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11th annual

Voice of the Title Agent

special report

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EDITOR'S NOTE

Detailing the effects of a year like no other

Dear Readers,

A year ago, we speculated on what kind of impact the coronavirus would have on the title and settlement industry. As all of us watched our worlds change in ways that few could have imagined, I doubt anyone could have foreseen the myriad effects the pandemic would have on the economy and work practices.

This year's Voice of the Title Agent survey did reveal some bright spots during all that upheaval. A surge in pandemic-inspired relocations, coupled with low interest rates, helped drive a more profitable year than 2019 for 90 percent of our respondents.

The survey also reveals that technology was instrumental in title agencies being able to continue operations through the pandemic restrictions. For example, the number of agents who said they employed eClosings in 2020 more than doubled from the year before.

A majority of our respondents expect those bright spots to continue into 2021. Though some said they are prepared for an inevitable economic downturn after the boom, more than 70 percent are looking forward to growth this year. And well over half believe the title industry is in better shape now than when they entered it.

As more Americans get access to vaccines, and we inch closer to a return to pre-pandemic life, what will the "new normal" look like for the title industry moving forward? Several respondents predict that the changes implemented for COVID-19 will have lasting effects on the industry. From the surge in online tools to more people expecting to be able to work from home, some wonder if there will be a return to brick-and-mortar business as usual.

Only time will tell. Continue to check in *The Title Report* to find out.

Thank you to Resware powered by Qualia, Cloudstar and all who participated to make the Voice of the Title Agent possible.

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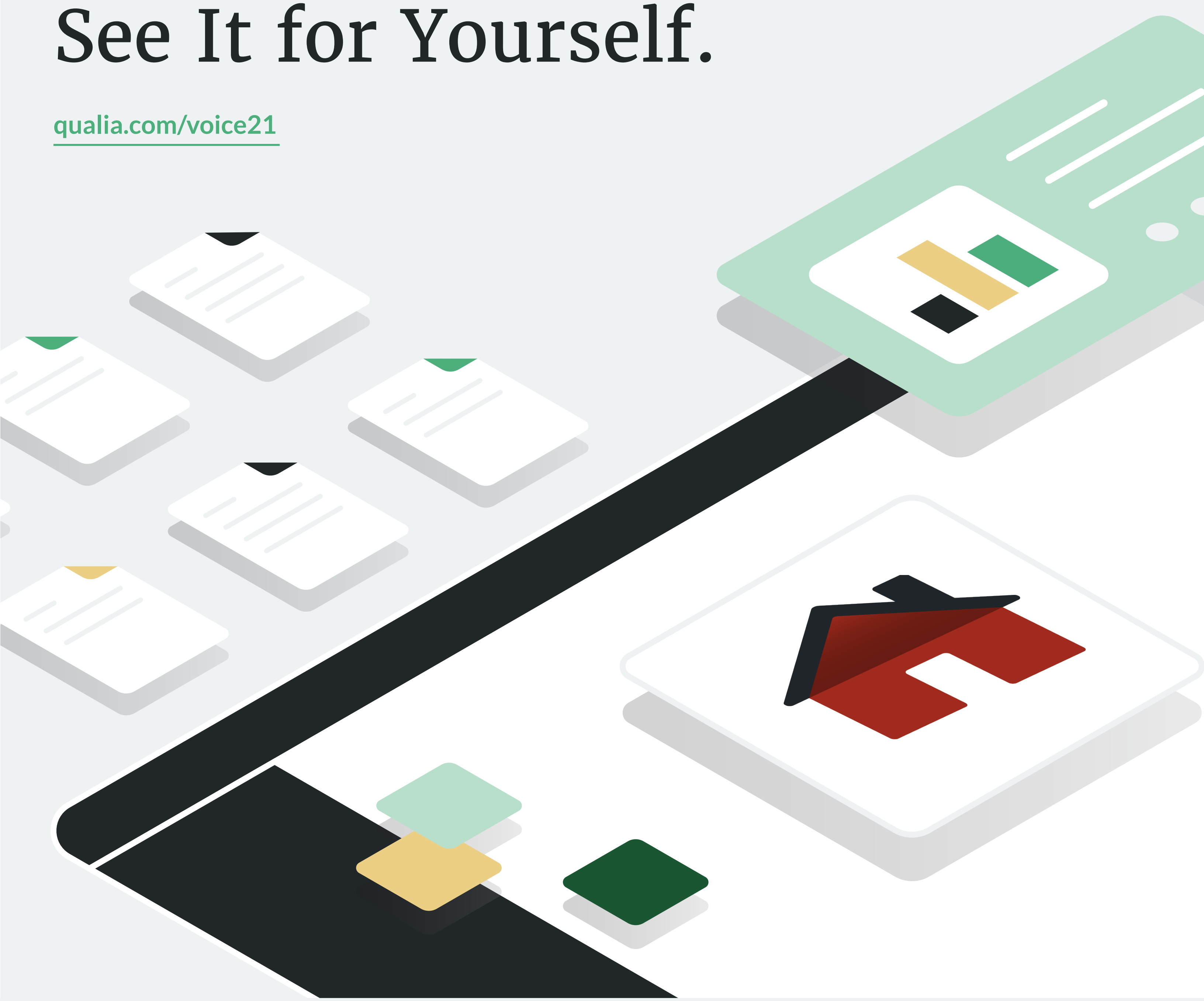


Pandemic, low interest rates helped business boom in 2020

Most respondents to this year's Voice of the Title Agent survey said although 2020 was an unpredictable year, it was a profitable one.

Nine in 10 said they saw their business improve from 2020, most of them saying the improvement was significant. That's up from around 80 percent of respondents last year.

Several cited the pandemic creating a surge in homebuying as behind some of their success.

"Pandemic spurred relocation from large cities to our rural area. Pandemic increased working from home, offering opportunity for relocation to almost anywhere," one respondent said.

"We are in a rural area and had lower home prices. People sold in the city for high price and purchased a bigger home out here. Plus, our schools are open" during the pandemic, another said.

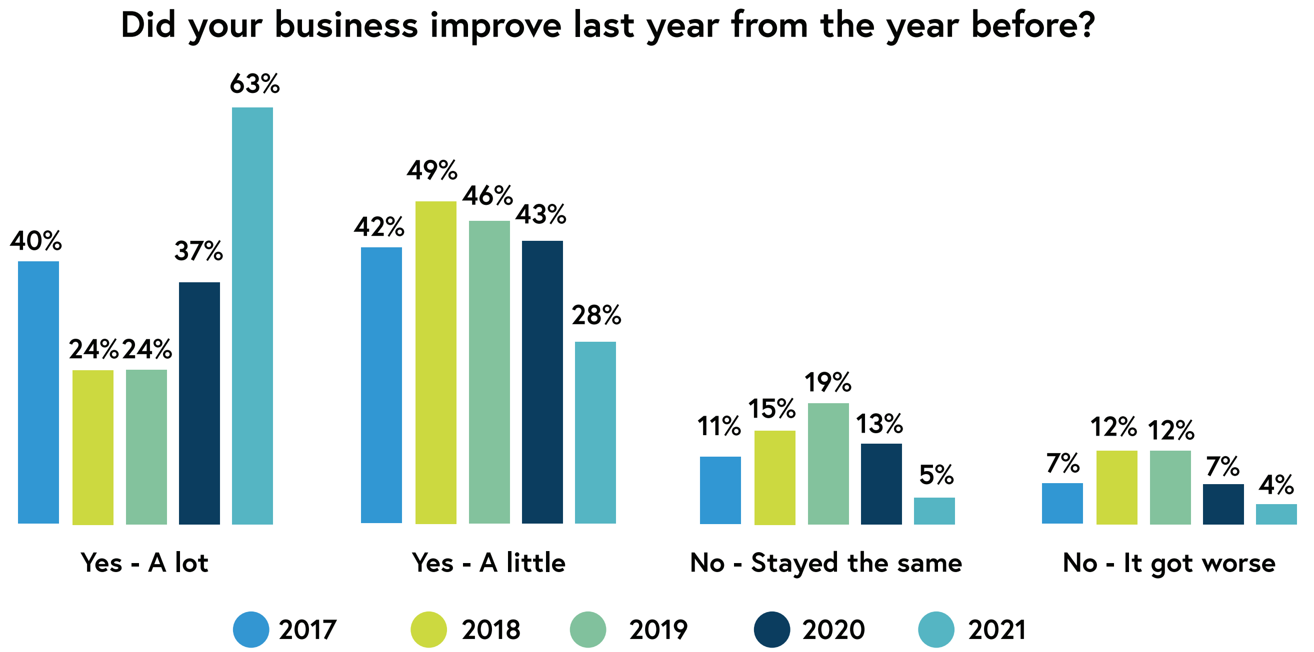
One agent said their business picked up because of "people's desire to have bigger homes due to working from home, move to less expensive areas as a result of being allowed to work from home."

