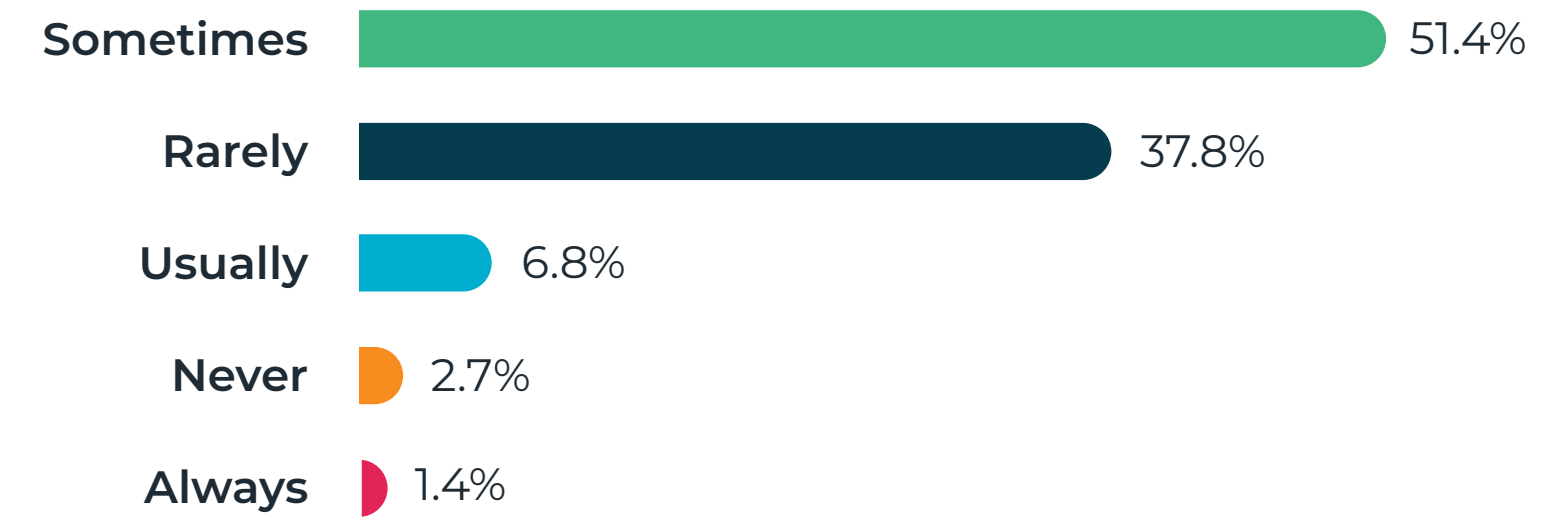


Title Curative and Post-Closing Due Diligence

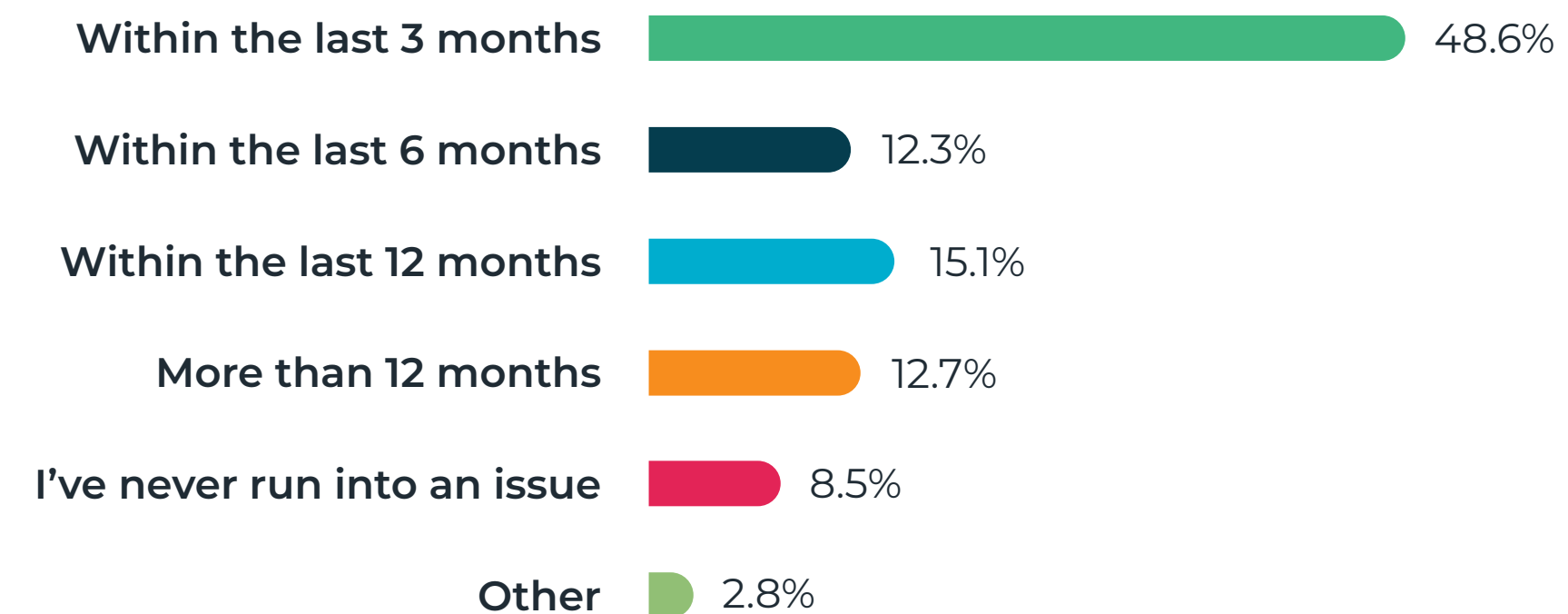
Have you ever had to clear title issues on a property neglected in a prior closing?



