

2021

STATE OF THE TITLE INDUSTRY

 A Report by PropLogix

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INTRODUCTION

Thanks for downloading our fourth annual State of the Title Industry Report. When we launched this year's survey, the "new normal" for title professionals included unprecedented order volume and a shrinking workforce. Designated as essential workers, the pandemic barely made a dent in the industry, but its overall impact on real estate activity has been mixed.

Digital closing solutions are growing in popularity, but some say its adoption is overblown.

Homebuyer demand remains high and homebuilder confidence is beginning to catch up, but low inventory continues to threaten housing affordability and real estate agents' business.

For title professionals, refinancing activity made up for the lack of new sales, but it didn't spur on a hiring spree for all of our survey takers.

In this report, we explore some of the biggest challenges for title professionals, how they handle more work with fewer people, why they choose to outsource, and how they feel about the due diligence of peers.



Special thanks to all of those who participated in this year's survey! We value your feedback and hope the report provides some actionable insight to help your business in the coming year.

WHO WE SURVEYED

DEMOGRAPHIC HIGHLIGHTS

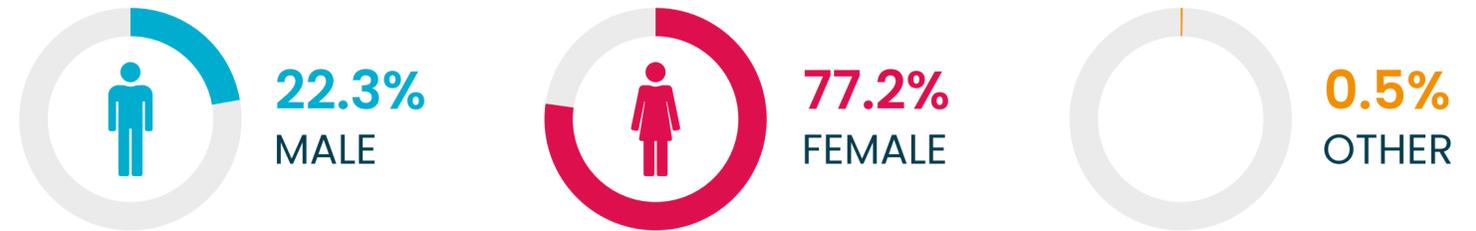
Over 400 title and real estate professionals responded to our 2021 State of the Title Industry Survey.

Here's a quick breakdown of respondents working in the title insurance and real estate industry.

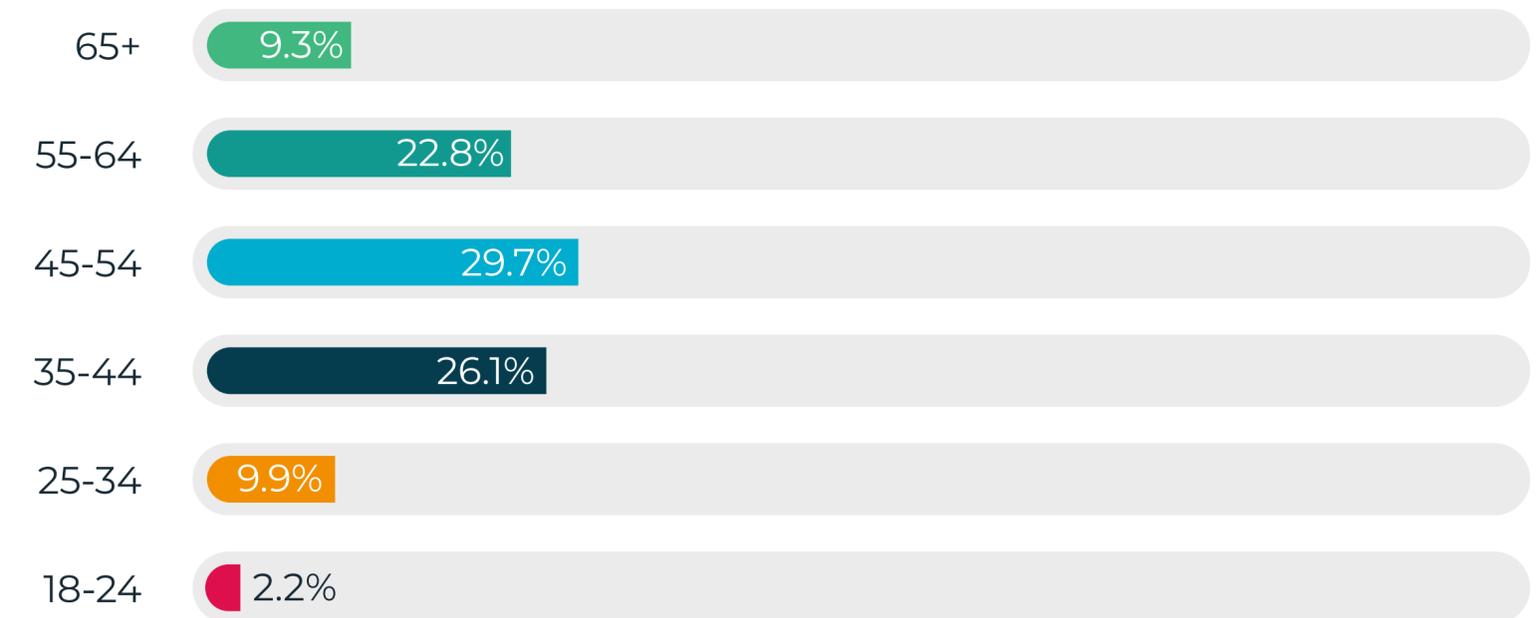
- 77% of respondents are female
- The largest age range of respondents is 45-54 years old