Not everyone agreed the pandemic was a benefit to business.

"COVID-19 caused a slow down," one respondent said.

"Our improvement would have been greater if not for the issues from COVID-19. Q1 of 2020 was record-breaking," another said.

One agent predicted the pandemic will have a lasting effect on how business is conducted, saying, "There will be a 'real estate pre-COVID' and a 'real estate post-COVID.' I doubt that the old way of doing business with bricks and mortar will come back. With the growth in online lenders, who have no local offices, independent contractors are becoming the norm. Title abstractors, examiners, closers are working from home. Remote online closings are becoming much more common."



The pandemic was not the only thing survey respondents cited as helping business. Of the 49 people who gave reasons for their success, 20 mentioned low interest rates.

Others credited refinancing as well as strong relationships with their clients driving referrals.

Only 4 percent of title agents surveyed said their business got worse, down from 7 percent last year. Five percent said their business stayed the same, a drop from 13 percent last year.

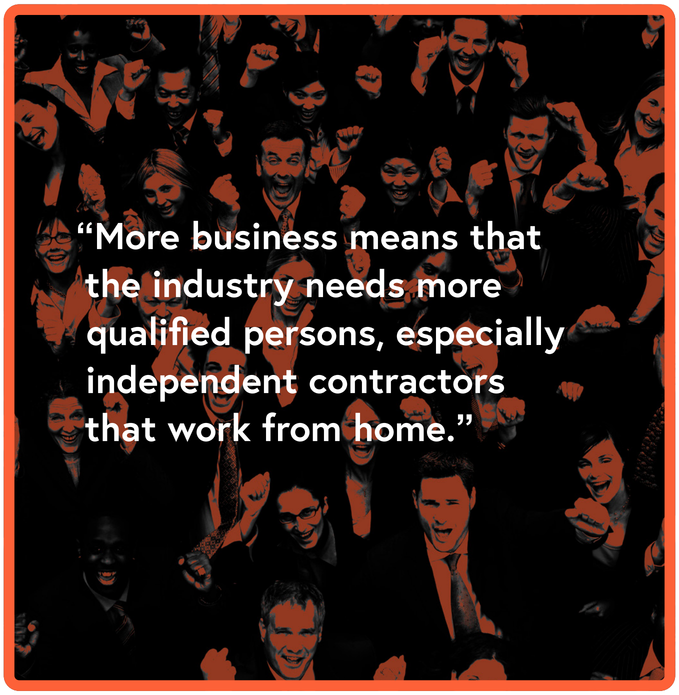
Looking ahead, the number of respondents who expect to see their business grow in 2021 dropped 14 percent from those surveyed in 2020. Of those, the number who expect to see substantial growth is slightly higher than last year.

When asked where that growth will come from, several said from refinances.

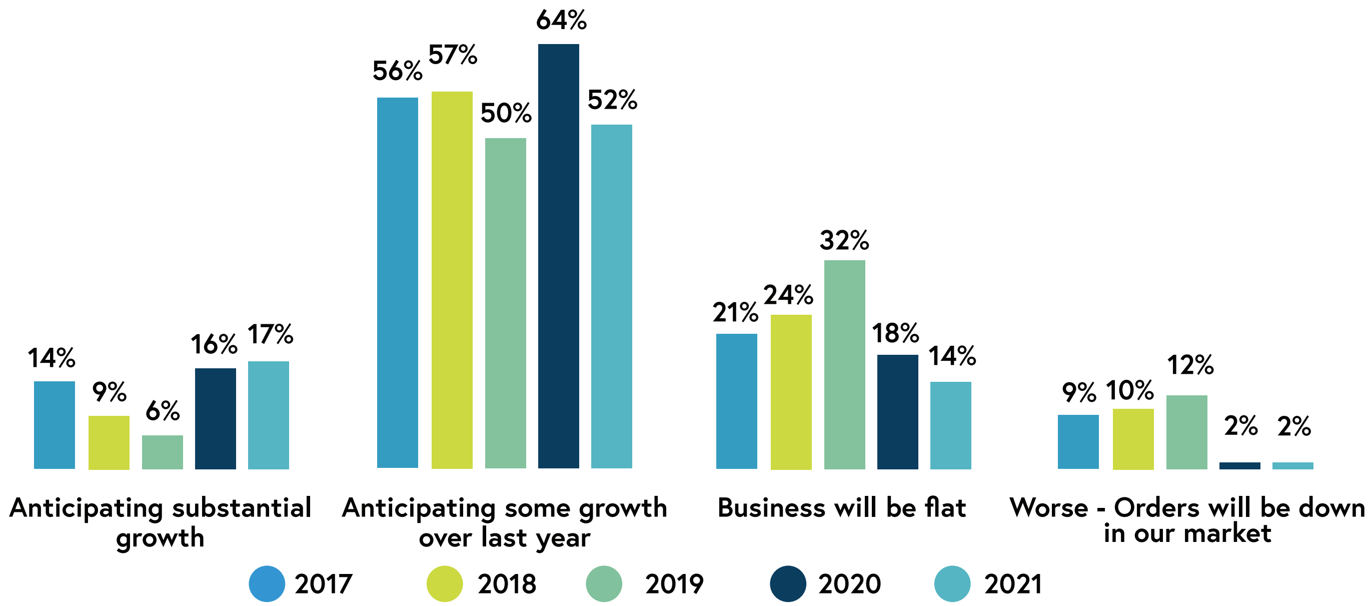
Others cited new business practices due to the pandemic.

"Growth is coming from the digital age, the low interest rates and the continuing need to adapt how we will do business due to COVID restrictions," one respondent said. "More business means that the industry needs more qualified persons, especially independent contractors that work from home."

"It will be hard to repeat a 2020 revenue year. It was unforeseen," another said. "That being said, 2021 is projected to be above the 2019 numbers and that is still good!"



How do you feel about your business this year



Business opportunities and concerns

After the business boom many agencies enjoyed in 2020, worries about the economy and the title market topped the list of concerns by respondents for the next 12 months.

More than half of those who took the survey cited concerns over the economy as their biggest worry for 2021, up from 41 percent from last year.

One respondent said they were "preparing for the downturn that will come."

Cyberthreats, which topped last year's list of concerns, was a close second. A little over half of respondents chose it as their largest concern, slightly more than last year.

Half of the respondents cited staffing concerns, a 21 percent increase from those who chose it as a concern in 2020.

"You can't find qualified staff for the volume of business," one respondent said.

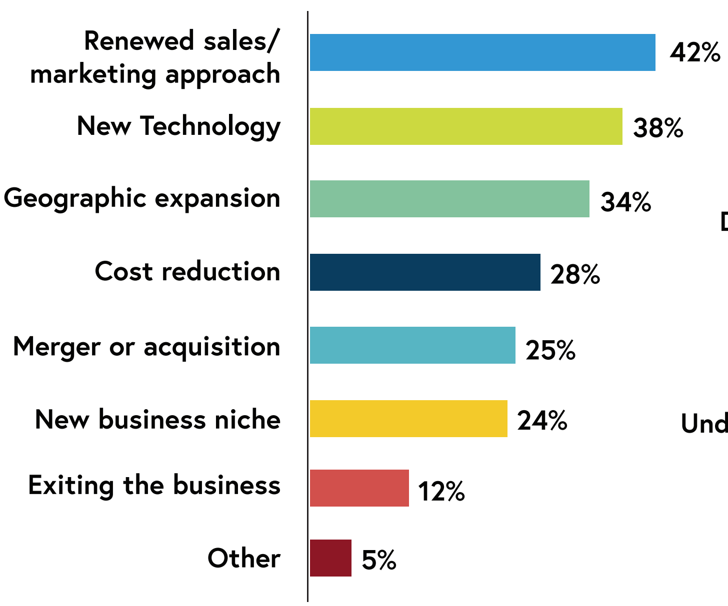
Several agents added lack of inventory to the survey's list of concerns, with one citing a "shortage in home listings."

Other respondents mentioned competition from other title agencies and "disruption of the real estate brokerage model" among other concerns.