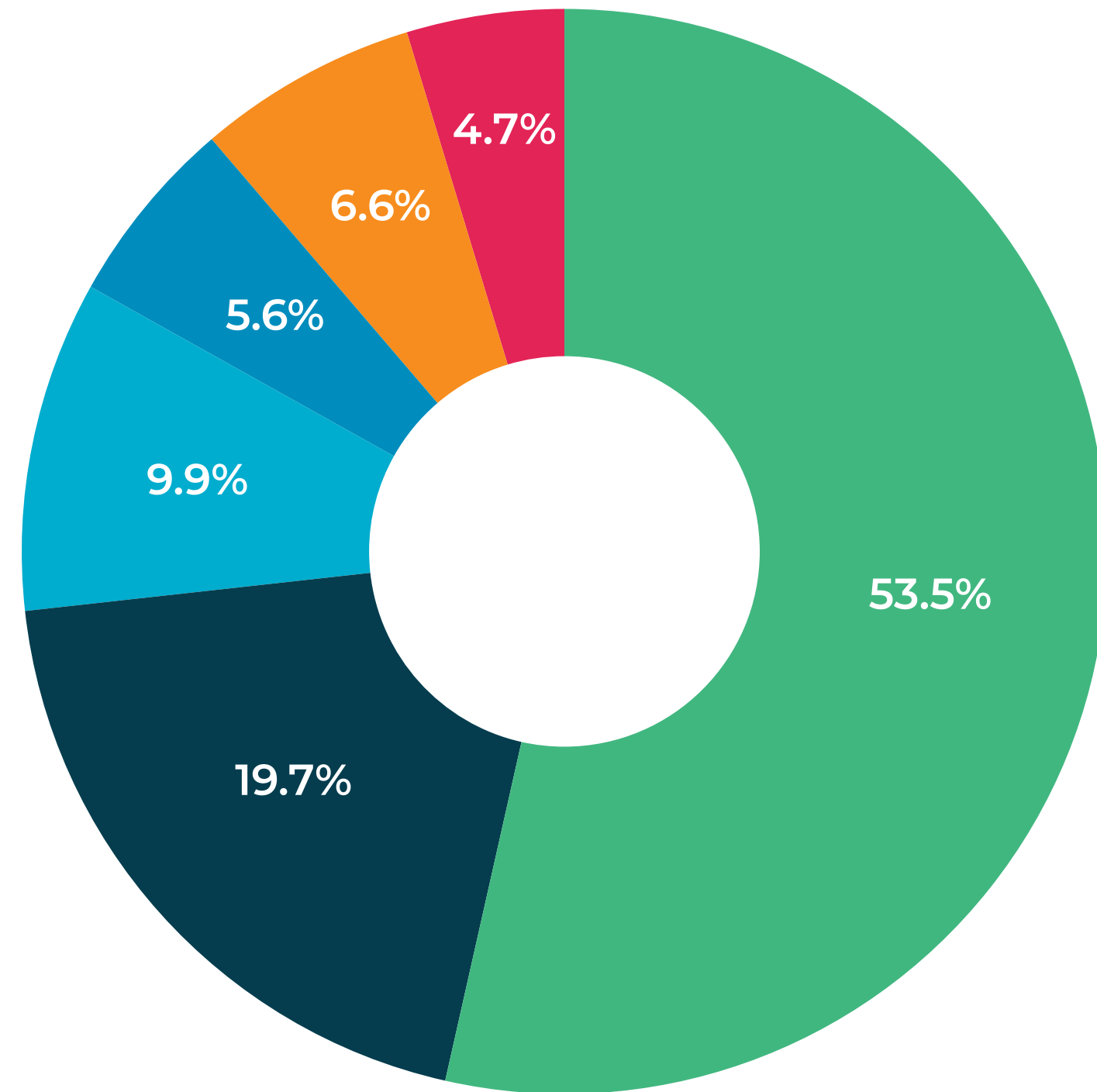
How often do you see a break in the chain of title as a result of mortgage re-assignments or other secondary mortgage activity?



How recently have you run into an issue with mortgage satisfaction or lien release recordings?

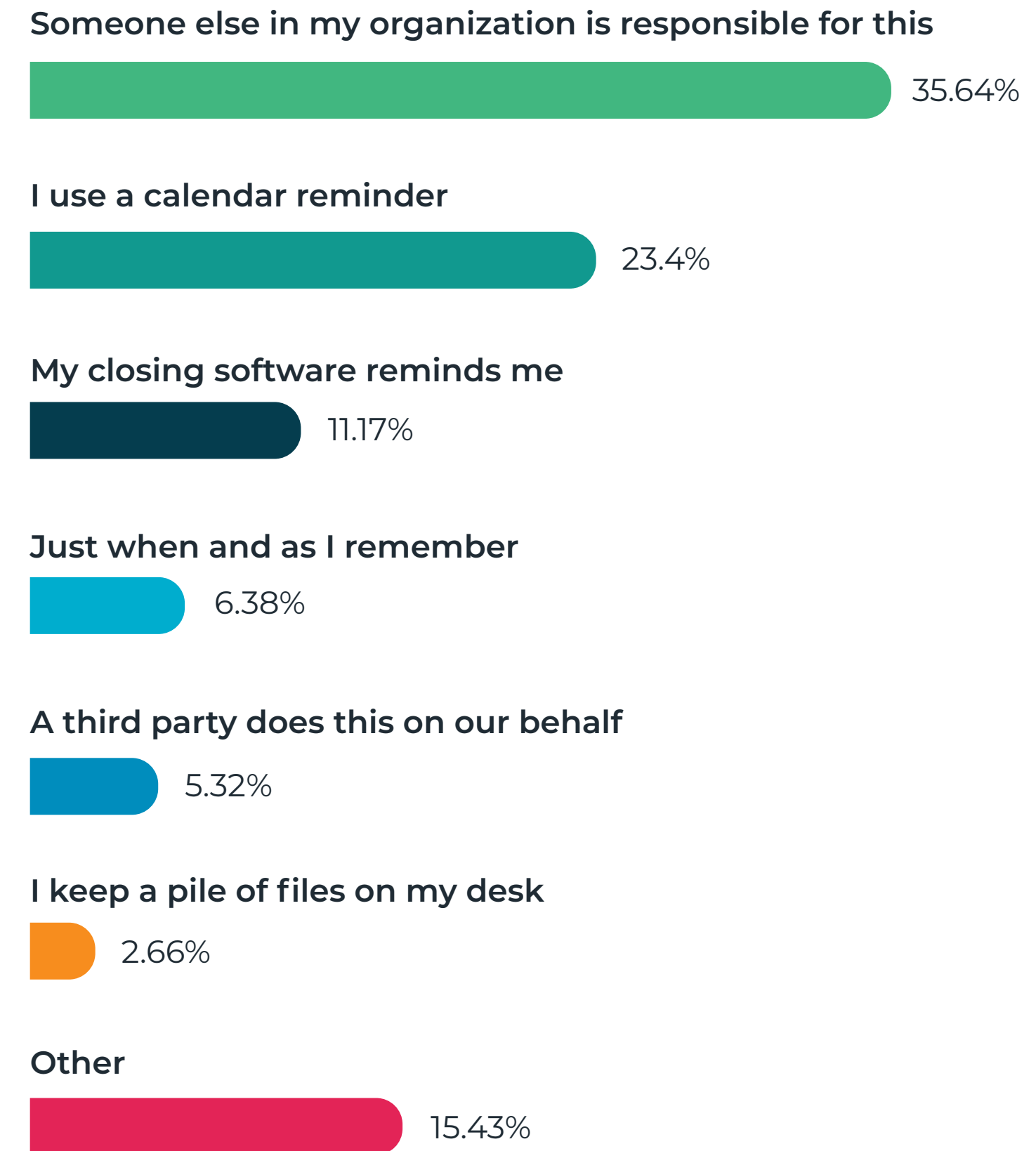


Does someone in your organization check public records after closing?



