



# **BEST PRACTICES POLICIES**

Version 1.1

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# Licensing

**ALTA Best Practice #1:** 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) helps ensure the Company remains in good standing with the State.

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## **Company Policies and Procedures for Implementation and Adherence to Best Practice #1:**

- 1. The Company establishes and maintains the following**
  - a. Applicable business License(s) as required to conduct business as a Title Insurance Agent.
  - b. Compliance with Licensing, registrations, or similar requirements with the Texas Department of Insurance.
- 2. All required licenses, state regulatory licenses, registrations or similar requirements are documented in a Company directory which includes the licensee, the license type, the license number, the expiration/renewal dates.**
- 3. All required licenses and registrations are reviewed annually to ensure accurate and timely tracking and renewal of licenses.**
- 4. The Principals and Employees of the Company:**
  - a. Maintain the necessary qualifications and requirements to obtain and maintain each required license. This includes mandatory continuing education credits.
  - b. Pay, in a timely manner, any and all fees necessary to maintain each required license.
  - c. Perform any and all professional training necessary to maintain each required license.
- 5. Each Licensee that fails to perform all of the requirements necessary is prohibited from performing such functions for which the license is required, until such time as the license is restored.**

# Licensing

## TEXAS STATE REQUIREMENTS IN REGARD TO LICENSING

<https://www.tdi.state.tx.us/title/overctitleagnt.html>

Statutory Requirements for Title Insurance are found in the Insurance Code, Title 11. Title Insurance.

### *Chapter 2651. Title Insurance Agents and Direct Operations*

#### *SUBCHAPTER A. TITLE INSURANCE AGENT'S LICENSE*

##### *Sec. 2651.001. LICENSE AND BOND OR DEPOSIT REQUIRED.*

<http://www.statutes.legis.state.tx.us/Docs/IN/htm/IN.2651.htm>

#### *SUBCHAPTER B. DIRECT OPERATION LICENSE*

##### *Sec. 2651.051. LICENSE REQUIRED.*

<http://www.statutes.legis.state.tx.us/Docs/IN/htm/IN.2651.htm>

### *Chapter 2652. Escrow Officers*

#### *SUBCHAPTER A. GENERAL PROVISIONS*

##### *Sec. 2652.001. LICENSE AND BOND OR DEPOSIT REQUIRED.*

<http://www.statutes.legis.state.tx.us/Docs/IN/htm/IN.2652.htm>

Regulations for Title Insurance agent, direct operation and escrow officer licensing are found in the Basic Manual for the Writing of Title Insurance in the State of Texas – Chapter VI – Administrative

<http://www.tdi.texas.gov/title/titlemm6.html>

Information about business filings is found on the website for the Secretary of State

<http://www.sos.state.tx.us/corp/index.shtml>

**Note: To maintain a Texas title agent license, we obtain and report the Annual Audit required by Basic Manual, Procedural Rule P-49.**

#### *P-49. ANNUAL AUDIT*

*A. As provided in Article 9.39, Texas Insurance Code, every title insurance agent and direct operation shall have an annual audit prepared, and before the 91st day after the date of termination of its fiscal year, shall send by certified mail, postage prepaid, to the Texas Department of Insurance one copy of such audit report with a letter of transmittal, and each such agent, shall also send a copy of such letter of transmittal and audit report to every title insurance company which it represents.*

*B. If a title insurance company fails to receive an audit report from any of its agents or direct operations before the 91st day after the date of the termination of the fiscal year of the agent or direct operation, the title insurance company shall report that omission to the department not later than the 30th day after the expiration of the 90-day period.*

# Escrow Accounts

**ALTA Best Practice #2:** 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 help ensure accuracy and minimize the exposure to loss of client funds. Settlement companies may engage outside contractors to conduct segregation of trust accounting duties.

