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MANAGING REO

Implementing ALTA's Best Practices for REO Properties

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LARGELY IN RESPONSE TO REGULATORY PRESSURES—and partly in anticipation of future formal Federal standards—the mortgage industry has taken some important steps to address both lingering operational inefficiencies and emerging information about security issues.

One of the most significant of those steps was the rollout of the American Land Title Association's list of title agency best practices.

At a time when lenders and vendors alike are beginning to think critically about core business processes and compliance issues, these best practices lay out a valuable framework for success: a kind of consensus "checklist" that title agencies can use to plan and gauge progress in taking steps to protect both consumers and professional partners, and that lenders can use as a tool to evaluate their vendors' ability to consistently deliver efficient and compliant real estate closings.

The new American Land Title Association guidelines have the potential to be particularly impactful when applied to the legal and procedural complexities of clearing title for REO properties.

Understanding what the guidelines are, what they mean, and what

kind of bearing they might have for REO properties is an important step in the process of developing a complementary set of REO-specific standards that will improve efficiency and bolster compliance.

There are seven primary principles outlined in the July 2013 best practices release from the ALTA:

- Establish and maintain all current government licenses as required to conduct your business.
- Adopt and maintain appropriate accounting procedures and controls which allow for effective daily reconciliation of all escrow trust accounts.
- Adopt and maintain privacy and information security policies and controls which assure the protection of all non-public personal information in your possession.
- Adopt standard internal policies and procedures which assure that all settlement documents are recorded as required in a timely fashion, and that the correct premiums are charged for title insurance policies issued.
- Adopt procedures which guarantee the prompt issuance (production, delivery and reporting) of all title insurance policies which you are obligated to provide.



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- Obtain sufficient professional liability insurance and fidelity coverage.
- Adopt and maintain written procedures for resolving consumer complaints.

While this list includes both common sense policies and sound business practices, the primary benefit of a formal document derives from the clarity and consistency of having one "universal" set of best practices.

A single service provider for both foreclosure and REO processing is not just an efficient solution, it is also a secure one.

While the items included on this list of guidelines were developed with all title professionals in mind, the potential relevance for REO properties is particularly noteworthy. Lenders, attorneys and REO experts should be thinking hard about how to integrate and apply these and related principles in their own REO work.

REO implications

While some of those ALTA best practices—particularly those dealing with issues of privacy and information security—will necessarily require robust technical security measures and some level of technological sophistication, procedural solutions remain the single best way to protect privacy.

It may seem obvious, but it is worth pointing out that the most effective way to reduce the potential for the loss or exposure of sensitive information is to limit how and how often that information is passed from one user to another.

In those instances where an attorney and a capable, experienced title agency have built a strong professional relationship, it is possible to control file exposure, optimize information security, minimize delays and realize valuable new efficiencies.

Integration

An integrated network is not only the best solution for secure processing, it is also an effective way to improve efficiency and consistency. Keeping a file “in-house” by utilizing a servicing solution where attorneys and title/REO professionals work closely together in a coordinated manner keeps compliance standards consistent and avoids potentially costly procedural or bureaucratic delays.

Reducing redundancy and minimizing miscommunication that can arise when multiple institutions are handling a file means that processing moves expeditiously and properties proceed to closing quicker.

Communication

When an outside title company or some other third-party is introduced into the REO mix, the potential for miscommunication increases.

But for law firms and title companies that have already forged a close working relationship, pre-existing knowledge about the file and established professional synergies, it is easy to address and resolve any issues that come up during the title curative process.

Questions and verifications can take place efficiently, clearing title more quickly and potentially saving significant amounts of both time and money.

Security

Because sensitive non-public information is a part of every file, a single service provider for both foreclosure and REO processing is not just an efficient solution, it is also a secure one. Every time a file changes hands, the security risk increases.

REO best practices

Working with attorneys and title agencies that have the experience and expertise to consistently deliver efficient and compliant closings is obviously the goal. But what other

professional attributes should be considered predictors for success in REO work?

Coordinated

Identify organizations that have demonstrated the ability to effectively combine the legal and the title work. This coordinated and collaborative structure is more efficient, less prone to errors, and improves compliance by generally reducing risk across the board.

Licensed

The best title agencies make full licensure a priority, ensuring that anyone who handles a file is fully credentialed to do so. This includes not just title examiners, but also managers and sales and marketing professionals.

Connected

Do not underestimate the value of relationships. Constructive working relationships with key individuals and institutions such as assessors, registers of deeds offices, condominium and/or homeowner associations, and county and municipal officials can often save enormous amounts of time and money by creating and fostering

relationships whereby common practical matters and common title curative issues may often be more efficiently addressed.

In the final analysis, it seems clear that applying the new ALTA best practices in an REO context has the potential to realize significant improvements in privacy protections, information security and timely processing. That bolsters compliance...and the bottom line.

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