- Always
- Most of the time
- Only when requested
- Rarely
- Never
- I don't know

How do you track recordings after closing?



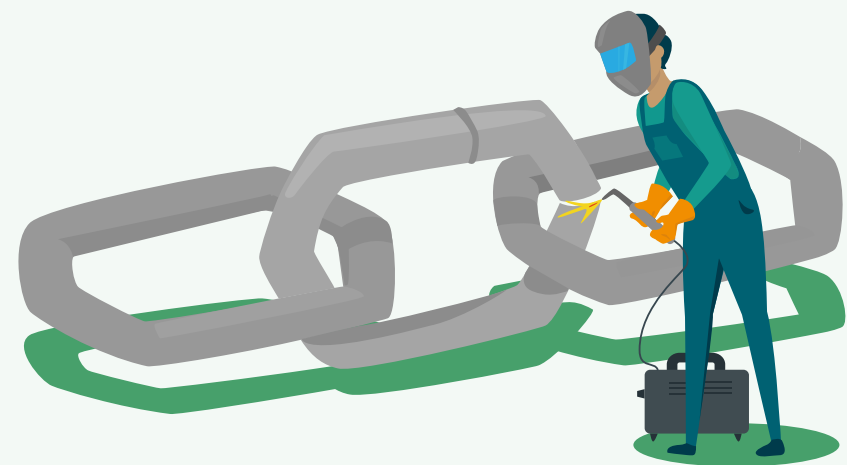


The Connection between Title Curative and Release Tracking

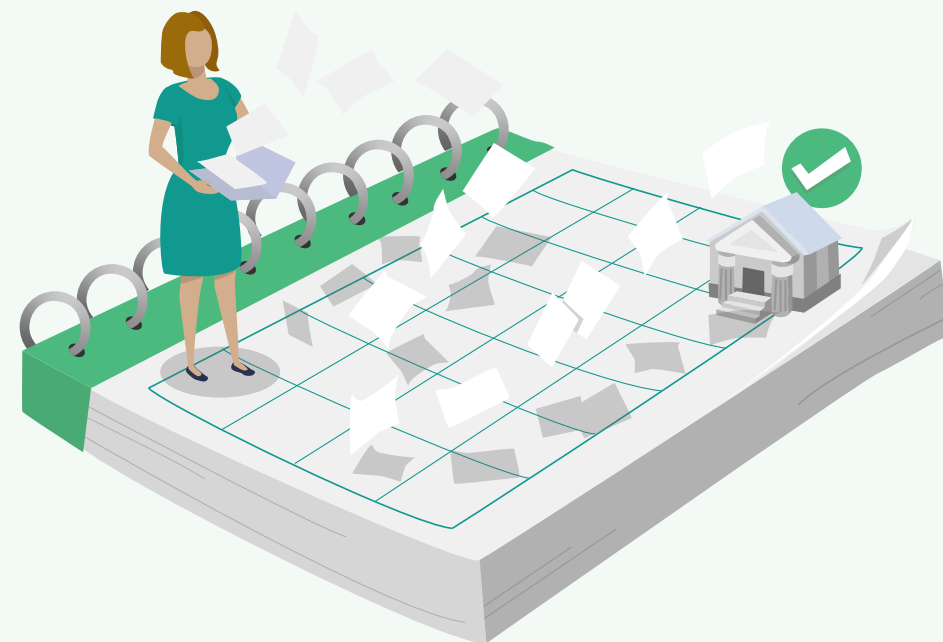
Some title curative issues, like a missing mortgage satisfaction, stem from improper follow up from previous transactions, making release tracking, regardless of whether it's part of a title company's internal process or done by a third party, an even more valuable part of your post-closing due diligence.

It's important to understand the difference between **title curative** and **release tracking**:

Title Curative work is a set of procedures used to correct or "cure" title defects on real property that are caused by missing chain of title documents in the public land records. This is usually due to the real estate related documents not being properly assigned to a new lienholder or released after a payoff is collected. This is done before closing.



Release Tracking is the search of the official records to confirm that all documents, or instruments, identified within the title commitment are properly released with the correct subsequent and corresponding document. This is done within 30-90 days after the closing.



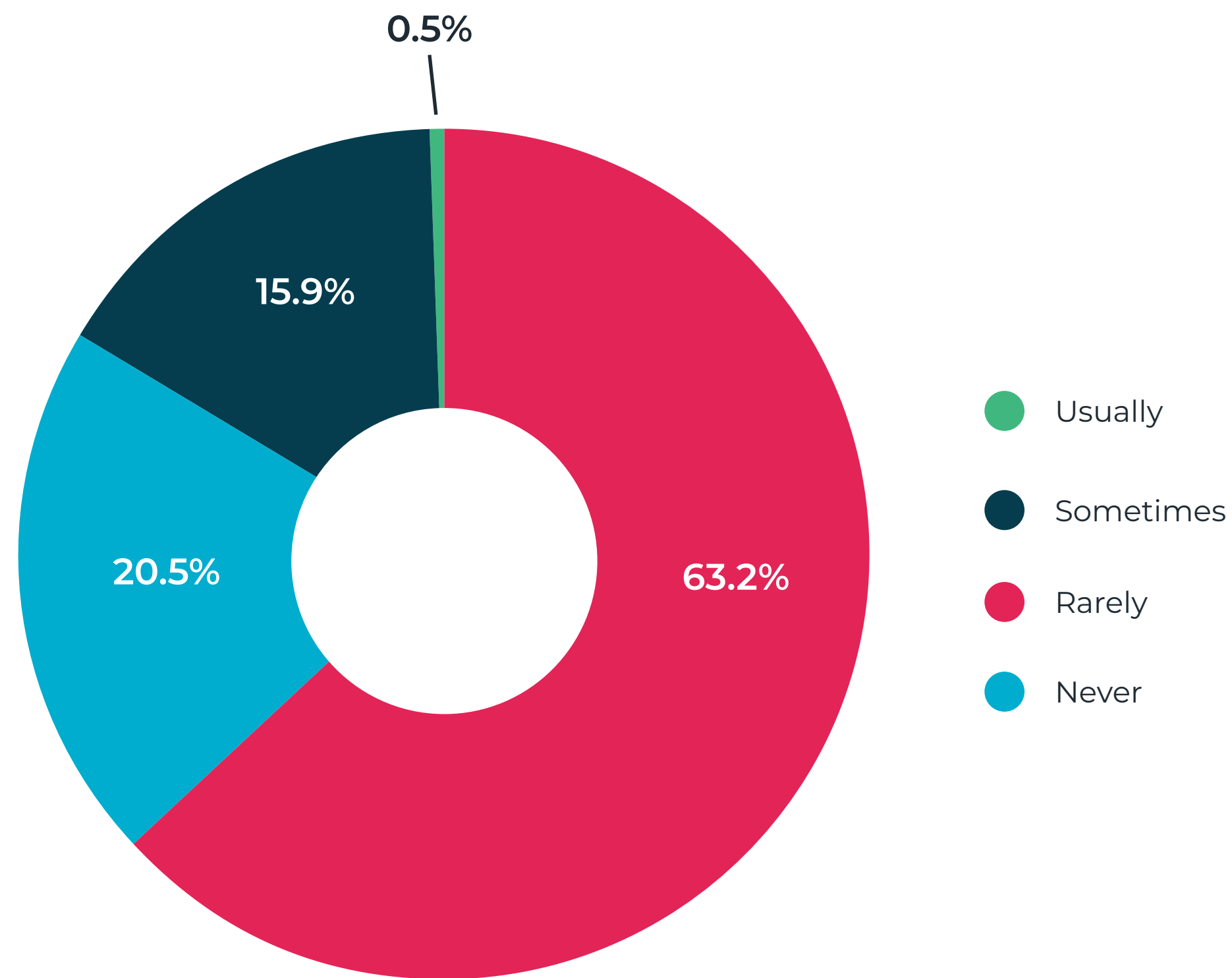
By skipping release tracking, some of the problems that can be more easily resolved a few weeks to months after the closing become bigger title curative problems for the next title professional to clean up.