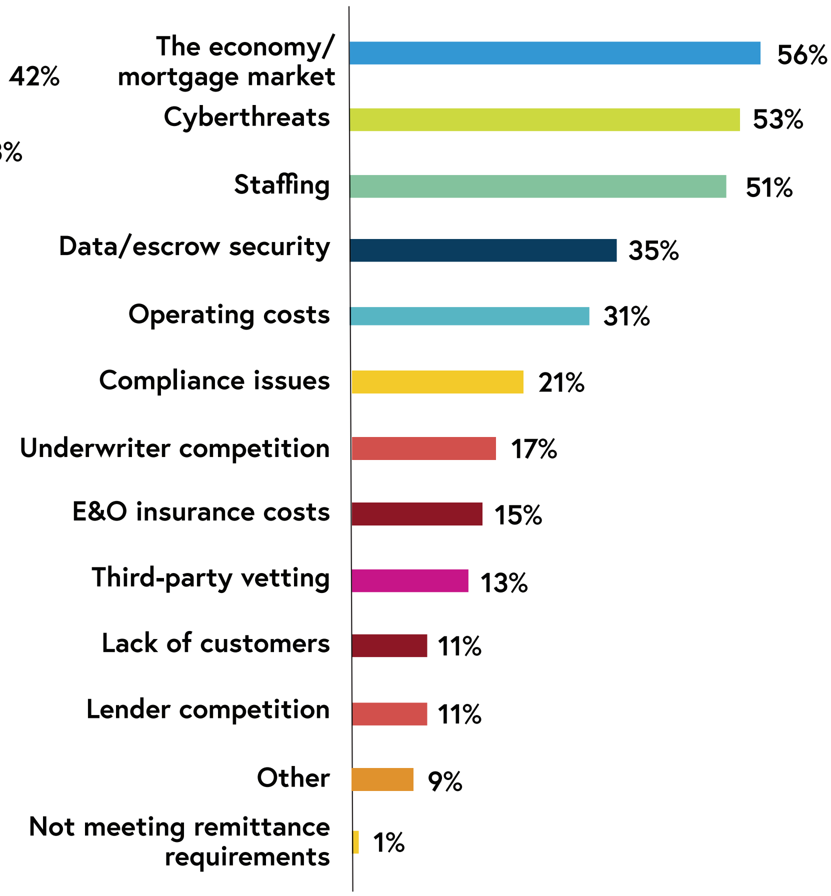
A renewed sales and marketing approach topped the list of best opportunities again this year, though by only 42 percent of respondents, a marked drop from 60 percent last year.

New technology stayed in the second spot, up 36 percent from last year's survey. One respondent specified remote online notarization as such an opportunity.

What is your best opportunity in the next 12 months?



What concerns you most in the next 12 months?



Geographic expansion moved to the third spot, with 48 percent more respondents choosing it as an opportunity over last year

One respondent said their agency is "hungry for growth."

Another opportunity added to the list was "Continued customer relations with excellent service."

Consolidation appears to have been on the upswing in 2020, as the percentage of respondents who reported merging, selling or acquiring a business in the past 12 months rose by 42 percent from last year.

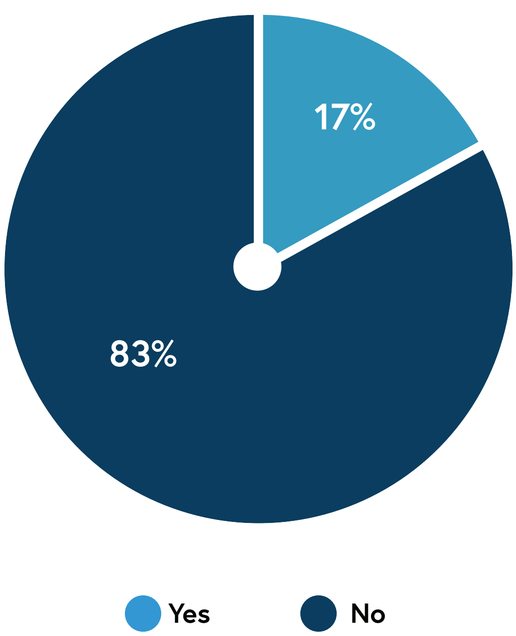
The percentage of respondents who joined or partnered with another agency rose by a whopping 86 percent.

As far as independent agencies, the number of those who said they considered exploring affiliations rose by 42 percent from 2020 to 2021. The number of respondents who said the decision depends on how the industry evolves stayed steady at around one in four.

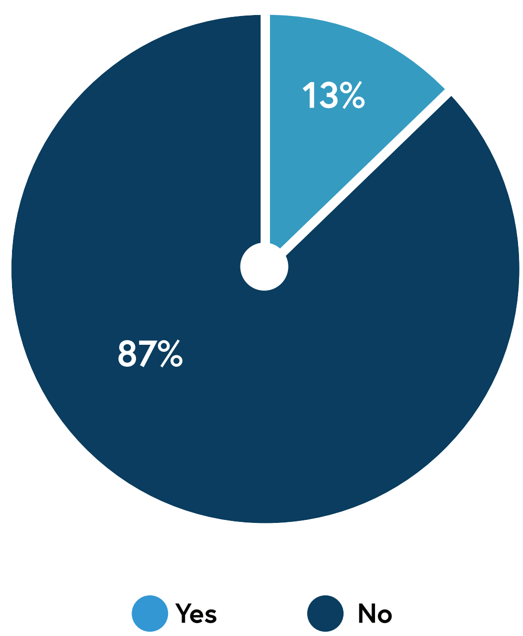
The numbers of agencies that market directly to consumers stayed the same, with almost identical percentages from 2020 to 2021. Of the respondents who said they do, many said they market through social media. Others said through advertising, signage and direct marketing. One said, "not enough."

One in five respondents said they've considered exploring a marketing services agreement, the same as in 2020.

Have you merged, acquired or sold a business in the past 12 months?



Have you joined an agency network or partnered with other agencies?



Certifications, standards and vetting

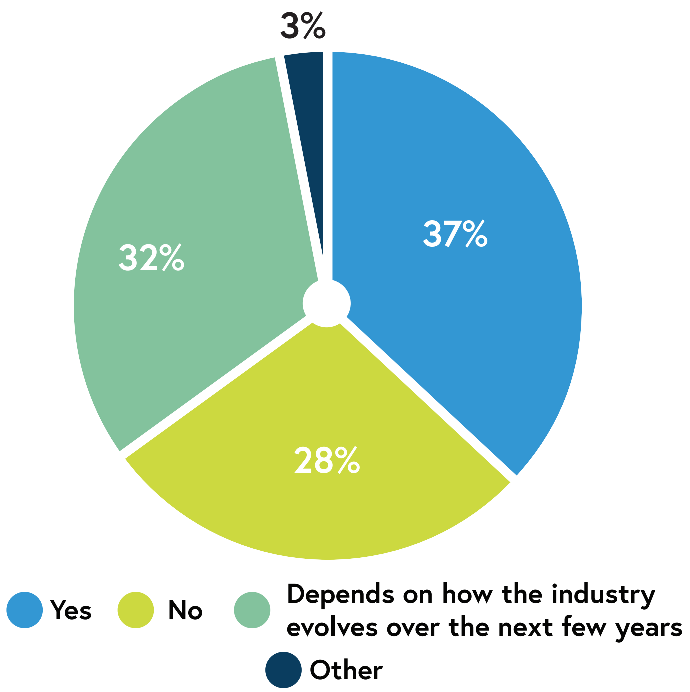
The concerns title agents cited about cybersecurity in this year's survey did not appear to translate into concerns about additional certifications, standards, or vetting.

There was a 17 percent increase from 2020 to 2021 in the number of respondents who did not or do not plan to implement SSAE 16 or SOC standards within the year. Some said that is because they already have such standards in place.

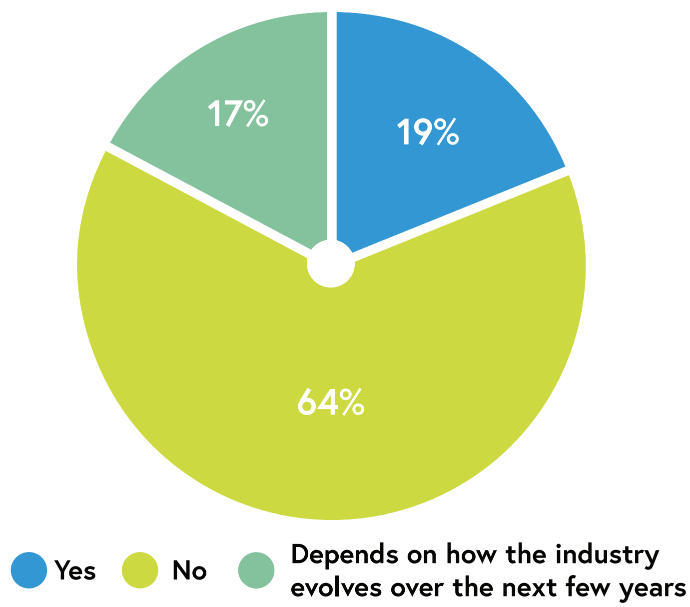
"We require all technology to be SOC-2 certified or similar," one agent said.