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## **Company Policies and Procedures for Implementation and Adherence to Best Practice #2:**

In addition to following all applicable laws concerning trust accounting, the Company shall follow all of the following policies and procedures regarding Escrow and/or Trust Accounts:

### **1. Authorized Employees Only**

- a. Only those employees whose authority has been defined to authorize bank transactions may do so.
- b. Appropriate authorization levels are set for employees by the Company and reviewed for updates annually.
- c. All employees with access to entrusted funds or non-public, private information, or NPI, undergo pre-hire criminal background checks going back a minimum of five years.
- d. At least every three years, employees with access to entrusted funds or NPI undergo subsequent criminal background checks going back a minimum of five years.
- e. Ongoing annual training is performed for all employees with access to entrusted funds or NPI regarding the proper management of the Escrow and/or Trust Accounts.
- f. Former employees are immediately deleted as listed signatories on all bank accounts, including removing all computer access privileges to the Company network and/or any online banking functions.
- g. All outgoing wires require management approval. Documentation to gain this approval includes, but is not limited to, the following items. Disbursement Summary of the Transaction; Collected Funds documentation; Balanced Accounting Ledger.
- h. All checks require 2 signatures, one of which must be a licensed Escrow Officer.

### **2. Trust Accounts Maintained At Insured Banks**

- a. The Company maintains all Escrow and/or Trust accounts at federally insured financial institutions.
- b. If directed in writing by the beneficial owner of certain funds to be held in trust, the Company may put those funds (and only those funds) in a separate trust account with an institution designated by the beneficial owner of said funds.

# Escrow Accounts

## 3. Separation of Accounts and Duties

- a. Regardless of how many Escrow Accounts are maintained by the Company:
  - i. Company funds and escrow funds are NOT commingled.
  - ii. Operating accounts are separately maintained from all escrow funds. These accounts are properly identified on checks, deposit slips, statements and all related documents.
  - iii. Escrow accounts are separately maintained from all Company funds and properly identified, including, but not limited to, checks, deposit slips, ledgers, statements and all related supporting documentation.
- b. Escrow funds, or any other funds, which the Company maintains under an escrow agreement, are NOT commingled with an employee's, manager's or principal's personal account.
- c. Escrow Trust Accounts are properly identified as "escrow" or "trust" accounts.

## 4. General Governing Rules

- a. International Wire Blocks, to prevent any wires from the Escrow accounts without additional authorization, are used where available.
- b. Automated Clearing House Blocks to prevent any ACH Transactions from the Escrow Account without additional authorization are used where available.
- c. Positive Pay is used to verify the issuance of a check at the bank before clearing said check.

## 5. Reconciliation of Escrow Trust Accounts

- a. Outstanding file balances are documented.
- b. Reconciliation standards:
  - i. All Escrow Accounts are reconciled monthly.
  - ii. Receipts and disbursements are reconciled every day..
  - iii. Opening balance for the month matches the ending balance for the prior month's reconciliation or explanation and documentation accompanies the reconciliation.
  - iv. On at least a monthly basis, Escrow Accounts are prepared with Trial Balances ("Three-Way Reconciliation"), listing all open escrow balances.
  - v. Within thirty (30) days of the receipt of the bank statement, the Company performs the Three-Way Reconciliation.
  - vi. Within ten (10) days of the discovery of an open exception, the Company resolves any and all open exceptions or documents reasons for the exception remaining open.
  - vii. Within ten (10) days of the completion of the Three-Way Reconciliation, the Company resolves any and all open exceptions or documents reasons for the exception remaining open.

## Escrow Accounts

- viii. In no event, shall an exception remain unresolved or unexplained from one Three-Way Reconciliation to the next.
  - ix. Within ten (10) days of the completion of the Three-Way Reconciliation, the monthly Reconciliation is reviewed by the owner of the Company.
- c. The results of the Three-Way Reconciliation are available and electronically accessible by the Company's contracted title underwriter for auditing purposes.

**IMPORTANT: Three Way Reconciliation documentation at a minimum includes bank statement, reconciliation sheet/summary page with book balance, outstanding deposits list/deposits in transit, open escrow file listing or trial balance and outstanding disbursements list all as of the reconciliation date. All amounts should equal between the book balance, reconciled bank balance and trial balance.**

**Note:** The above standards differ from the Minimum Escrow Accounting Procedures and Internal Controls found in the Texas Basic Manual, Section V – Exhibits and Forms and outlined below. We also – at a minimum – follow all of the standards set out below.