If **49%** of agents are reporting issues with lien release recordings within the last three months and **12%** of agents are rarely or never checking the public record after closings, it makes perfect sense that **94%** of title agents report clearing title issues neglected in a prior closing.

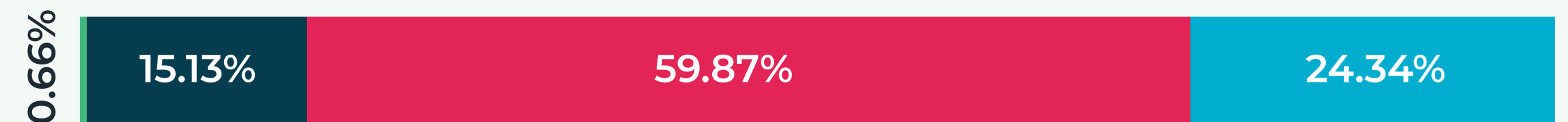
CURING TITLE WITH QUIET TITLE ACTION

How often do you have to settle title defects through quiet title?

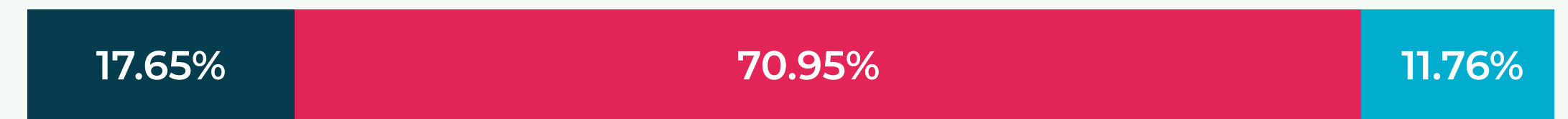


When segmenting the data based on whether the respondent works for a title company or a law firm, those working for a title company are more likely to never resort to quiet title action.

Title Company/Agency



Law Firm



Quiet title can be an expensive and lengthy legal action to settle title defects, which may partly explain why those who aren't practicing attorneys would shy away from it. Those working at law firms are also more likely to be personally involved in less closings (0-10) than agents working at title companies. Between the time, cost, and required legal expertise, it's understandable why both those in law firms and title companies rarely resort to this action.



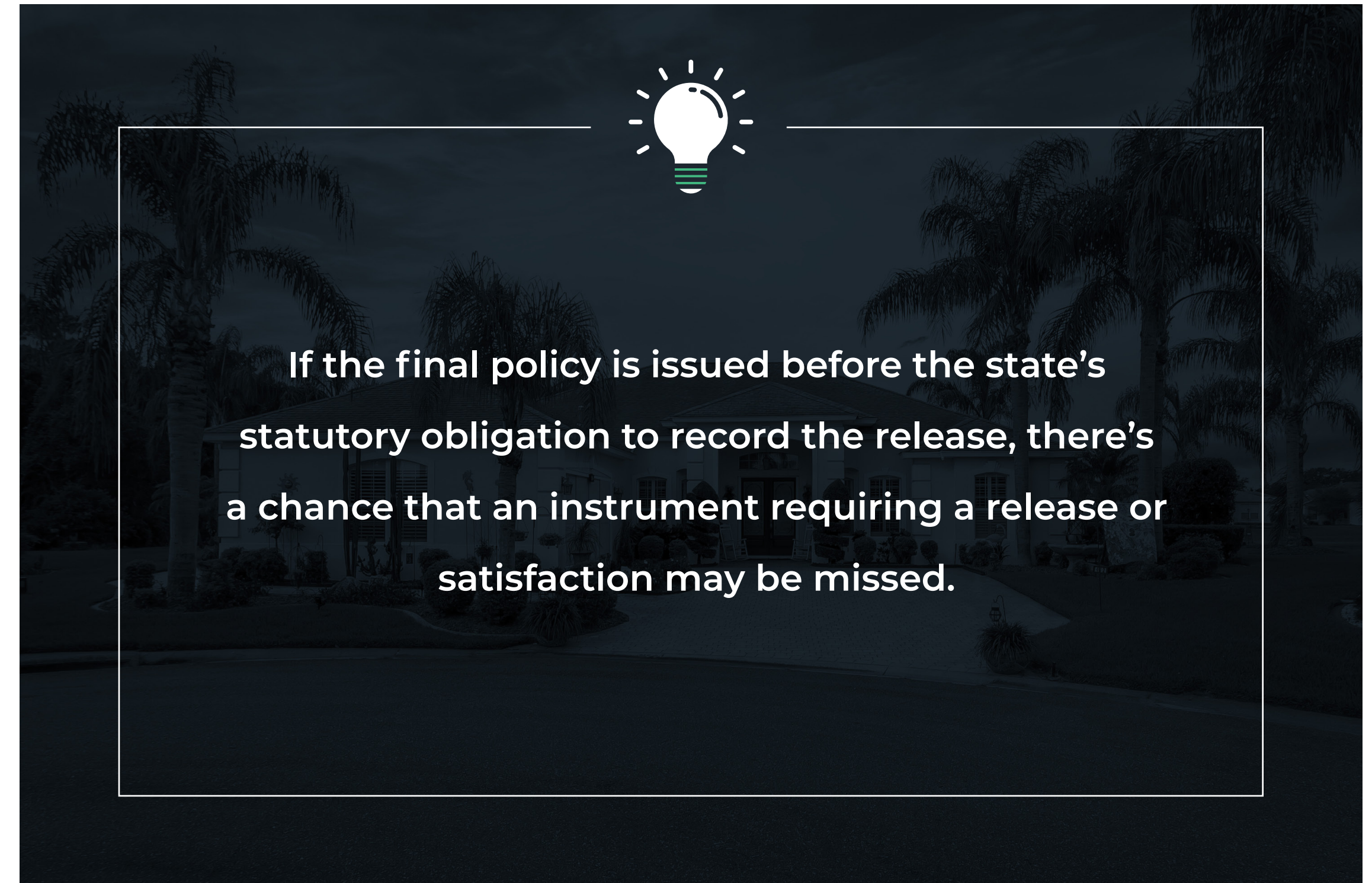
Best Practices at Odds with Lender Expectations