Other respondents said they already employ

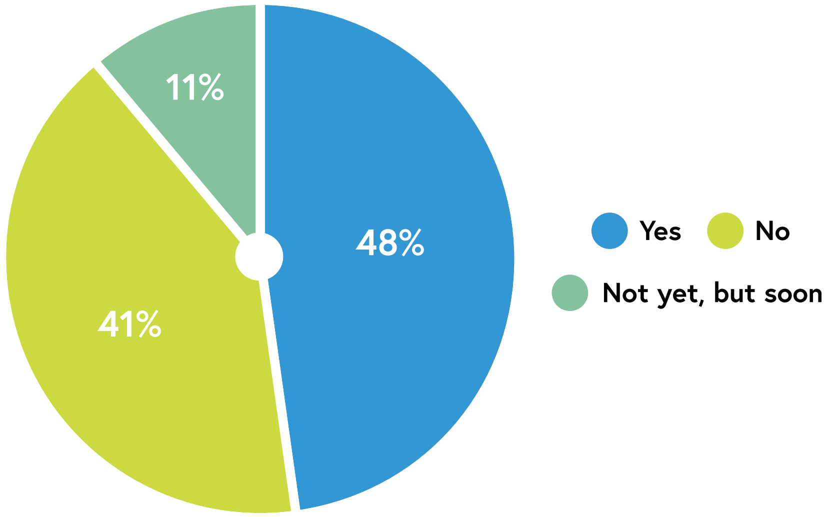
If independent, have you considered exploring any affiliated relationships?



Have you considered exploring a marketing services agreement?



Do you market to consumers?



ALTA Best Practices, have AEA certifications, and use third-party audits.

Slightly more respondents than last year said they have not experienced any new types of agent "vetting." Of the 43 percent who did, more than half said it came directly from a lender. Others said it was from a third-party service or an underwriter.

When asked what information was being requested of them, one respondent said bank statements, and another said, "my company's net worth."

"They want private information and bank information. We refuse to give this," another said.

"The consumer expects the escrow holder to step into the shoes of the real estate agent or the loan agent," a respondent said.

Slightly fewer respondents than last year reported their lender contracts changed, but nearly twice as many are preparing for the agreements or instructions to change this year.

Several of those who did see changes said documentation was added to address the pandemic.

Some cited new standards.

"Some lenders are moving toward the ALTA Uniform Master Closing Instructions — a good thing for the industry," one respondent said.

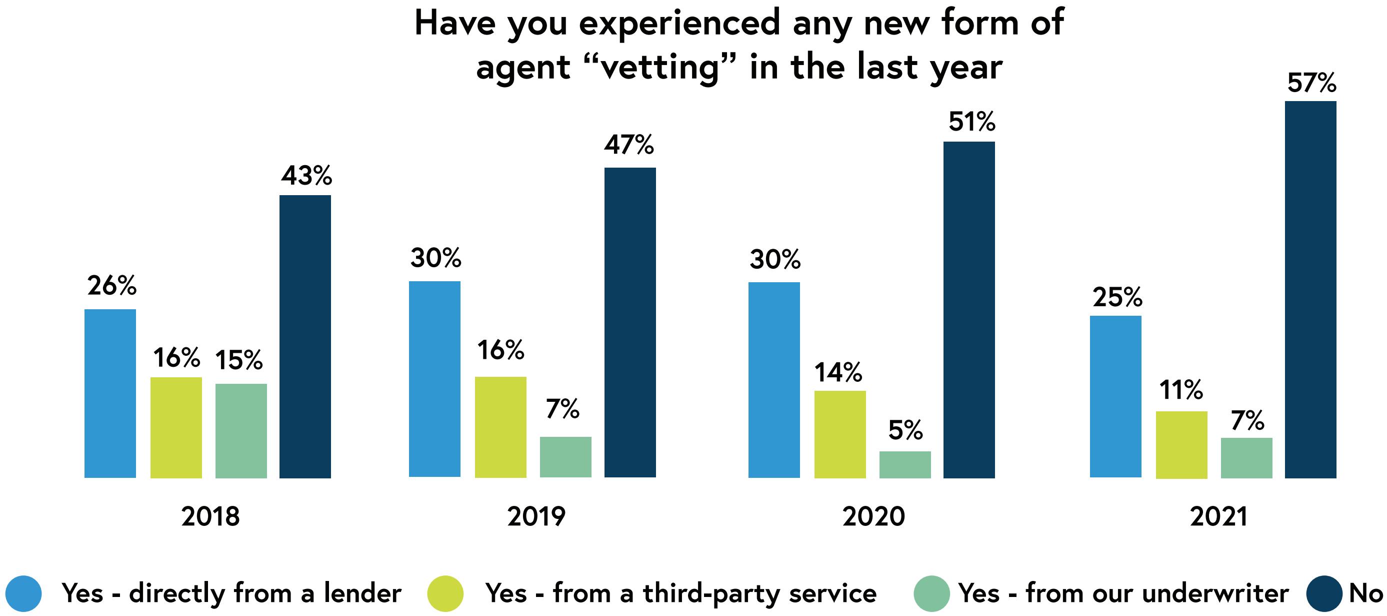
Others were not pleased with the changes.

"We do not get them until the CD is matched and approved so we are working blind when it comes to lender-closing requirements such as endorsements," one respondent said.

"Lenders are over the top in their demands, instructions, delays and requests. Have no common sense," another said.

There was a drop in the number of agents who are nervous about agent vetting and lender oversight of third-party service providers. Those who said they are perfectly calm rose by 55 percent from last year, and the number who said they have some concerns dropped by 13 percent from 2020.

Even so, respondents expressed specific concerns about third-party vetting.



"I'm always nervous when vetting is done by a third party which doesn't understand our industry," one respondent said.

Another said they are "always worried about backroom deals between underwriter direct operations and lenders."

One agent said they are concerned about "third-party marketing companies' representations that they are RESPA compliant."

"Lenders are using their own vetting companies to profit off of title companies," another said. "We are forced to do it or lose their business to a competitor. It's unethical and should be deemed an inducement for business."

Finally, a respondent asked who vets the vetters. "They know everything about my business, and I have found they are not careful with it. They need to be vetted by the feds or someone, in my opinion," the agent said.

Compliance

Title agents continue to express concerns about the impact state efforts to reduce inducements are having on the industry.

There was an 11 percent increase in respondents from 2020 to 2021 who predict an effect from those efforts, with two out of three agents saying it will affect the industry somewhat or a lot.

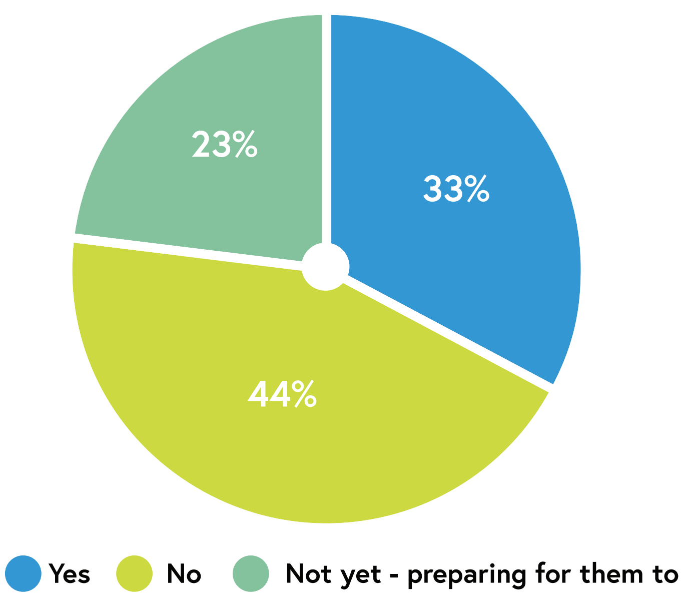
Some said that states need to do even more.

"The department of real estate needs to be much more involved with the number of real estate agents who are not practicing within the industry standards," one agent said.

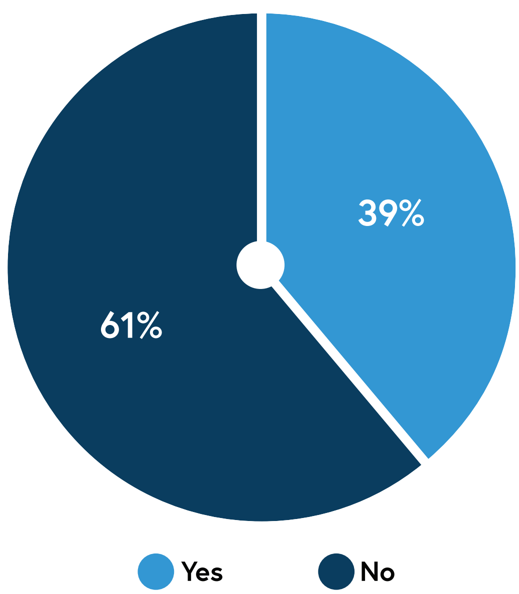
"States do not do enough!" another said.