### *MINIMUM ESCROW ACCOUNTING PROCEDURES AND INTERNAL CONTROLS*

1. *A monthly escrow trial balance for each individual escrow bank account must be prepared which, at a minimum, lists all open escrow balances. Each month's escrow trial balance must be completed no later than the end of the next month.*
2. *A three-way reconciliation of bank balance, book balance and escrow trial balance for each individual escrow bank account shall be performed monthly. Each three-way reconciliation must be completed within forty-five (45) days from the closing date of the bank statement of the account.*
3. *Each reconciliation should be approved by a manager or supervisor. If this is not possible or practical, each reconciliation shall be reviewed by another employee.*
4. *Each reconciliation should be prepared by someone not associated with the receipt and disbursement function. Where size does not permit this, each reconciliation shall be reviewed by the manager or owner.*
5. *Two signatures are required on all escrow checks, but this requirement is waived if the escrow agent has four or fewer employees. Only one signature must be that of a licensed escrow officer, but this requirement is waived if the escrow agent is a sole proprietorship or partnership and the owner or individual partner signs the escrow checks.*
6. *Company records must include copies of all checks, deposit slips, and receipt items.*

## Escrow Accounts

7. *An interest-bearing (investment) escrow account must meet the following criteria:*
  - A) *The investment account must be styled in the name of the owner/beneficiary of the escrow funds, with the escrow agent named as trustee or escrow agent.*
  - B) *The escrow agent must receive written instructions from the owner/beneficiary of the escrow funds to open an investment account. Such written instructions must be maintained in the escrow agent's records.*
  - C) *The Tax Identification number used to open the interest-bearing escrow account must be that of the owner/beneficiary of the funds, not that of the escrow agent.*
  - D) *The interest-bearing escrow account must be included in a control ledger or record identifying all interest-bearing accounts. The interest must be posted within seven business days after receipt of the statement or other documentation reporting the interest accrued.*
8. *Each guaranty file must be assigned a unique number. Name identification is not acceptable.*
9. *All accounts must be styled as "Escrow" or "Trust". "Escrow account" "trust account" must appear on the bank statement, the signed bank agreement, disbursement checks and deposit tickets.*
10. *Accounts open for longer than six months should be thoroughly investigated. Disbursements from these accounts should not be allowed without management approval.*
11. *Voided checks should have their signature blocks removed or otherwise rendered ineffective.*
12. *Management approval should be required for any transfers of funds between guaranty files or escrow accounts and transfers between guaranty files must be documented in both files.*
13. *If after the escrow agent has received and deposited an earnest money check, and the check is returned to the escrow agent by a financial institution due to insufficient funds, the escrow agent shall notify the seller by written notice deposited in the mail and addressed to the seller's address as shown in the escrow agent's file relating to the transaction within seven business days after the returned check is received by the escrow agent unless the check is replaced by collected funds within the seven-day time period. The escrow agent shall retain copies of written notices.*
14. *All escrow checks and deposit tickets must display related guaranty file numbers directly on the document to provide a clear and direct connection between the document and related guaranty file.*
15. *Each guaranty file must contain a complete, current disbursement sheet which lists the date, source and type of all receipts; date, check number, item description, payee and amount of all checks; date, amount and type of any other disbursements (i.e.: outgoing wire-transfers) and any remaining balance. Voided checks which have been canceled where funds have been credited back to the account shall be shown on the disbursement sheet.*
16. *Invoices substantiating or sufficient evidence to support all disbursements shall be kept in the guaranty files.*
17. *Reimbursement of all escrow receivables and other escrow shortages shall be made by the appropriate party(ies) or from the escrow agent's operating account within forty-five (45) days from the closing date of the bank statement of the account which reflects therein the transaction(s) creating the escrow receivable(s) or shortage(s).*
18. *If a settlement statement requires changes, a new statement must be prepared or pen-and-ink changes must be initialed by all parties affected by the changes, or sufficient evidence to support*