Since last year's survey, the percentage of respondents 65+ increased from 7.6% to 9.3%. There was also a slight increase in percentage of the youngest respondents (18-24) from 1.5% to 2.2%.

GENDER



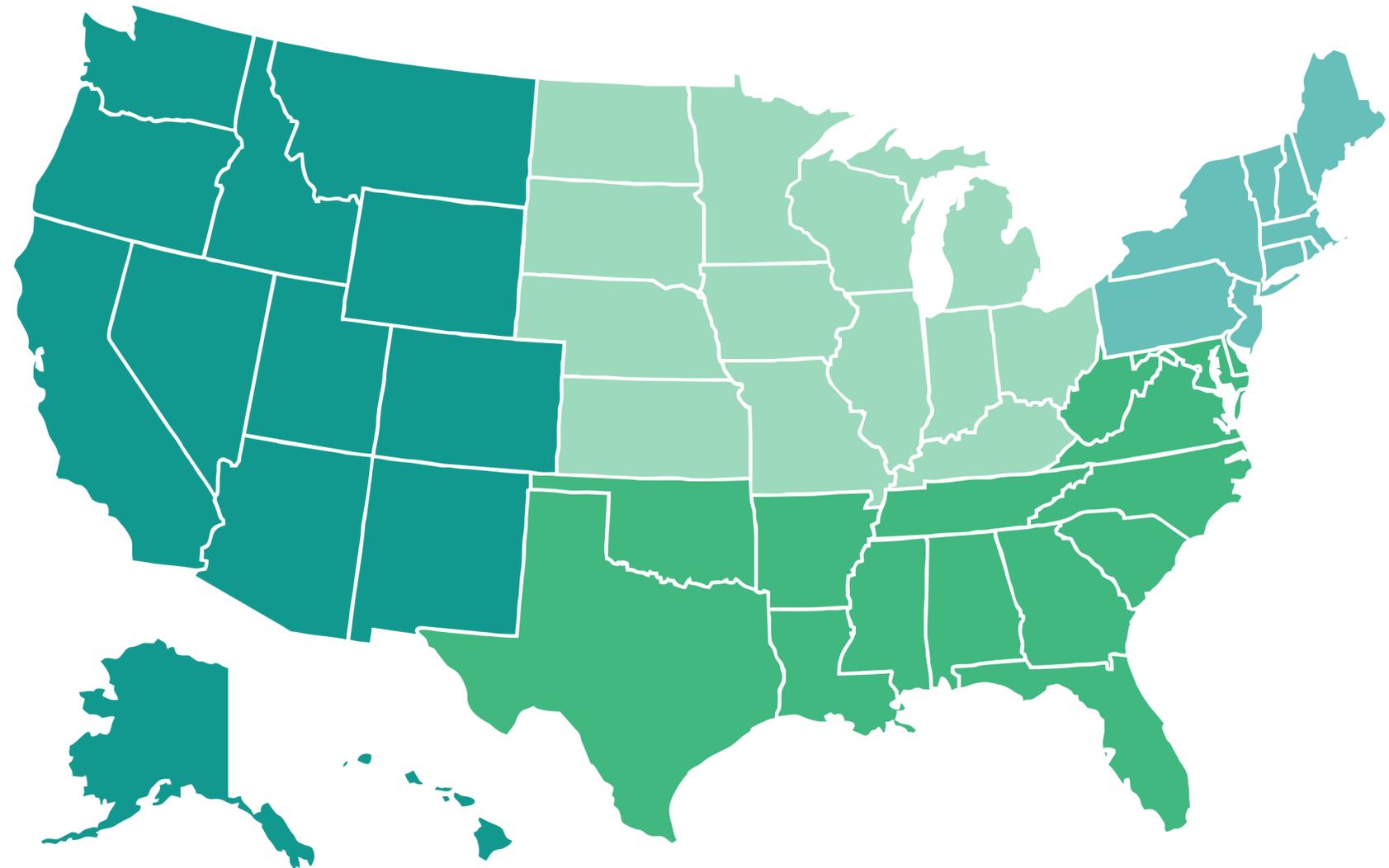
AGE



WHERE OUR RESPONDENTS WORK

Once again, the majority of responses (82%) came from title professionals in the state of