"Would love to have more enforcement action published so would-be inducers would see the consequences," a respondent added.

Have your lender contracts or instructions changed in the last year?



Have you implemented SSAE 16 or SOC standards or do you intend to within the next year?



Others lamented the lack of teeth that some state regulations have.

"Our state has had laws on the books for decades. However, as long as they remain 'tattletale-based,' they are worthless," a respondent said.

"There must be money and manpower committed by the ODI as well as a willingness to go after large financial institutions, credit unions and realty companies, not just the small title agent."

"Oregon does not allow inducements more than a minimal amount for marketing," another said. "The rules are rarely followed, and the state does not monitor or care."

Some agents said regulations are not applied consistently.

One said regulating is "up and down, depending on who is in office."

Another said states are "relying on antiquated laws and wasting time by ignoring blatant violations while investigating imaginary ones."

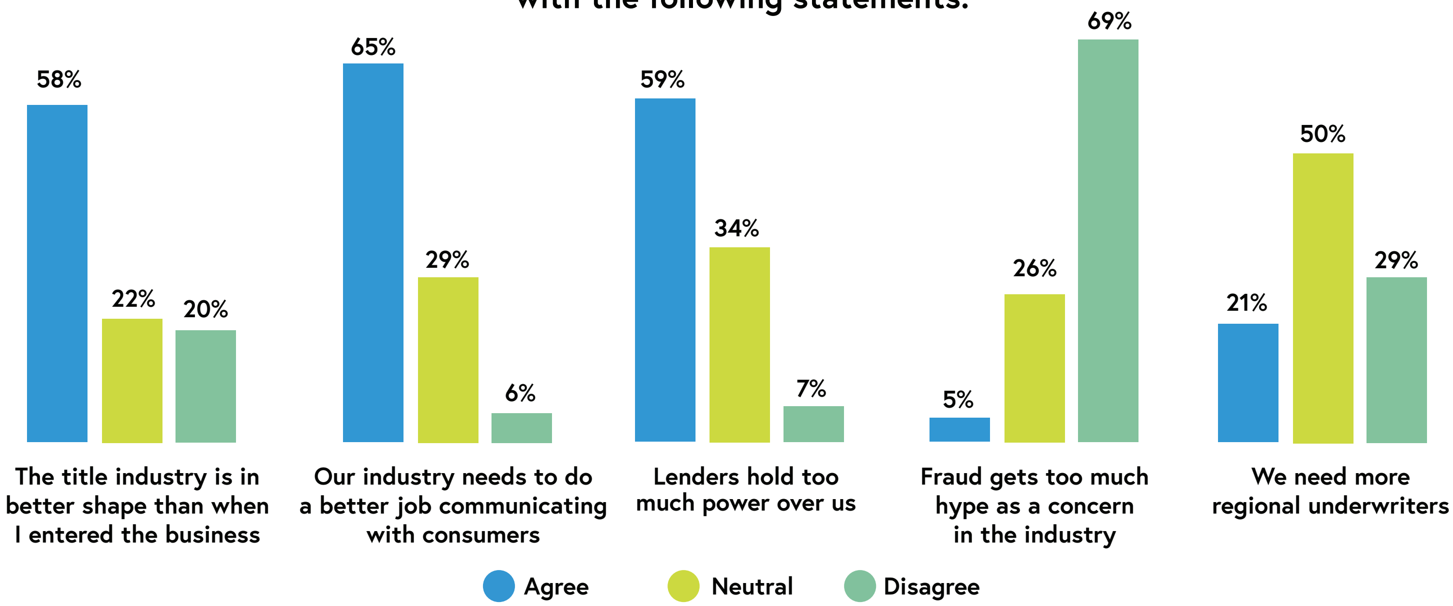
Others said state efforts to eliminate inducements make marketing challenging for title agencies.

"Florida has had a statutory prohibition against inducements for referrals which are very strict and highly enforced. It has a chilling effect on any marketing angle our business wants to take," one respondent said. "As in-house counsel, I find it difficult to counsel the company on a 'safe' way to do what they want to, to reach out to Realtors especially."

"We are limited in the value of any gifts that we give, but [some] title companies just get around that with marketing agreements," another said.

One respondent said regulations are not the problem, saying, "The issue is that the players who don't play by the rules will always find a loophole and continue to not play by the rules."

Rate your level of agreement/disagreement with the following statements:



Security

Nearly half of all title agents surveyed said again this year that more needs to be done to prevent fraud and ensure data/escrow security. The number who think enough is being done went up 17 percent from last year.

Some respondents want to see more regulations and more resources funneled toward security. One said there needs to be an "industry effort in creating better cyberfraud protections."

"Careless title and escrow have no protection," another said. "I'm in favor of heavier regulations."

One agent wants to see regulations that "require all title agencies to use secure portals for communication and doc delivery."

Another recommended "education, awareness (internal and external), enhanced processes, technology to prevent fraud, additional insurance coverage."

A respondent requested, "more government resources towards finding and punishing wire fraud. Make a foreign wire/money transfer much more difficult, making it harder to take the money outside the USA."

Some respondents called for banks to require more matching requirements for wire transfers.

Several suggested security failings by Realtors and consumers are adding to the problem.

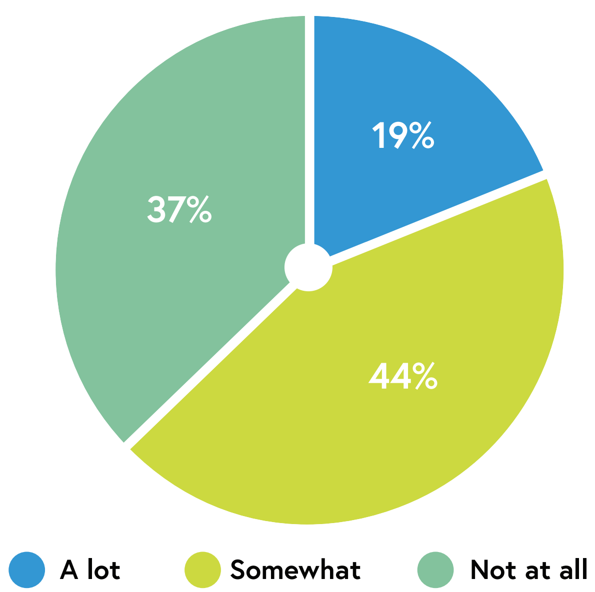
"I think we can only do so much with education for consumers," an agent said. "The issues we have are with Realtors using unsecure email. Only way to protect self is to be as diligent as possible."

"Realtors need to be forced to stop using Gmail, etc.," another respondent agreed. "This is where we see the most hacks and the potential fraud."

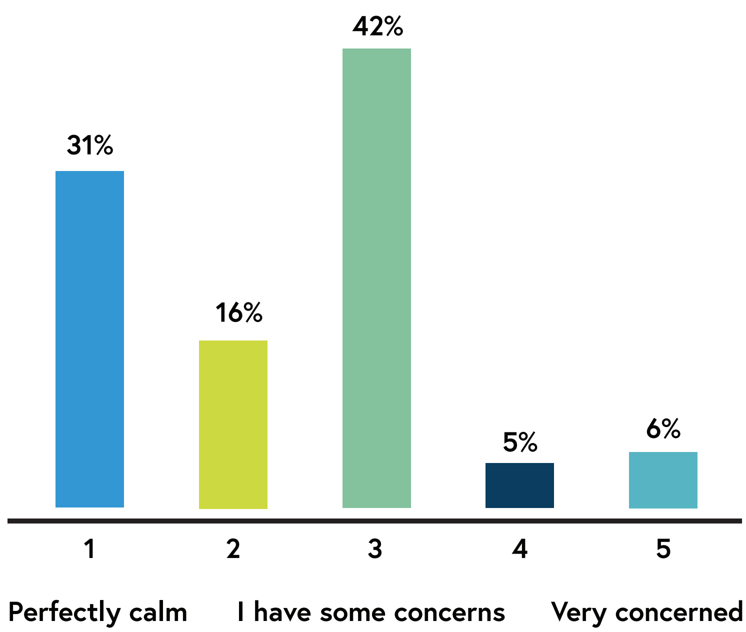
"Realtors and consumers tend to be the biggest victims of hacking," another noted.

However, several said there is only so much the title industry can do to stay ahead of

How will state efforts to eliminate inducements affect business?



On a scale of 1-5, how nervous are you about agent vetting and lender oversight of third-party service providers?



ever-evolving criminal activities.

"You can have the best security today, only to find that the people looking to pirate data are always evolving, so the prevention is constantly evolving as well," one respondent said.