## Escrow Accounts

- the changes must be maintained in the guaranty file. A copy of the revised, final settlement statement must be provided to the lender and borrower.*
19. *A signed, pre-numbered receipt must be issued for any escrow funds received in cash.*
  20. *If a bank does not return actual canceled checks with bank statements, then copies of all checks must be available in agency records, or the agency must obtain a signed acknowledgement from the bank that they will be provided upon request, and must meet the following criteria:*
    - A) *The copies of the checks must be clearly legible;*
    - B) *There must be a copy of both sides of every check so that endorsements can be verified; and*
    - C) *It must be unmistakable which front and back images belong together.*
  21. *All escrow or trust accounts maintained by licensed Texas title insurance companies, title insurance agents or direct operations shall be in financial institutions or branches of financial institutions located within the geographic bounds of the State of Texas.*
  22. *If an escrow agent as defined herein detects a defalcation regarding its trust or escrow funds, the agent must file the following notice with the Title Division Examinations Section of the Department within forty-five (45) days of the end of the month in which the defalcation is believed to have occurred: "We have detected circumstances regarding our escrow or trust funds that may warrant an investigation by the Title Division of the Department. The amount of funds involved is believed to be \$\_\_\_\_\_." If the agent comes into possession of an indictment or conviction concerning the defalcation, a copy of that document should be forwarded to the Department within 10 business days of the date the agent comes into possession of same.*

**Note:** We also follow the "Good Funds" regulation set out in the Basic Manual, Procedural Rule P-27.

1. *Good funds in an amount equal to all disbursements must be received and deposited before any disbursement may be made. Partial disbursements, prior to the receipt and deposit of good funds, are not permitted. If a party to the transaction submits too much money, that overage which will not ultimately be a part of the transaction may be refunded at or prior to settlement.*
2. *A record of all receipts reflecting the date on which the funds are actually received must be entered on the books of the trustee before any disbursements are made.*
3. *The financial institution or branch of a financial institution in which the trust fund account is maintained must be located within the geographic bounds of the State of Texas.*
4. *Even though funds are defined as good funds in this Rule, a trustee is not required to disburse if reasonable business judgment would indicate that the funds may not be collected.*

*We are regulated by the Texas Department of Insurance. The following hyperlink to the TDI website outlines in great detail the lengths to which we are regulated.*

<https://www.tdi.state.tx.us/title/overctitleagnt.html>

# Privacy and Information Security

**ALTA Best Practice #3:** Adopt and maintain a written privacy and information security program 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 the procedures they employ to protect Non-public Personal 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 Consumer information the Company handles. A Company evaluates and adjusts its program in light of relevant circumstances, including changes in the Company's business or operations, or the results of security testing and monitoring.

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## Company Policies and Procedures for Implementation and Adherence To Best Practice #3:

### 1. Information Security Program Management

- a. While most of the information that we deal with is public record information, we are aware there are some documents we receive that have private information on them, such as consumer income data, social security numbers.
- b. Physical--front access doors are monitored by administrative staff so that every visitor is escorted into any area within our offices. They are only taken into a separate closing room if they are there to sign any documentation. They are never allowed back into the office area, unless personally escorted by a member of our staff.
- c. Employees are trained to a "clean desk" standard. During the work day, employees strive to work on a single guaranty file at a time. Other guaranty files are secure in a file drawer. At the end of the business day, all guaranty files are locked in file drawers.
- d. We try not to print out anything containing non-public personal information, but if we must, then we are careful to keep it in a folder where no one can see it walking by, and then lock it in a drawer, or lock our office door.
- e. At night, we lock the office or cabinet.

### 2. Information Security—Electronic.

- a. We maintain and secure access to company information technology.
- b. We have company guidelines for the appropriate use of company information technology.
- c. We ensure secure collection and transmission of NPI. We use SIFT (Secure Intelligent File Transfer) technology from Our Records, Inc. to ensure the security and privacy of all NPI file transfers.