Florida, followed by Pennsylvania (14%), Tennessee (14%), Colorado (13.5%), and South Carolina (12%) rounding out the top five.

27.5% of respondents worked for an organization that performed closings for properties outside of their state.



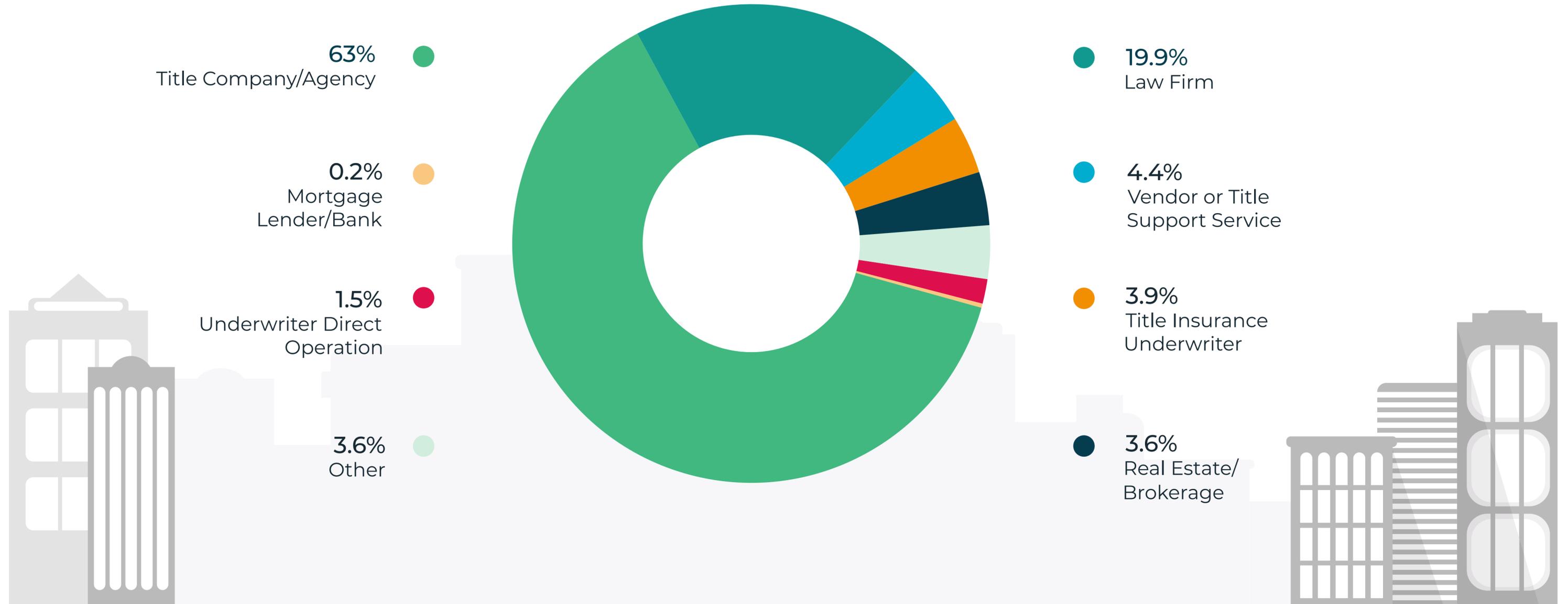
19.1%
WEST

45.2%
SOUTH

20.7%
MID WEST

15%
NORTH EAST

WHAT KIND OF COMPANY DO YOU WORK FOR?