"Seems like we are playing catchup with whatever is the latest used by the hackers," another said.

"In my opinion, most stakeholders take this topic very seriously," an agent said. "Fraud mitigation is never foolproof, so we should all stay vigilant and ahead of the bad actors."

"I'm not sure there is ever enough to do," another commented. "Criminals will just keep pressing."

There was a 21 percent hike in agents who reported their E&O insurance policy did not change in the last year, and a 23 percent drop in those who said their policy had more exclusions and was more expensive than the year before.

Some agents said a price hike was not a surprise.

"Our E&O has gotten more expensive," a respondent said. "Some of the premium increase is due to growth."

"Volume went up, so risk went up," another said. "So, price increase was expected."

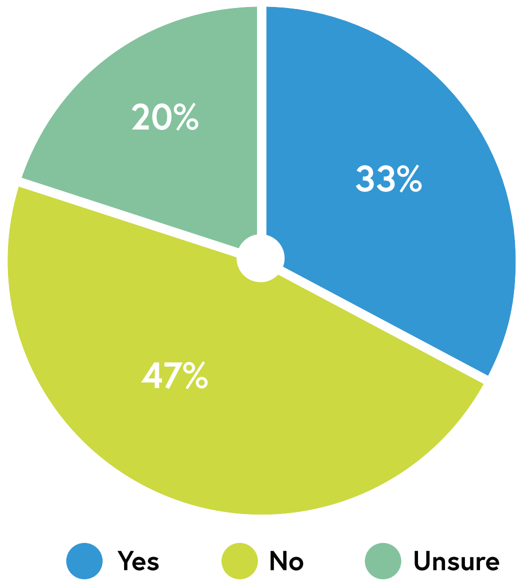
One agent described the challenges of trying to carve out niche for medical cannabis properties.

"Only one of our underwriters will insure properties used for this purpose and even then, the transaction goes under rigorous scrutiny, extra hoops and special title exceptions," the respondent said. "We are trying to strike a balance between making it look easy on the customer-facing end without 'blaming' underwriting for its inflexibility in taking special exception."

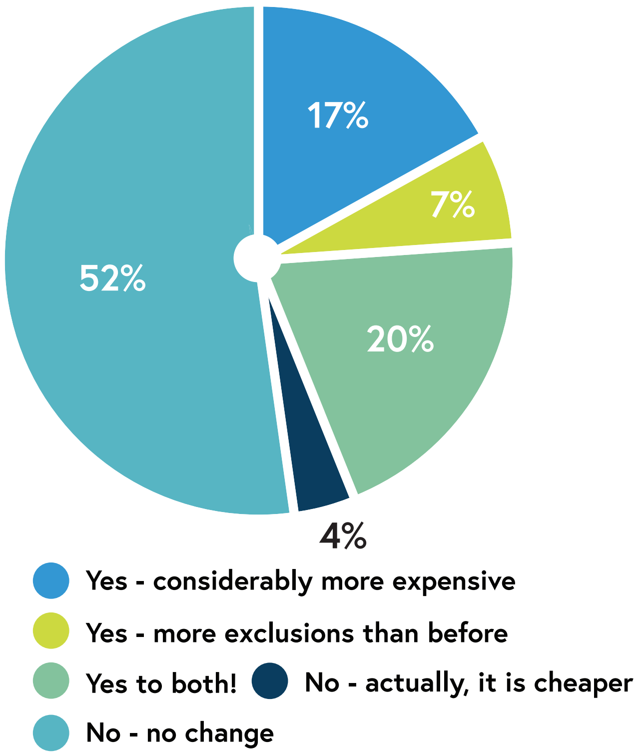
Another said they changed insurers over policy changes.

Fewer agents than last year reported being pressured by customers to insure items that

Is enough being done to prevent fraud and ensure data/escrow security?



Has your E&O policy changed in ther last 12 months?



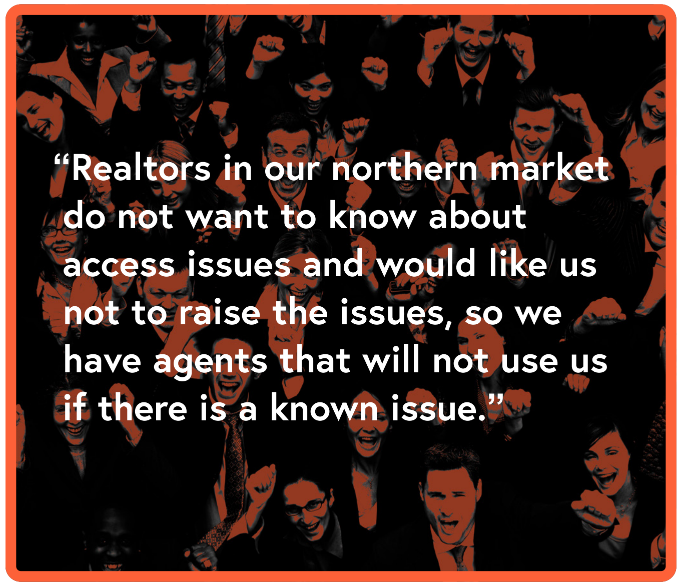
they normally wouldn't. There was a 21 percent drop in the number who said they feel such pressure very often and an 18 percent spike in the number who rarely do.

"Clients always have and always will try to get special treatment and indemnify us with a verbal indemnity over title issues," one agent said. "I am good at saying 'hell to the no.'"

A few respondents cited feeling pressure from Realtors.

"This comes from Realtors. They just want the deal closed," one agent said. "We had a huge issue with a bad legal description and they called yelling at us because we wanted a survey. They wanted us to accept the one that we had (which was not the correct property). They only backed down when the lender insisted."

"Realtors in our northern market do not want to know about access issues and would like us not to raise the issues, so we have agents that will not use us if there is a known issue," another said.



Technology

eClosings are becoming more essential for title agents to their job, especially in light of the pandemic.

The number of agents who said they are already doing eClosings rose by more than 114 percent from last year. Those who said they did more eClosings this year than the year before went up 150 percent.

Some agents said they are prepared for eClosings, but other stakeholders are not.

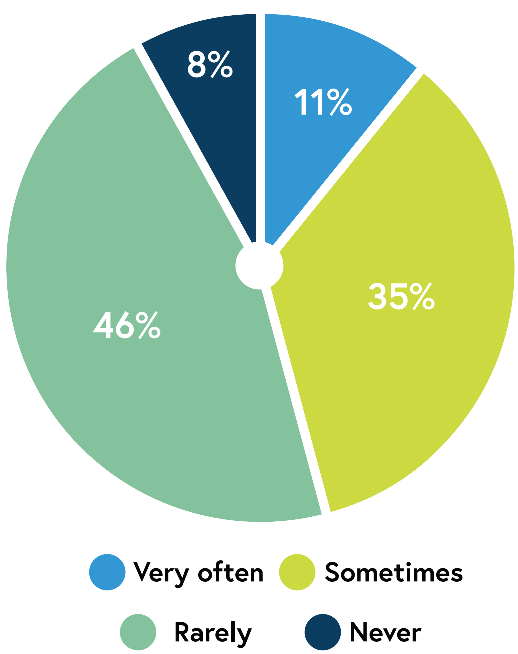
"We are ready and capable, but lenders are not," an agent said.

"We just need lenders to get there," agreed another.

"We have the platform ready for use but have not seen a lot of activity in this area," one respondent said.

"Digital closings represent a small percentage

How often are you pressured by customers to insure over certain items you normally would not?