Many title companies and law firms have post-closing departments that have clearly documented processes for ensuring the instruments in the title commitment are recorded properly, including the mortgage satisfaction. Others have an established post-closing checklist process that includes ordering a search update through their underwriter's title plant. Files aren't archived until all conditions have been satisfied.

While eRecording tools like Simplifile have made it easier to send the documents to the county or city recorder after closing, it's not available in every municipality, and

there is still some manual effort required on the part of the recorder. Many of the respondents (22.5%) who said that they use a calendar reminder to check the public recording after closing also use Simplifile in their workflow.

A fair amount (40%) of respondents who chose "other" when asked how they track recordings after closing stated that they checked for recordings when issuing the final policies. It's important to remember that depending on the state, a recording for a lien satisfaction or release could take up to anywhere from 30-90 days to appear in the public record.



At the same time, the American Land Title Association (ALTA) Best Practices encourages a title policy to be issued and delivered within thirty days of the settlement or the date that terms and conditions of the title insurance commitment are satisfied, putting many agents in a procedural catch-22.

Smaller companies without a post-closing department may find it difficult to keep up with all the tasks after closing like tracking all instruments. And, of course, many title agents may operate under the assumption that others in the real estate transaction are fulfilling their obligations. In fact, one respondent commented that it's the lender's responsibility to release their mortgages.

However, according to another ALTA Best Practice, agents are encouraged to review legal and contractual requirements to determine their company's obligations regarding recording documents. Companies should also incorporate the following into their written post-closing procedures:

- **Submit or ship documents for recording to the county recorder**
- **Track shipments of documents**
- **Follow county procedures to reduce rejections**
- **Respond quickly to rejections**
- **Verify the recording actually occurred and maintain a record of the recording information for each document**

Additionally, since the title company or real estate attorney issues a policy verifying that all liens are released and the title is clear, the title agent is ultimately responsible for making sure they are, in fact, released.

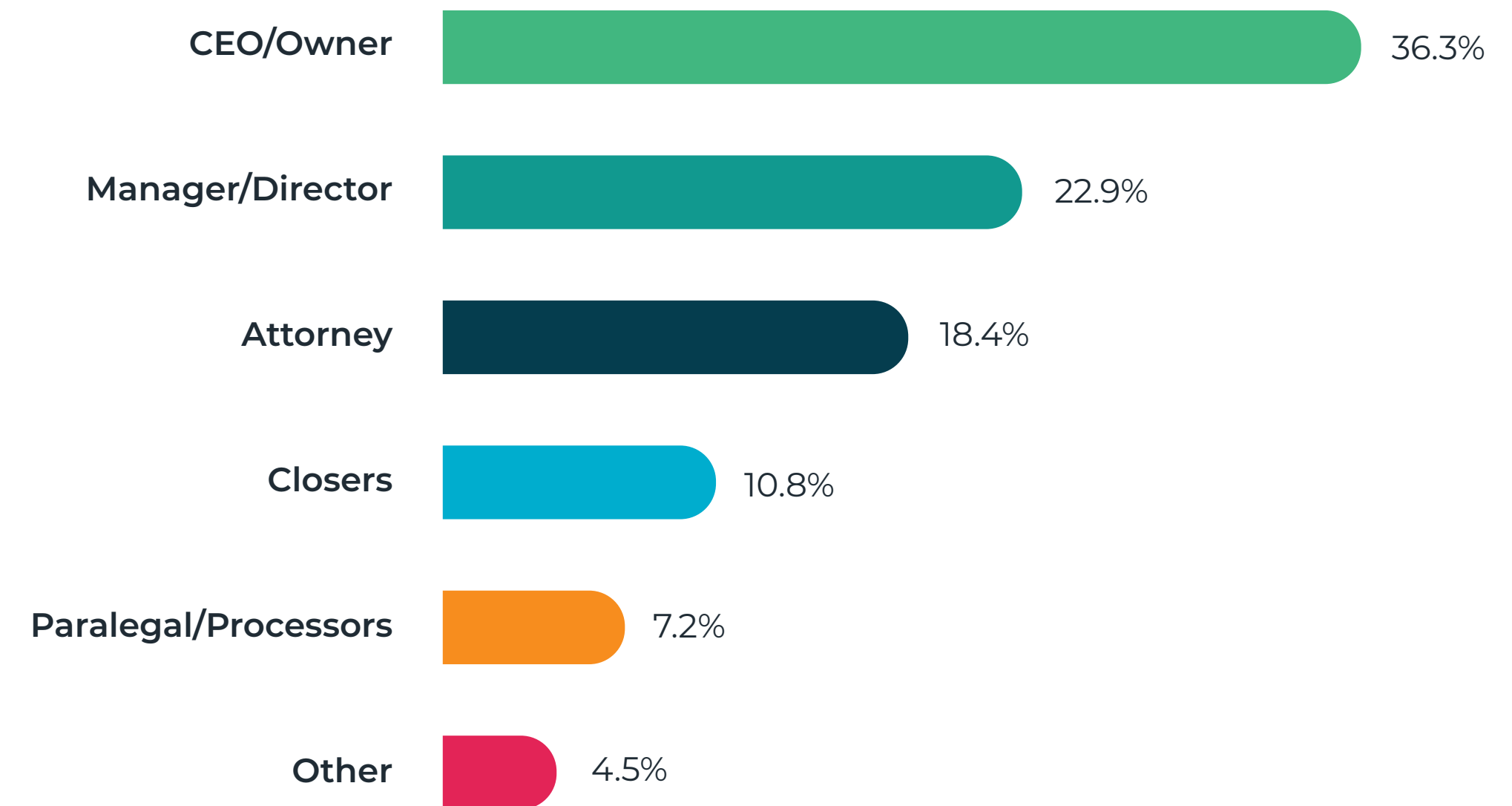




Why Title Agents Outsource Due Diligence

WHO DECIDES IF WORK IS OUTSOURCED AND WHAT VENDOR IS USED?