### 3. Risk Identification and Assessment

- a. All employees with the need to know have access to NPI
- b. All NPI is transmitted through SIFT technology from Our Records, Inc., or, on paper if done internally.

# Privacy and Information Security

- c. NPI is stored in the GF folder during the Settlement process. Once disbursed, NPI is scanned with the entire GF to a secure server.
- d. NPI is then destroyed via shredder. We use a third party shredding company, which gives us Certificates of Destruction monthly.

## 4. Data Breach Incident Reporting

In the event of a data breach involving possible NPI:

- a. We will send a letter notice to all clients affected by this breach, within 5 days of our notice of the breach.

## 5. Employee Training, Management, and Responsibilities

1. We train employees on the use of SIFT Technology
2. We educate employees on NPI handling and disposition
3. All employees understand their responsibility to protect NPI.

## 6. Retention and Destruction of Personal Information

- a. Retention – Evidence of determination of insurability is retained for 15 years and escrow records are retained for 3 years in either physical or electronic format.
- b. Physical – Once a file is closed or cancelled, we use a shredding company, Southern Shred, to collect and dispose of all files after scanning. That company also has heightened security, as reflected by their NAID Certification.
- c. Electronic – Our closing software, SoftPro, is secured with a log in and password for each employee of our company. After the file is closed or cancelled, we move that file to Closed/Cancelled status, which further locks it down. We then, monthly, scan our entire file to a local hard drive, that is maintained in a locked cabinet in our office. Daily, this hard drive is backed up by MozyPro, off-site.

## 7. Overseeing Service Providers

- a. For every one of our service providers: closing software, SoftPro; banking software, Wells Fargo CEO; our title search providers, Integrity Title Information; we have vetted their security procedures, and have verified that they are sufficient for any non-public private consumer information they receive.

## 8. Data Breach Incident Reporting

- a. In the event of a data breach involving possible non-public personal consumer information, we will send a letter notice to all clients affected by this breach, within 5 days of our notice of the breach. We will take immediate action to reverse the breach, and use Digits/ITOK, along with MozyPro, as our IT protection department.

# Privacy and Information Security

## 9. Business Continuity and Disaster Recovery

- a. In the event of a natural weather disaster, or an electronic shut down that causes our business to shut down, we have established remote back up servers to maintain the security of our data, and to allow continuation of our business pending the return of normalcy. Each key employee has a lap top that they take home with them each night, and our servers are backed up daily to an offsite location, *OR* the Cloud.
- b. Our servers are backed up nightly to an off-site location with MozyPro.

**Note:** The Texas regulatory retention requirements are set out below. At a minimum, these standards are followed.

### *P-32. DOCUMENT RETENTION*

**Pursuant** to Tex. Ins. Code Ann. § 2704.001, evidence of insurability shall be preserved and retained in the files of the title insurance company, direct operation, or title insurance agent for a period of not less than fifteen (15) years after the policy or contract of title insurance has been issued. Electronically produced or scanned documents may be retained in place of hard copies. Hard copies, electronically produced or scanned copies shall be retained for the following periods:

- (1) escrow accounting documentation (such as signed settlement statements, disbursement sheets, invoices, and check copies) must be retained for at least three years;
- (2) evidence of insurability, including a title insurance commitment, a title report, a title opinion, or a run sheet, but not including copies of documents filed in the public records, must be retained for at least fifteen (15) years; and
- (3) title insurance policies must be retained indefinitely.

*These time periods for retention shall apply to electronically produced forms retained in compliance with Procedural Rule P-17.*

# Settlement Process

**ALTA Best Practice #4:** Adopt standard real estate settlement procedures and policies that help ensure compliance with Federal and State Consumer Financial Laws as applicable to the settlement process.

**Purpose:** Adopting appropriate policies and conducting ongoing employee training helps ensure the Company can meet state, federal, and contractual obligations governing the Settlement.