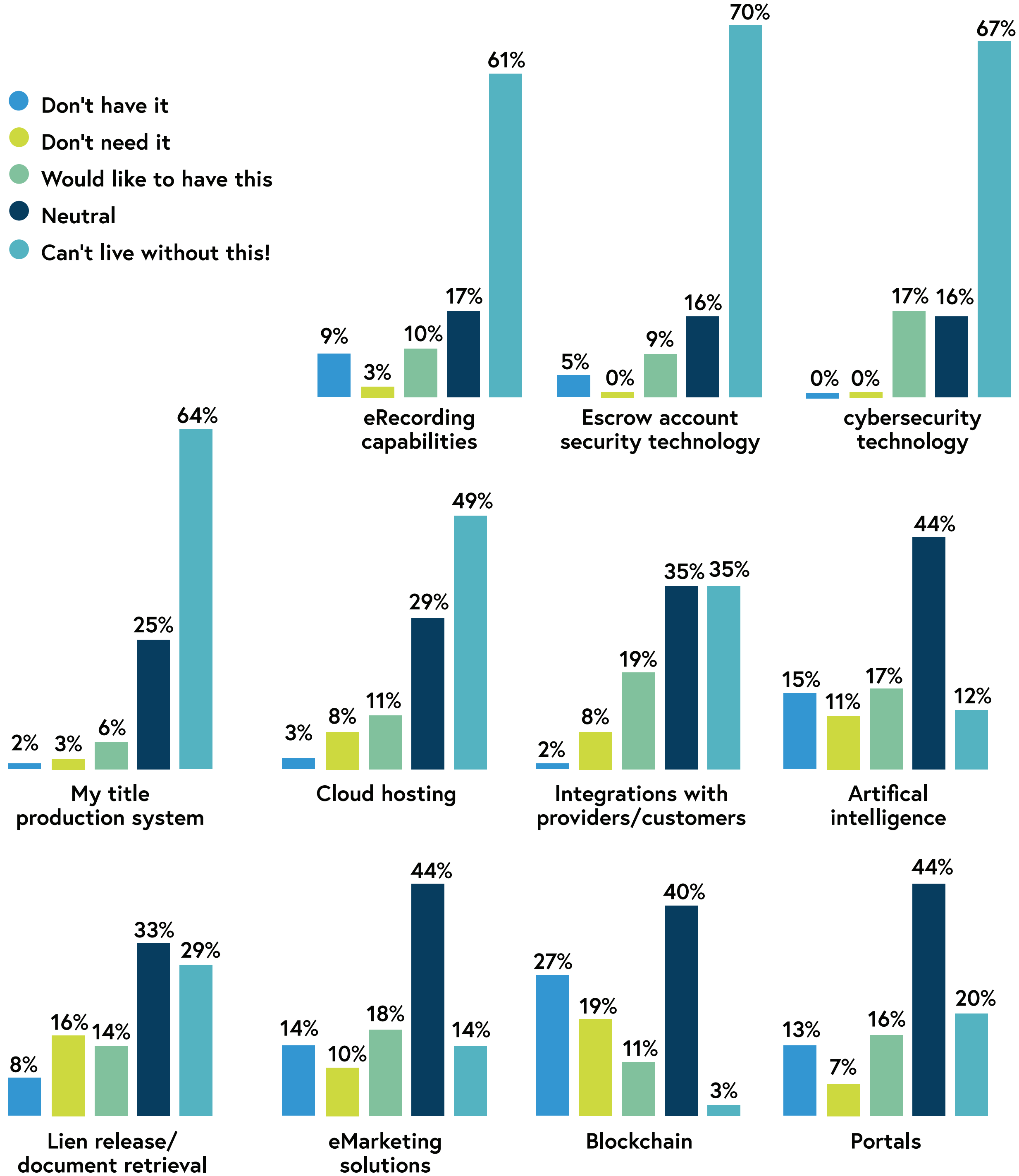


of our business today; however, I expect them to trend up and that they'll become a consumer expectation over time, not unlike what we've seen in other lines of insurance," another said.

One in five agents surveyed said they are not even close to being able to do eClosings, down from one in four last year. Several respondents said they do not expect to employ online closings at all.

"I'm set up, but the software is so awful that I stopped," one agent said.

Rate your attitude about these title technology attributes/solutions.



"I do not intend to do eClosings," another said. "I feel that they just open the door to liability and claims of fraud."

"I like ink, and I will not lie, and neither does ink!" an agent said. "Sorry, been at this for 39 years. I will quit before I do eSigning, especially loan docs, and I will not remote online notary."

eClosings are not the only technology being embraced by more title agents. There was a marked increase in the percentage of agents who say they can't live without cybersecurity and escrow account security technology.

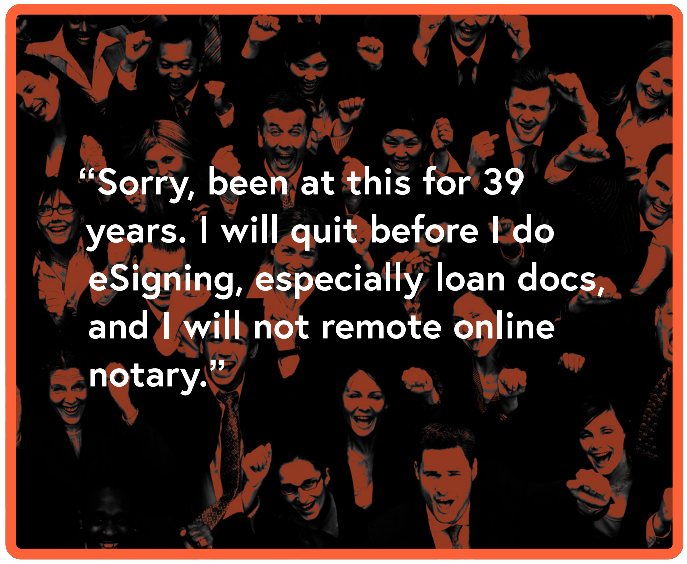
Those who said they must have cybersecurity technology soared from 58 percent to 67 percent from 2020 to 2021. And while 5 percent of agents last year said they didn't have or need such technology, zero respondents said that this year.

There was a nearly 17 percent increase in title agents who said they can't live without escrow account security technology.

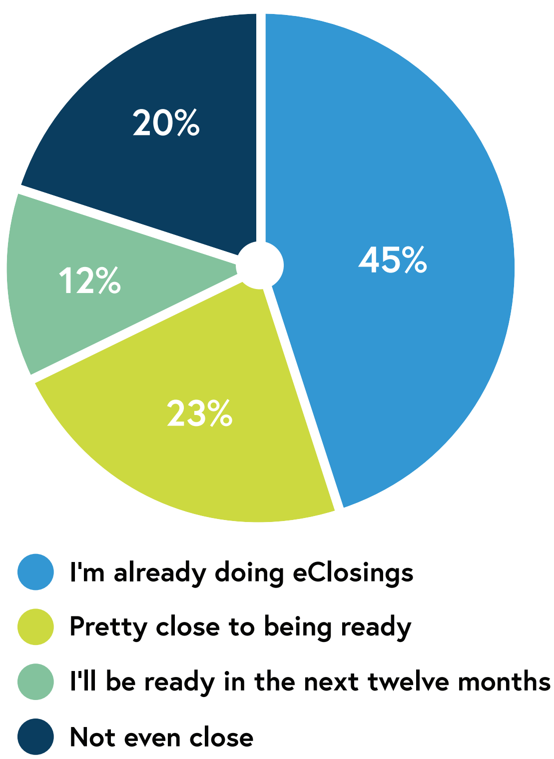
Another must-have technological advance that saw a nearly 30 percent increase year-over-year is the title production system.

At least one agent expressed concern about relying too much on technology.

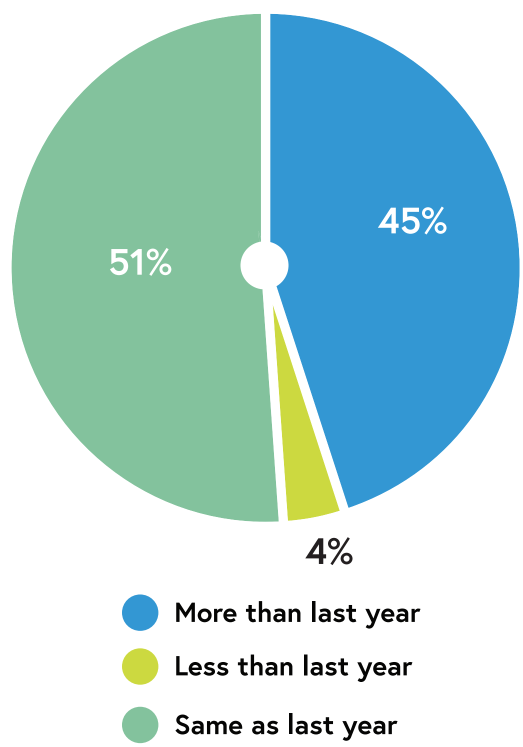
"The more technology, the more communication takes a back step (although it was designed for the opposite) and the more compromised data may become," the agent said.



How prepared are you to handle eClosings?



How often do you conduct eClosings?



Underwriters

Like last year, a majority of title agents surveyed prefer to work with big and national underwriters. Only 6 percent said they prefer small and regional outfits, down from 9 percent last year.

One respondent said some lenders require larger underwriters. “If you don’t use one of the ‘big four,’ many lenders won’t use your escrow services,” the agent said.

Also, like last year, about one in three agents said they are willing to work with any size operation.

“Currently we have a large underwriter (national) and we have smaller underwriter, but also national. Both are great to work with,” one respondent said.

“Need a balance of both,” another said.

Around one in six agents, close to the same amount as last year, said they prefer a size in the middle.