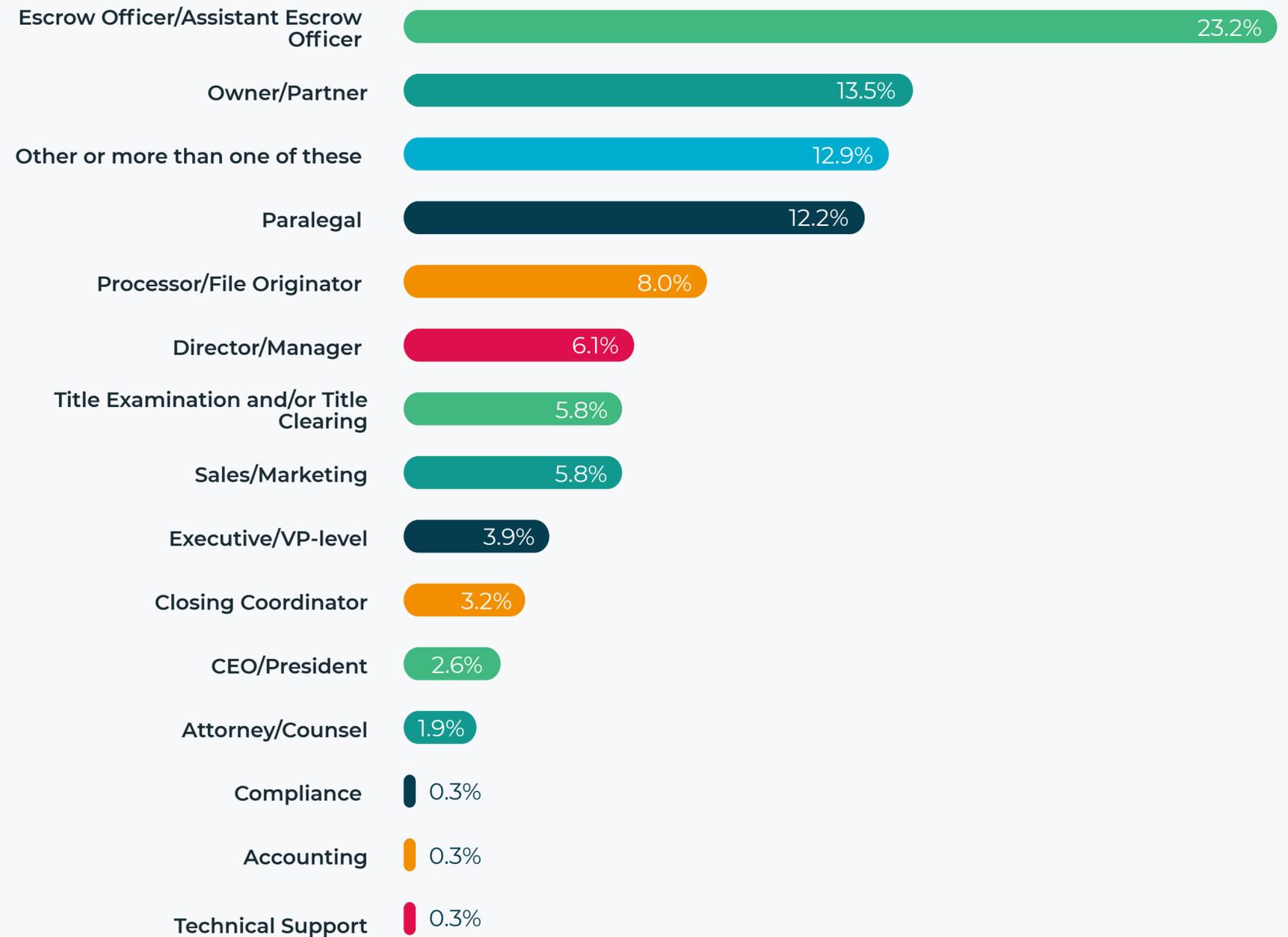




WHICH BEST DESCRIBES YOUR ROLE IN YOUR ORGANIZATION?

The majority of respondents (23%) were escrow officers, followed by owners/partners (14%), paralegals (12%), and processors/file originators (8%).