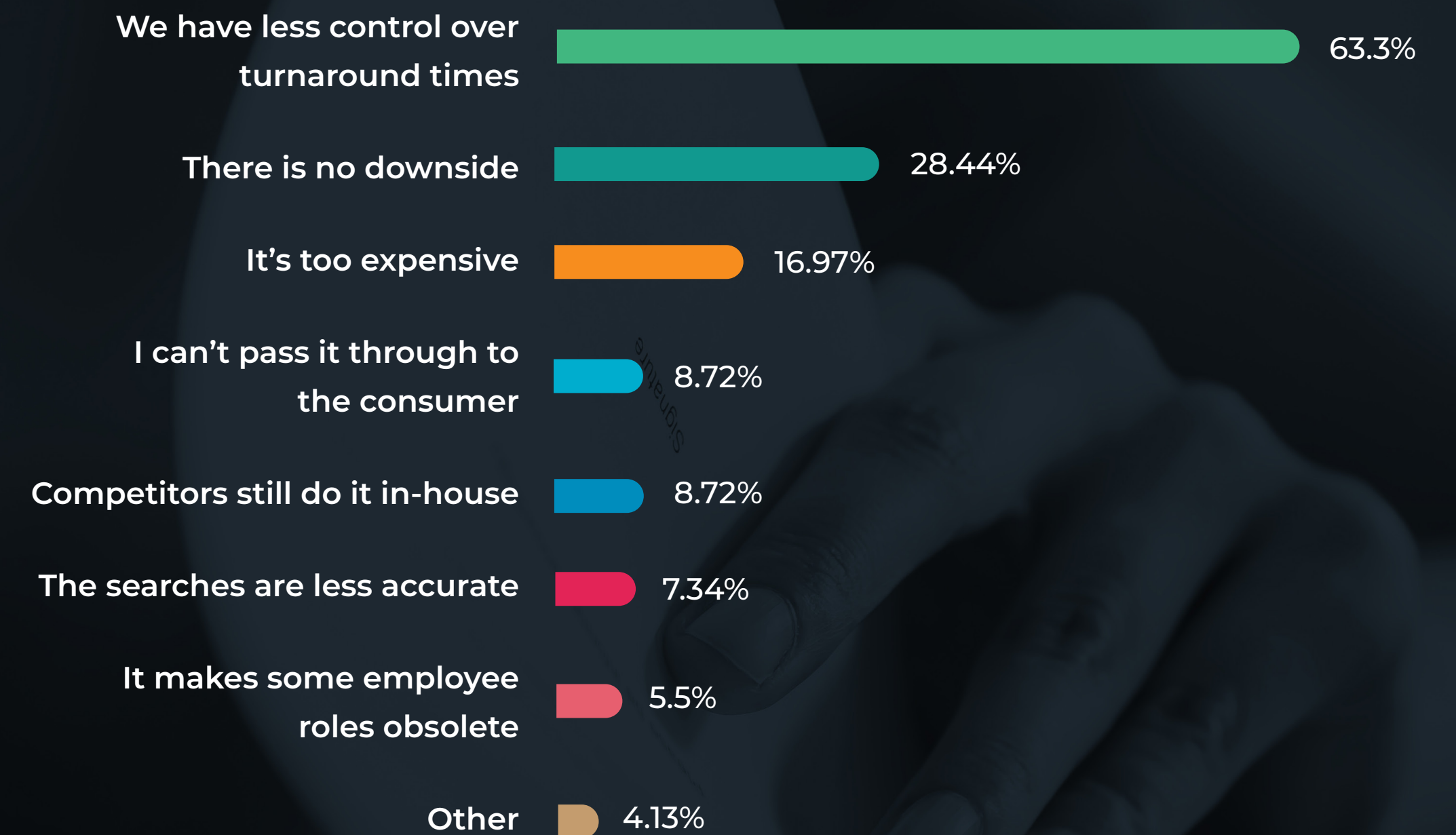
Unsurprisingly, those who held leadership positions made the final decision on if and who to use for title support due diligence services. Regardless of their role in the company, the number one reason to outsource was so there was more time to focus on other important aspects of the closing.



In your opinion, what are the **benefits** of outsourcing this type of work?



In your opinion, what are the **downsides** of outsourcing this work?



When it comes to downsides, less control over turnaround time was the biggest concern. Both of these responses make perfect sense given that unexpected delays and juggling too many tasks topped the list of biggest challenges for closers and processors as well as decision makers in the company.

Some comments point to the question of who is responsible for research like a municipal lien search as it falls out of the boundaries of a traditional title search. One respondent who outsources both municipal lien searches and HOA estoppel certificates reasoned “municipal lien searches are not [the] title company’s responsibility, and HOA estoppels are time consuming and need to be prepaid in many cases.”

Another respondent noted, “[Outsourcing] allows fixed costs to be turned into variables as each service is charged by closing” as a benefit.

For downsides, one comment from a respondent who outsources Municipal Lien Searches pointed to cancellations as a concern. “If [the] file cancels, we have to eat up the costs.” Other concerns included “rare missing information” and “We don’t profit from providing the service.”

For decision makers considering outsourcing any piece of their title production, it’s important to ask vendors if they have customizable pricing packages, that include features like free cancellations and updates, that can accommodate your targeted cost per file, compliment your current internal process, and amplify your output.

Read more about the benefits of using a variable cost model in your title operations and other questions to ask before outsourcing.