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## Company Policies and Procedures for Implementation and Adherence to Best Practice #4:

### 1. Recording Procedures

The Company

- a. Reviews legal and contractual requirements to determine Company obligations to record documents and incorporates such requirements in its procedures.
- b. Submits or ships documents for recording to the county recorder (or equivalent) or the person or entity responsible for recording within two (2) business days of the later of (i) the date of funding of the Settlement, or (ii) receipt by the Company of documents if the Settlement is not performed by the Company
- c. Tracks shipments of documents for recording.
- d. Ensures timely responses to recording rejections.
- e. Addresses rejected recordings to prevent unnecessary delay.
- f. Verifies that recordation actually occurred and maintains a record of the recording information for the document(s).

### 2. Pricing Procedures

The Company:

- a. Maintains written procedures to ensure customers are charged the correct title insurance premiums and other rates for services provided by the Company. Title premiums and rates are promulgated by the Texas Commissioner of Insurance.
- b. Utilizes Rate Tables and Templates, as appropriate, to help ensure correct fees are being charged for title insurance policy premiums, state-specific fees and endorsements.
- c. Ensures discounted rates are calculated and charged when appropriate, including refinance rates.
- d. Performs quality checks files after Settlement to ensure consumers were charged the correct premiums.
- e. Provides timely refunds to consumers when an overpayment is detected.

## Settlement Process

**Note:** Texas has a statutory requirement (Insurance Code, Title 11) for the use of uniform settlement statements – and requirements for the content of the disclosures contained therein. We adhere to these requirements.

*Sec. 2702.053. CONTENT OF CLOSING AND SETTLEMENT STATEMENT.*

*(a) Each closing and settlement statement provided to a party to a transaction described by Section 2702.052(a) must state the name of any person receiving any amount from that party.*

*(b) Notwithstanding Subsection (a), the title insurance company or title insurance agent is required to include in the closing and settlement statement only those items of disbursement that are actually disbursed by the company or agent.*

*(c) If an attorney, other than a full-time employee of the title insurance company or title insurance agent, examines a title or provides any closing or settlement services, the closing and settlement statement must include:*

*(1) the amount of the fee for the services, shown as included in the premium; and*

*(2) the name of the attorney or, if applicable, the name of the firm to which the fee was paid.*

*(d) The closing and settlement statement must conspicuously and clearly itemize the charges imposed on the party in connection with the closing and settlement.*

*(e) If a charge for title insurance is made to the party, the closing and settlement statement must state whether the title insurance premium included in the charge covers the mortgagee's interest in the real property, the borrower's interest, or both.*

*Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.*

*Sec. 2702.102. DUTY TO PROVIDE ADVANCE DISCLOSURE OF CLOSING AND SETTLEMENT COSTS.*

*(a) Except as provided by Subsection (c), on the written request of the buyer, seller, or borrower before the closing and settlement of a transaction involving improved residential real property, a title insurance company or title insurance agent shall, in connection with the issuance of any kind of title insurance policy guaranteeing a lien on or the title to the property, provide to the requesting party an itemized disclosure of each charge to be made to that party that arises in connection with the closing and settlement.*

*(b) The itemized disclosure must be provided on a closing and settlement statement form prescribed or permitted under Subchapter B.*

*(c) The title insurance company or title insurance agent is required to provide the itemized disclosure only to the extent that information is available concerning each charge to be made to the party. If information concerning a charge is not available, the title insurance company or title insurance agent shall:*

*(1) make a notation that the charge is to be made but that the information is not available or that the amount shown is an estimate of the charge; and*

*(2) advise the party in writing as to the identity of the person or organization responsible for the charge.*

*Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.*

## Settlement Process

**Note:** Texas promulgated Minimum Standards for Audit (Basic Manual, Section V) contain additional requirements regarding fees and charges. We adhere to these requirements.

