

From: Jay Orsi [mailto:JOrsi@getttitle.com]
Sent: Friday, October 24, 2008 10:32 AM
To: Bieniek, Joe
Subject: Title Agent Study

Joe:

Sorry if this rambles a bit, but this very moment is the only opportunity I have to jam out an email on this issue.

A fellow board member of the Arkansas Land Title Association forwarded me the recent article from The Legal Description regarding the national survey the Working Group wants to conduct. In general, I support such a study, but as with other voices, you will be walking through a mine field in trying to aggregate such information. I can commit right now to being a willing participant in providing data, with the caveat that the information collected must obviously be completely confidential, and most preferably anonymous in the eyes of those compiling the information. I don't know the nature of participation you want, but I would be willing to offer my input on an ongoing basis. I think a study of this nature will be critical to the future of the title industry.

My background: I have an MBA with a concentration in Finance from the University of Arkansas. I started my title company in 1999. Since then, I have experienced growing from one location to six locations, back down to two, and soon to be four. This is a crazy roller coaster industry! I am currently in my second year of being a board member of the Arkansas Land Title Association, as well as the association's Legislative Committee. I chair our bylaws committee.

I think is very necessary and critical that the study be comprehensive. The title industry has taken a LOT of heat because people do not understand our industry. We do obscure work, but we do it for nearly every single purchase or loan closed in the United States. This is going to require a lot of thought and careful construction of how data is collected and compiled. I can't stress the importance of information being collected in a clear and comprehensive manner. There will be many that line up to debunk the study, and in the industry atmosphere that has persisted for the last 5 – 10 years, it is imperative that the study be conducted in the most undebunkable (if that is possibly a word!) manner possible – this is too important and is long overdue. I urge you to consult with academics and, most importantly, with those who have been so critical of the title industry.

I think determining revenue will be a cake walk in comparison to determining agent expenses. You clearly want to collect information on a level that is as granular as possible, yet not be such a burden that you lose participants. That is going to be a tough thing to do. There are enormous variances geographically. For example, Arkansas rates are completely unregulated. Underwriters have difference remittance rates not only among each other, but also among different agents. For example, my underwriter has me remit based upon a published schedule with is substantially lower than the rates we charge. Some of their other agents remit the same percentage but it is a percentage of the actual premium charged.

It's the Wild West here – people charge whatever they want, whenever they want. The going rate for title insurance is about \$5 per \$1,000 of coverage, and that is a straight rate – nothing else is included. In more rural areas, and in fast growing, at least up until the last year, northwest Arkansas, rates are slightly more - \$5.50 - \$6.00 but are all inclusive, meaning they include search examination, commitment, tax report and title insurance. That's going to be a beast to unwind. I would certainly recommend compiling by MSA, and perhaps even ZIP code level.

For an example of statistical measurement challenges, take a look at my company. We have two major components to our product line – we have what I would call a standard retail operation, and we have an operation that deals primarily with national REO and relocation companies. We are the contracted closing agent for all HUD REO properties in the state of Arkansas, as such, we cover the entire state of Arkansas from our now two locations. It was easier with six! The point being that our operating cost for the national clients is much higher as we have on staff road closers (notaries) and we contract out some title searches and some notary services. For this model, I have company vehicles, fuel costs, vehicle repairs and auto insurance to deal with that a normal retail shop would not have to contend with. The flip side is that I have volume, but with volume comes discounted prices. At the same time, one of my locations does not deal with national clients at all – it is a traditional retail shop. Properly associating expenses with revenue by product – purchase, refinance, HELOC, REO, relocation, title insurance only and title research only - will be a great challenge – you are going to need several of those guys with pocket protectors working down in the basement!

I would want to see revenue broken down by service. I think it would be logical to gather the information in terms of the line items of the 1100 block on the HUD-1 settlement statement. Although, many times items are combined on a single line, such

a search, examination and title insurance. It may be useful to have participants submit a fee sheet in addition to information from their financials.

I will disclaim that I have never designed a study, but I do not envy the task in front of you. In terms of data collection, I think you should solicit participants electronically first, then by mail. I would have participants register on a website with their basic contact information into a contact database. The actual collection process would involve registered participants entering information into a separate database from the contact database. Participants could receive a randomly generated code for them to login to the data entry database. That would allow for anonymous submissions, but ensure that only registered participants are submitting the data. Assuring people that information submitted will not be able to be tied directly back to them will likely result in greater participation, and we need as many to participate as possible. I would strive to get all state land title associations and insurance commissioners to coordinate and actively encourage and promote participation in the study.

That's all the brain time I can spare at the moment. I hope something in all this is useful to you!

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