Responding to Changes in the Real Estate Market

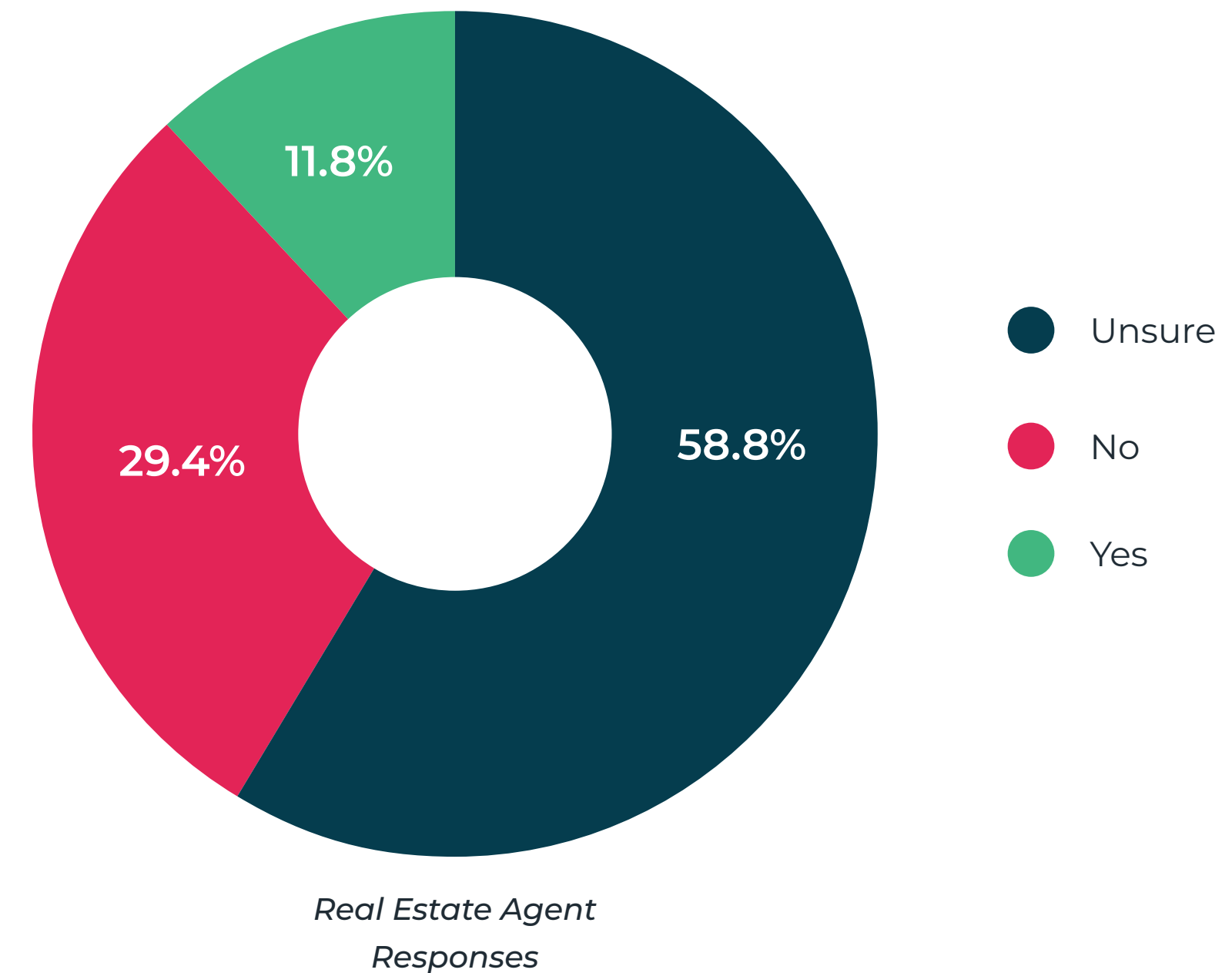
We launched the survey in January well before the threat of coronavirus caused one of the biggest and sharpest economic declines in the history of the United States and the world. While the housing market has emerged from the pandemic as not just a survivor but a thrivor, the virus has left an indelible mark on all real estate, title and lending professionals as well as the homebuyer and seller.

iBuyers

Changes to the real estate technology and process used by consumers and professionals had begun in earnest. At the start of 2020, iBuyers had steadily expanded their services over the past several years only to see some of the biggest players, like Zillow, to pump the brakes in March. While iBuyers took a hit like many businesses, the comeback in the summer has been substantial. Using proprietary algorithms to determine which markets to hone in on, these all-cash, no-contact buyers are appealing to many people listing their homes during a pandemic.

Zillow, Opendoor, Redfin, and Offerpad are all considered major disruptors of the real estate transaction, so we wanted to know what real estate agents think about them.

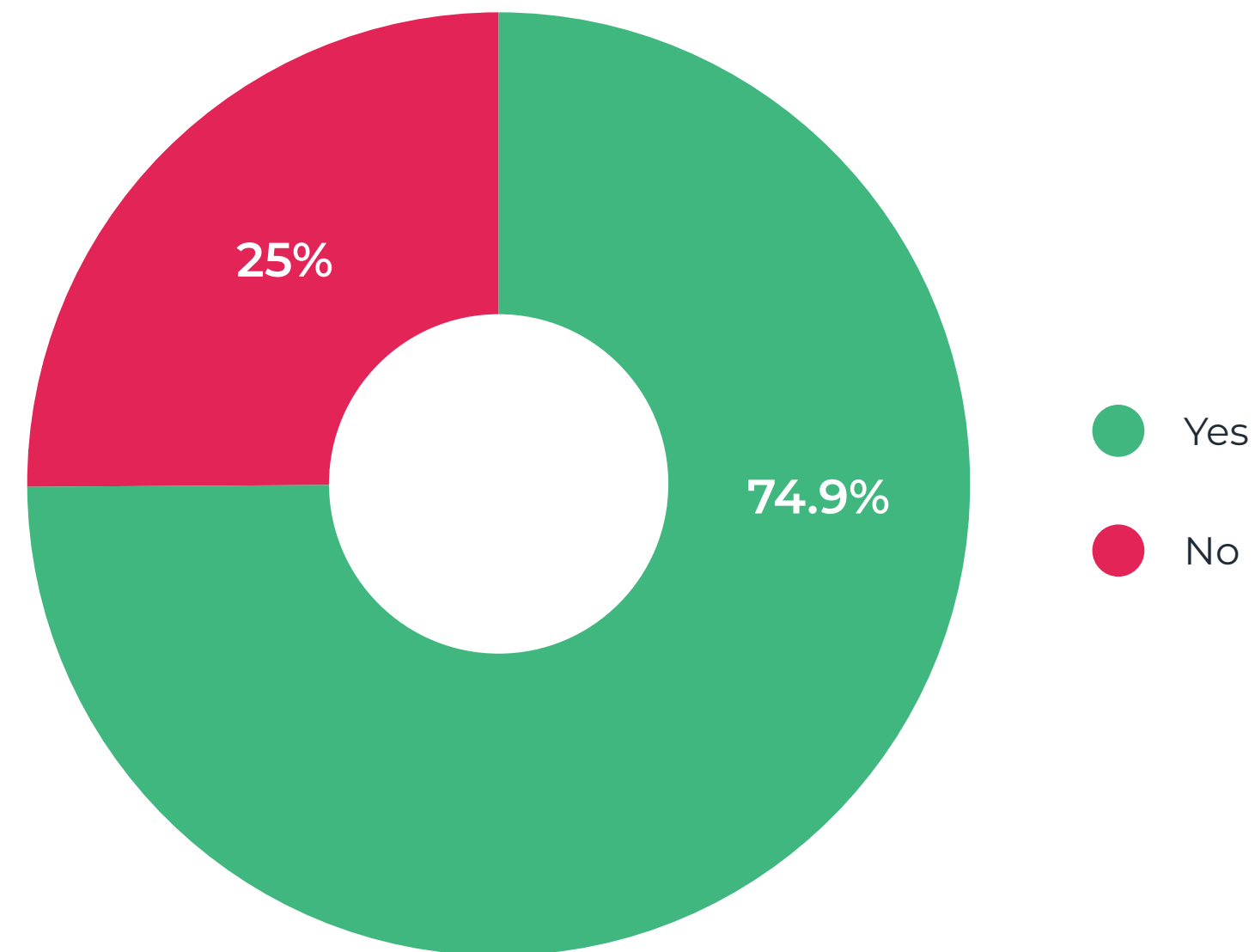
Do you think iBuyer or similar-type companies have affected your business?



