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Closing Agent Vetting Picking Up

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Worries over fraud, as well as the Consumer Financial Protection Bureau holding lenders responsible for the actions of the third parties they use, is what is behind Secured Settlements Inc.'s programs to vet title agents.

SSI's agent paid program has been a source of controversy on the social media sites. Now the company has come out with two lender paid models for its Closing Guard and Quick Check programs.

Andrew Liput, the president and CEO of SSI, said the company responded to some of the criticisms in the industry, that the agent paid model was "too onerous for the agents," many of which are small shops who had difficulty affording what he called the nominal amount SSI charges, which is between \$99 and \$299 for an entire year of vetting and monitoring.

Another point which had been made is that the cost of monitoring should be borne by the lender because of the CFPB's statements.

Liput said this program was born from the perspective of a closing agent. He was an attorney who also acted as a settlement agent.

"I viewed it as a way for settlement agents to set themselves apart, to bring continuity to a very diverse professional group. Unlike other professionals in the mortgage process, who are a homogenous group," that is the various players each have their own single profession with single source of licensing and standards of practice, the closing business is diverse and fragmented, with closing agents, notaries, attorneys and others at the closing table, he said.

He said the setup is "unwieldy and I have always been focused on how to do we bring these people together under one umbrella."

Now, with the regulatory comments, there are those saying the cost of vetting should be borne by the lender, Liput continued. So it has redesigned its offerings to be used more like a fraud combatting tool by lenders. It is a subscription model that gives lenders a whole package of preclosing, before funds are sent to the closing agent, quality control and compliance tools.

Liput said the agent paid model is not going away, because there are agents who see being vetted as a credential and it is something they can show to consumers.

Rafael Castellanos, the owner of Expert Title Insurance Agency in New York, said it is really the job of the title insurance underwriter ¹to do the vetting of the people handling the mortgage closing funds.

Stewart Title Guaranty Co. is using its vetting program as a promotional tool, called the Trusted Provider Program, where all of its agencies and attorney agents can show consumers a seal proving they have been vetted and verified.

George Houghton, group president, agency operations for Stewart, said Trusted Provider "is our effort to continue to raise the bar for independent agencies and attorney agents in our network, and to elevate the professionalism and credibility of the title industry as a whole. And, to protect the investments of our customers."

He said in an interview that underwriters have always had oversight of their independent agents. Back in the period of 2000 and 2007, the settlement industry grew rapidly and the vetting was not done as thoroughly as it should have been done.

What Stewart started doing in December 2008 was to elevate its vetting program, including requiring a higher level of performance and due diligence.

Among the requirements for the program is a third party audit of the agency conducted by Deloitte & Touche. Stewart wanted to make sure its agents had a strong balance sheet to survive a downturn. In 2011 elected to outsource the audit function to a professional to enhance its standards. Stewart bears the cost of the audit, Houghton noted.

It had 6,000 agents at the end of 2008; it now has 3,000. But those 3,000 agents are producing more revenue for Stewart than the 6,000 did, Houghton said.

In 2011 Houghton created an advisor board, and that board helped to codify what Stewart had been doing since 2008 into a list of standards.

It reviews these standards with agents on an annual basis and it also visits with them and goes over compliance. This was being done before the CFPB came out with its announcement about vendors.

What Stewart had not done was publicize to its industry partners as well as consumers what it was doing in terms of vetting agents, he said. Houghton noted that Stewart is on the hook under the title policy and the closing protection letter for its agents.

Typically what can't be seen is how well a company does title searches in terms of claims and dollar amount of claims over a historical period of time. But that is information he and other underwriters have that the third party vetters don't. Yet one of Liput's goals is to set up an information sharing system.

Liput said he believes there is room for a lot of different vetting models for closing agents. "The key is there should be vetting. My own feeling is that it should be independent." What Stewart and other underwriters are doing is good, he continued, but having it done by an independent party is better, especially in the eyes of regulators.

Neil Garfinkle is a New York closing attorney and he is on the advisory board of SSI. When asked about the Stewart program, he said as an attorney who does lots of closings, he thought it was a good idea. "I have nothing to hide, if anything I want to have that stamp of approval.

"I am tired of our name being dragged into the mud by other folks who aren't upstanding."

Houghton said that was the message he was getting out to his agents that they needed to help to elevate the perception of independent settlement service providers.

It is not just the national players that look carefully at agents. Patrick Stone, president and CEO of Williston Financial Group (parent company of WFG National Title Insurance Co. and WFG Lender Services), said, "WFG follows an exacting protocol for signing independent title agencies as well as boarding and administering those relationships. Accordingly, we only present one tier of agent to our lending clients. If we cannot guarantee the quality of an agent, then that agent will not be signed by WFG.

"In addition to our protocol, we maintain a set of monthly metrics that allows us to track individual agent behavior to a degree that provides an early warning system should something go awry. While WFG stands behind its title agents and guarantees their performance to the fullest extent possible, we strongly believe our system is as comprehensive and effective as any in the title insurance industry. We have one of the lowest loss ratios in the industry, which we believe testifies to the quality of our agent network."

The American Land Title Association has come out with a list of best practices, which Houghton noted are similar to Stewart's standards, but he emphasized what his company has is standards for agents to be held to.

But those best practices do not include a statement that the agent must maintain honesty and integrity above all else, which Stewart has as item No. 1, he said.

And those standards are not static; recently Stewart had a meeting to discuss tweaking those standards to meet changing business conditions, such as dealing with consumer complaints and data security.


Castellanos declared that vetting "is a not a bad thing as long as (the agents) are not going to bear an unfair financial cost of getting it done."

Liput said "vetting is here to stay, it is not going away" because of the new emphasis on risk management.

References

1. bit.ly/xxlj6s



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