*Some support for each disbursement must be in the guaranty file, and it shall be determined that the disbursements were to logical payees.*

*If there are charges shown on the closing statement for overnight mail service, messenger service, copies of documents, recording fees or tax certificates, whether purchased from a governmental or non-governmental entity, it must be determined that these charges are actual expenses or reasonable estimates of charges that must be made prior to closing and not arbitrary or uniformly charged amounts for these items on all closing statements.*

*Charges for general overhead expenses such as in-house labor, utilities, taxes, business supplies and equipment are already covered by the title insurance premium and are prohibited.*

*If actual charges for products or services provided by third party vendors are known at or prior to closing, the charges may not be marked up. If actual charges for such products or services are not known by the time of closing, only reasonable estimates of such charges should be shown on closing statements and charged.*

*The actual charge for an absentee notary sign-up fee may be passed through, if the notary is a third party and that licensee, prior to closing the transaction, receives a written request signed by the borrower, buyer or seller making the request and agreeing to pay for an absentee sign up by a notary as an accommodation to the requester after the licensee provides the requester with written notice of the amount of the notary fee or a reasonable estimate of the fee, if not known by the licensee. If the third party notary is affiliated with the licensee, the licensee will provide notice of the affiliated relationship to the requester prior to the absentee notary sign-up service being provided.*

*If there is evidence of a prior lien in the file, such as a payoff statement from a lending institution, it must be determined that a check or other written evidence such as a wire transfer confirmation, reflects the payoff of said loan and a release was received or a written demand for a release was made.*

*There must be a closing statement in the file, and entries on the closing statement should be traced to the escrow accounting records.*

*Company records must also include copies of all invoices, receipt items, and disbursement checks.*



# Title Policy Production

**ALTA Best Practice #5:** Adopt and maintain written procedures related to title policy production, delivery, reporting and premium remittance.

**Purpose:** Adopting appropriate procedures for the production, delivery, and remittance of title insurance policies helps ensure title companies can meet their legal and contractual obligations.

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## Company Policies and Procedures for Implementation and Adherence to Best Practice #5:

### Title Policy Production and File Maintenance

1. Title insurance searches and exams are completed in compliance with state and underwriter guidelines.
2. Each policy is issued based upon a determination of insurability of title which includes, but may not be limited to:
  - a. a search from earliest public records or in accordance with applicable state law and/or Underwriter's written instructions; and
  - b. an examination of all documents affecting title to the subject property.
3. Each title order is maintained in a separate guaranty file that contains all documents relied upon to determine insurability.
4. The title and closing files are preserved in accordance with Texas document retention requirements and in accordance with instructions of our Underwriter(s).
5. Title insurance policies are Issued and delivered to customers within thirty days of the later of (i) the date of funding of the Settlement, or (ii) the date that the terms and conditions of the title insurance commitment are satisfied.
6. By the last day of the month following the month in which an insured transaction was settled, the Company:
  - a. Reports to the title insurance underwriter an accounting of all policies issued during the current month in a report format acceptable to the underwriter.
  - b. Remits to the title insurance underwriter all of the premiums and fees collected and due to the title underwriter.
7. We adhere to the following Procedural and Rate Rules as promulgated by the Texas Department of Insurance, as well as the statutory requirements for Texas:

#### P-61. TIMELY PROVISION OF TITLE POLICIES

*Title policies shall be provided and furnished to the insured within ninety (90) days after receipt by the title company of proof of compliance with the company's Schedule C requirements.*

*Rate Rule R-2. Each company shall remit the portion of the premium due to the title Insurance Company no later than the 15th day of the second month following the month in which the premium was collected. The provisions of this rule shall also apply to any escrow officer who remits directly to a title insurance company.*



# Title Policy Production

## *Chapter 2704. Issuance of Policy or Contract; Determination of Insurability*

### *SUBCHAPTER A. GENERAL PROVISIONS*

#### **Sec. 2704.001. ISSUANCE OF POLICY OR CONTRACT.**

*A title insurance policy or contract may not be written unless:*

- (1) Sections 2502.053, 2502.054, and 2502.055 have been complied with;*
- (2) the policy or contract is based on an examination of title made from title evidence prepared from an abstract plant owned, or leased and operated by a title insurance agent or direct operation for the county in which the real property is located, except as provided by Section 2704.002;*
- (3) insurability of title has been determined in accordance with sound title underwriting practices; and*
- (4) evidence thereof is preserved and retained in the files of the title insurance company, title insurance agent, or direct operation for a period of not less than 15 years after the date of issuance of the policy or contract.*

*Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.*

#### **Sec. 2704.002. DIRECT ISSUANCE OF POLICY OR CONTRACT.**

*A title insurance company may directly issue a title insurance policy or contract based on the best title evidence available if:*

- (1) a title insurance agent or direct operation does not exist for the county in which the real property is located; or*
- (2) each title insurance agent and direct operation for that county refuses to provide title evidence:*
  - (A) in a reasonable period as determined by the department; and*
  - (B) in compliance with Section 2502.053(1).*

*Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.*

*Furthermore, we are regulated by the Texas Department of Insurance. The following hyperlink to the TDI website provides further information on the regulatory environment in Texas.*

<https://www.tdi.state.tx.us/title/overctitleagnt.html>

# Professional Liability Insurance

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

**Purpose:** Appropriate levels of professional liability insurance or errors and omissions insurance help ensure title agencies and settlement companies maintain the financial capacity to stand behind their professional services. In addition, state law and title insurance underwriting agreements may require a Company to maintain professional liability insurance or errors and omissions insurance, fidelity coverage or surety bonds.

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## Company Policies and Procedures for Implementation and Adherence to Practice #6:

### 1. Professional Liability Insurance

- We have Errors & Omissions coverage in the cap amount of \$1,000,000, with a nationally recognized carrier with the appropriate Best ratings.

### 2. Fidelity Coverage

- We have Fidelity coverage in the cap amount of \$50,000 as required by State law.

### 3. Surety Coverage

- We have a Surety policy in the cap amount of \$41,797 as required by State law.

# Professional Liability Insurance

In addition, we meet the Texas Minimum Capitalization standards.

- S.1. *MINIMUM CAPITALIZATION STANDARDS FOR TITLE AGENTS PURSUANT TO §2651.012 AND CERTIFICATION AND PROCEDURE TO DETERMINE VALUE OF ASSETS PURSUANT TO §2651.158*
- I. *Minimum Capitalization Standards.*
- A. *A title insurance agent must maintain unencumbered assets with a market value in excess of liabilities, exclusive of abstract plants, as specified in Insurance Code §2651.012(c)(1) - (c)(4).*
- B. *In accordance with Insurance Code §2651.012(a)(2), unencumbered assets are defined as follows:*
- (1) *cash or cash equivalents;*
  - (2) *liquid assets that have a readily determinable market value and that do not have any lien against them;*
  - (3) *real estate, in excess of any encumbrances;*
  - (4) *investments, such as mutual funds, certificates of deposit, and stocks and bonds;*
  - (5) *a surety bond, the form and content of which shall be prescribed by the commissioner in accordance with this code;*
  - (6) *a deposit made in accordance with Insurance Code §2651.102;*
  - (7) *a letter of credit that meets the requirements of Insurance Code §493.104(b)(2)(C); and*
  - (8) *a solvency account that meets the requirements of Insurance Code §2651.0121.*

# Consumer Complaints Handling

**ALTA Best Practice #7:** Adopt and maintain written procedures for resolving consumer complaints.

**Purpose:** A process for receiving and addressing consumer complaints helps ensure reported instances of poor service or non-compliance do not go undiscovered.

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## **Company Policies and Procedures for Implementation and Adherence to Best Practice #7:**

### **1. Recordation of Complaint and Evidence of Response to Consumer**

- When consumers call with questions or complaints after or during the closing process, all employees and staff are required to make notes in the Guaranty File. The manager gets involved immediately on all complaints that cannot be resolved quickly by the Escrow Officer handling the transaction.

### **2. Reporting**

- We report all complaints up to management/owners and, if a title claim or any other type of claim should be filed with the underwriter, to the appropriate underwriter.

### **3. Analysis and Self- Assessment**

- The manager discusses with staff any recurring issues that can be better explained at closing at weekly staff meetings.

### **4. Training**

- Every week at scheduled staff meeting, all aspects of our business are discussed. Any known issues that could lead to a complaint, are handled immediately by the appropriate staff member. De-escalation strategies are employed to make sure they don't turn into a formal complaint.