For those unconcerned about iBuyers, the majority were not working in markets with an iBuyer presence and for others, they were confident that their level of service and personalized expertise outweighed the convenience of these companies.

One respondent who was worried commented, "[iBuyers are] taking large market shares quickly." For one respondent, a change in strategy seemed necessary; "My emphasis has recently changed, and I'm working primarily with investors."

Have you or do you plan to make any changes to your business?



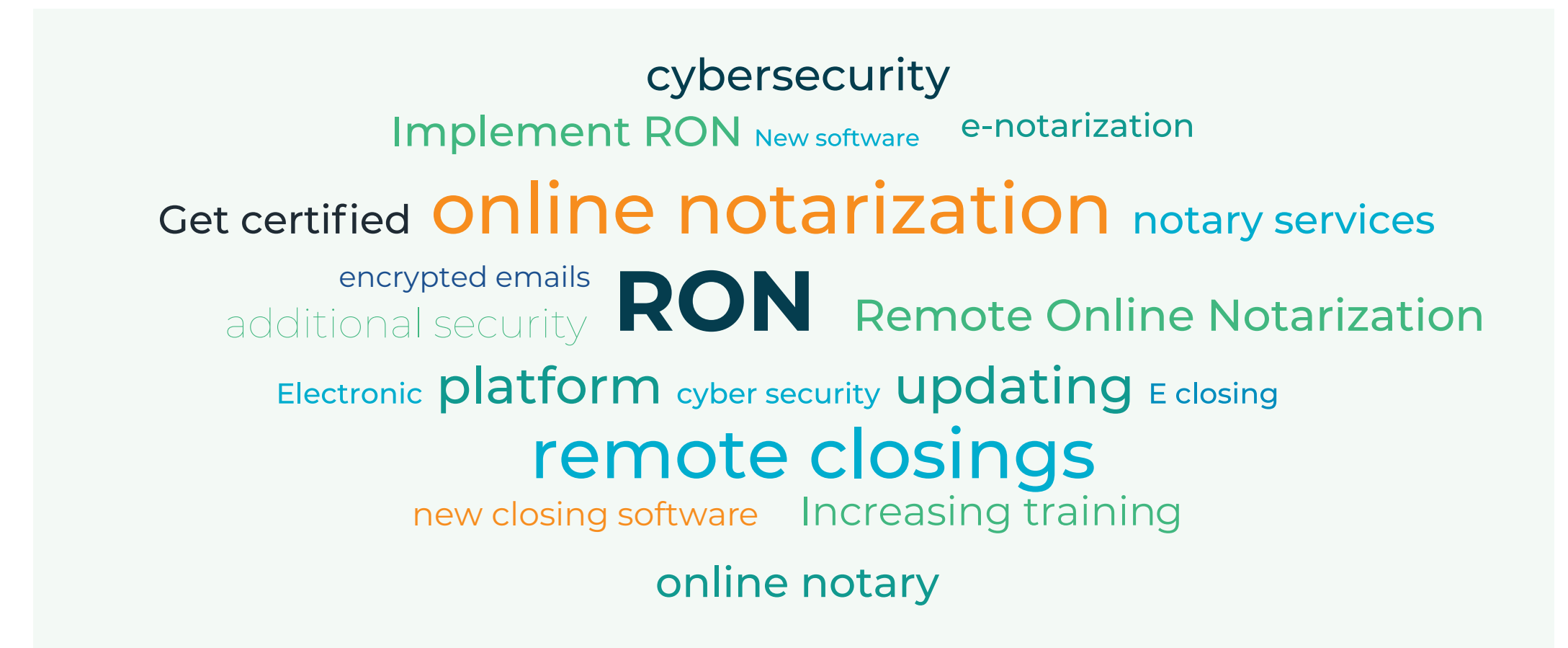
Remote Online Notarization

Real estate agents aren't the only ones making changes. Since 2015, many professionals in the title and lending industry leveraged new TRID regulations to implement technological and internal workflow improvements, resulting in a slow shift away from paper-based processes to more digital integrations.

To assess what changes title and settlement agents are currently embracing, we asked "Have you or do you plan to make any changes to your business in response to trends like cybersecurity, regulatory uncertainty, Remote Online Notarization?"

For those who said yes to change, the overwhelming majority mentioned remote online notarization as their top priority.

If yes, what sort of changes?



It's important to note that even before March when the coronavirus pandemic became a major concern in the United States, the majority of respondents still said implementing remote online notarization was an upcoming planned change.



As guardians of the transaction, working to protect the funds of homebuyers and sellers from cybercriminals as well as issuing a marketable title policy to protect the rights of the owners and lenders were the greatest concern for title and escrow agents. Now, protecting the health of their vulnerable customers has become just as important.

In last year's survey, we saw far more trepidation regarding the speed at which the title industry was embracing automation and digital solutions. The COVID-19 pandemic has undoubtedly forced professionals across sectors to rethink how they can do business while protecting their employees and customers.

According to one survey conducted in May by the American Land Title Association, nearly 30 percent of title agencies offered some version of a digital closing. In states with RON acceptance, the number is likely to continue to grow.

Conclusion

THE FUTURE OF REAL ESTATE CLOSINGS

While the pandemic has pushed many title operations years forward in their adoption of remote and digital closing offerings, there are still pieces of the pre- and post-closing title process reliant on parties with manual processes and stagnant data. As we witnessed during the early stages of COVID-19, a shutdown at the county recorder's office or inaccessible paper documents at a title plant will halt your operations in their tracks whether you use remote online notarization and eRecording or not.

To facilitate closings in counties that don't accept eRecording, many underwriters allowed for COVID-19 indemnity agreements. While this provided a short-term solution to the problem of municipality closures, it doesn't address the long term impact if those recordings were missed.

The land record system in the United States is centuries old, and changes to the system have been slow and few. Right now, an in-depth property search involves a lot more than a basic internet search, but why can't it be that simple?

How will technology help us solve the problem of inaccessible and inaccurate property information?

The real estate closing of the future will go well beyond remote closings to encompass every component from title search to closing day to instantaneous recordings.

When you think of the real estate closing of the future, what do you see?