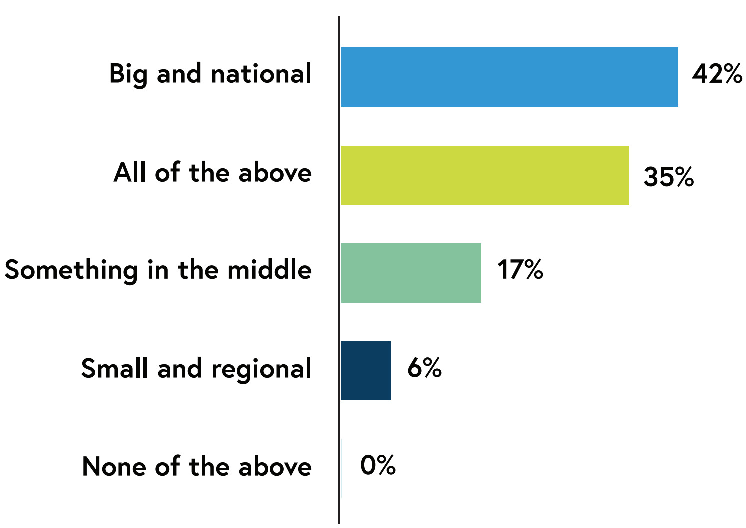
Several agents shared some of the other things they consider when choosing an underwriter.

“Agent service (a recognition that agents are independent and have choice) and technology are most important to us in underwriter selection,” one agent said.

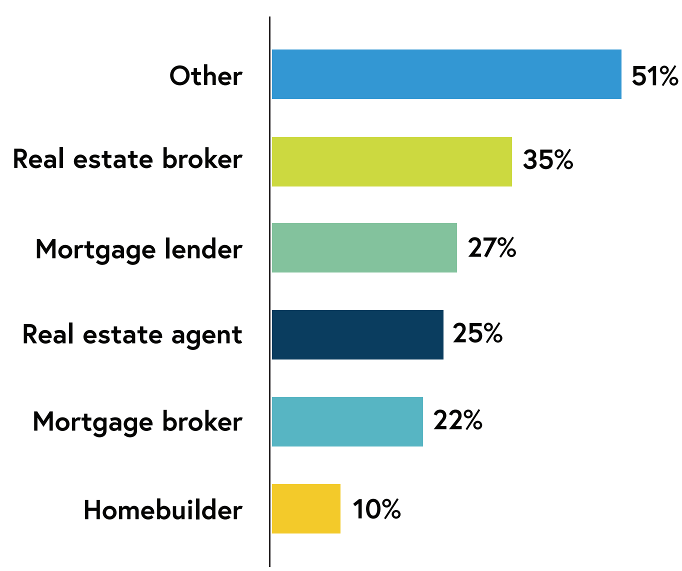
“I will work with any underwriter who has a good reputation, is accepted by lenders, and offers competitive premium splits,” said another.

“I am only as strong as the underwriter backing my policy,” a respondent added.

What type of underwriter do you prefer to work with?



If affiliated, with what type of companies?



Demographics

Nearly three in four survey respondents described their title agency as independent, slightly up from last year.

Those who identified as affiliated agents (16 percent) and direct agents (11 percent) mirrored percentages in 2020.

One in five affiliated agencies said they are connected to a mortgage broker, a whopping 266 percent jump from respondents in 2020.

Around one in three are affiliated with real estate brokers, a 21 percent increase from 2020.

Those affiliated with mortgage lenders and with real estate agents rose slightly from last year.

Other affiliations cited by agents included law firms and underwriters.

Most of the title agents who responded this year work in the South (40 percent), a 17 percent hike from last year.

The rest are nearly evenly split between the Mdwest, Northeast and West.

Nearly one in four agencies said they've been in business for up to 10 years, almost twice the amount from last year.

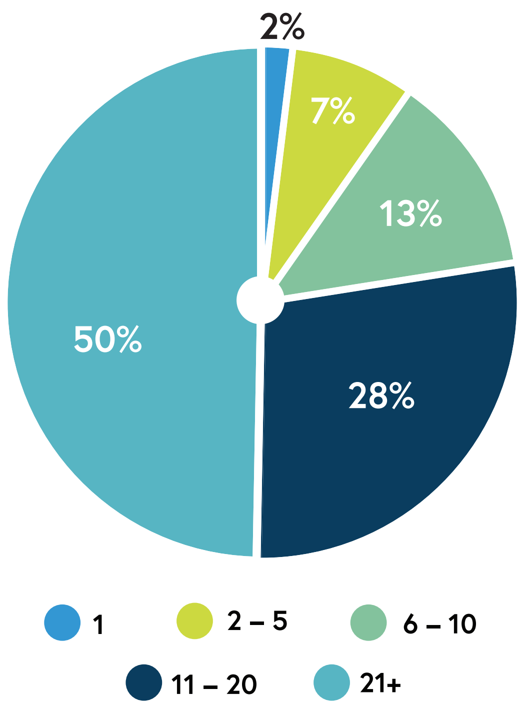
Half the respondents said their company has been around for at least 20 years, a 12 percent drop from 2020.

A majority of agents surveyed (40 percent) operate one office, but one in four said they operate two to five offices, up from one in five in 2020. One in five said they have 20 or more offices.

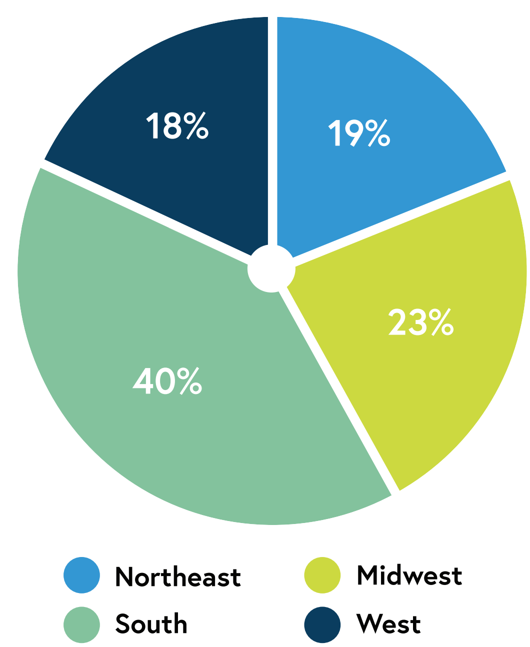
There was a marked increase year-over-year in the number of agents who think the title industry is in better shape now than when the entered the business.

The number who agree with that statement jumped 26 percent this year, while the number who disagree fell 31 percent.

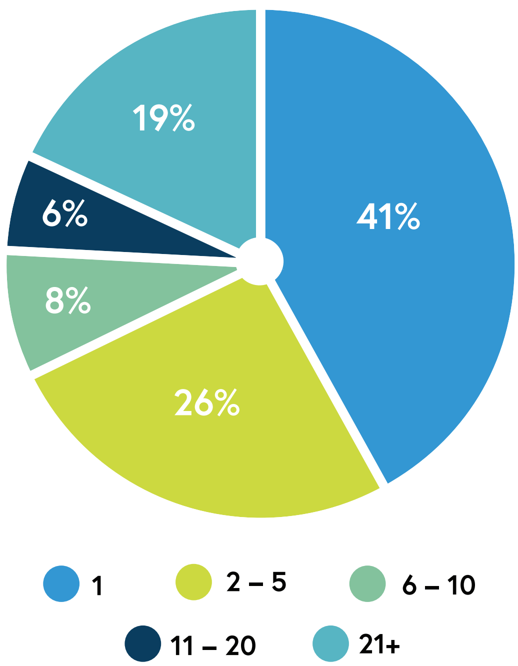
How many years has your company been in business?



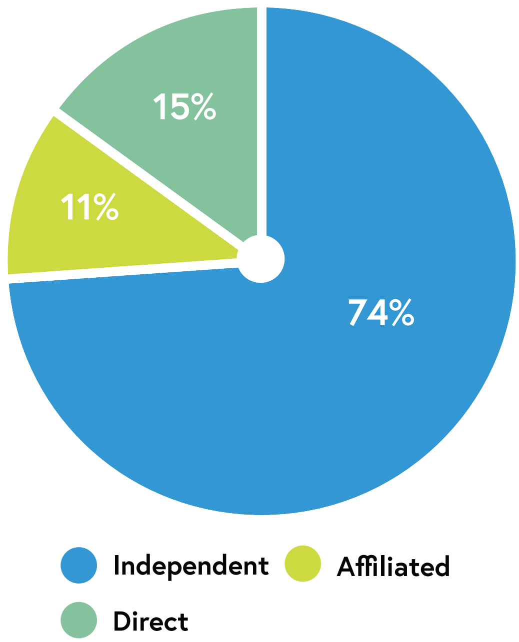
Where are you located?



How many offices does your title company operate?



How would you describe your title agency?



Which types of deals does your company handle?