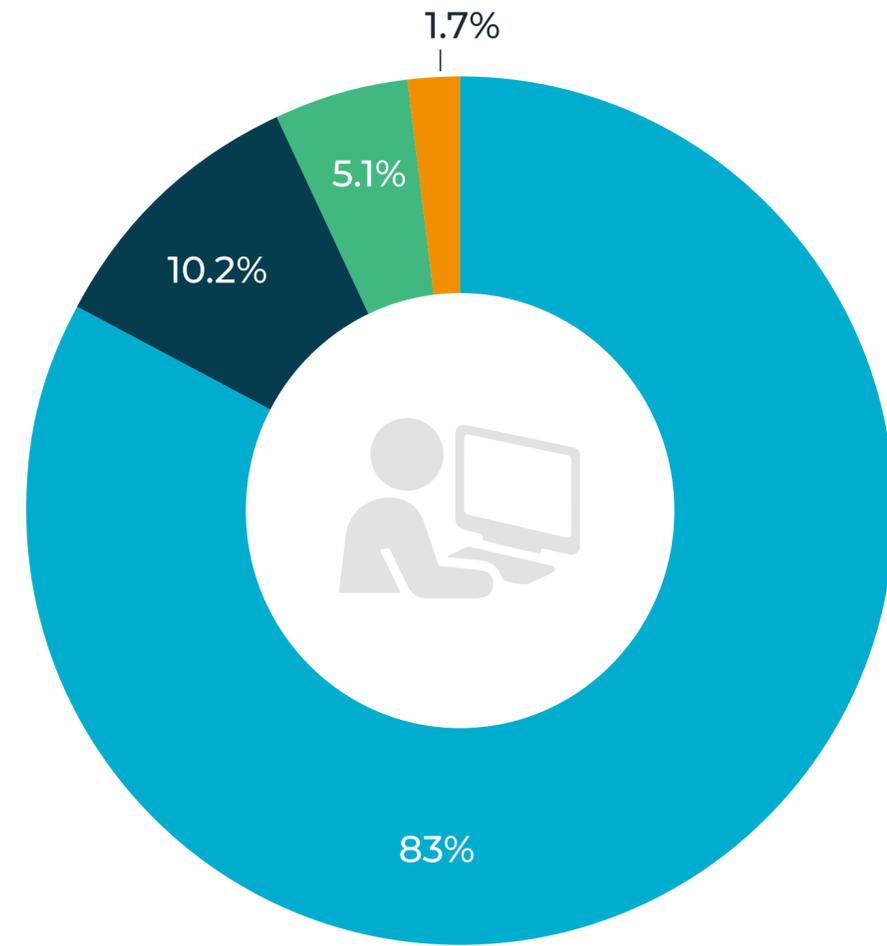
90% are directly involved in some aspect of the real estate closing process.



WHAT KIND OF TITLE INSURANCE ORGANIZATION DO YOU WORK FOR?

Despite all the merger and acquisition activity in the title space, the percentage of respondents working for an independent agency didn't budge from last year's 82.9%.

The percentage of underwriter-owned operations was 10.2% (up from 6.3% last year) followed by 5.1% Affiliated (down from 10.9% last year) and 1.7% Other.



- Independent title company or law firm**
(NOT owned or operated by an underwriter)
- Underwriter-owned**
(Direct operations of Stewart, Fidelity, First American, etc.)
- Affiliated**
(Brokerage, lender, builder, etc.)
- Other**

WHAT'S IT LIKE WORKING IN THE TITLE INDUSTRY?

JOB RESPONSIBILITIES

Primary responsibilities include title clearing and closing (71%) followed by post-closing duties (42.9%), order entry/order pre-closing due diligence (41.7%), client retention (37%), overseeing a team of processors/closers (28.5%), business development (25.9%), and other (21.7%).

Other included responses like developing educational programs, training, reviewing documents, contract preparation, accounting, and title examination.

63% usually issue both lender and owner policies for the same transaction followed by 18% saying always, 13% sometimes, 4% rarely, and 1% never.



71.1%
Title clearing and closing



42.9%
Post-closing duties



41.7%
Order entry/Ordering pre-closing due diligence



37.4%
Client retention



28.5%
Overseeing a team of processors/closers



25.9%
Business Development



21.7%
Other

BALANCING A BIGGER WORKLOAD

The largest percentage of respondents said they were personally handling 21-30 closings a month (18%). In 2020, just 10% of respondents were handling that many closings, with the biggest percentage in 2020 reported handling 1-5 closings (21%).

The workload of title companies vs. law firms

20% of employees at a title company reported personally handling 21-30 closings each month, the largest segment among title, escrow, underwriter, and legal professionals.

25% of those working at law firms are handling 6-10.

Overall increase in workload

Of all respondents, the largest group is handling 21-30 closings a month. In 2020, the largest group of respondents were handling 1 to 5.

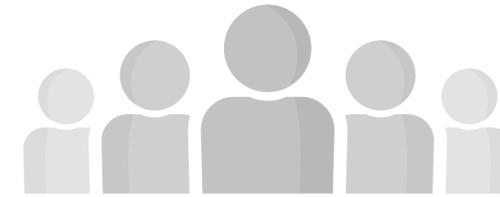
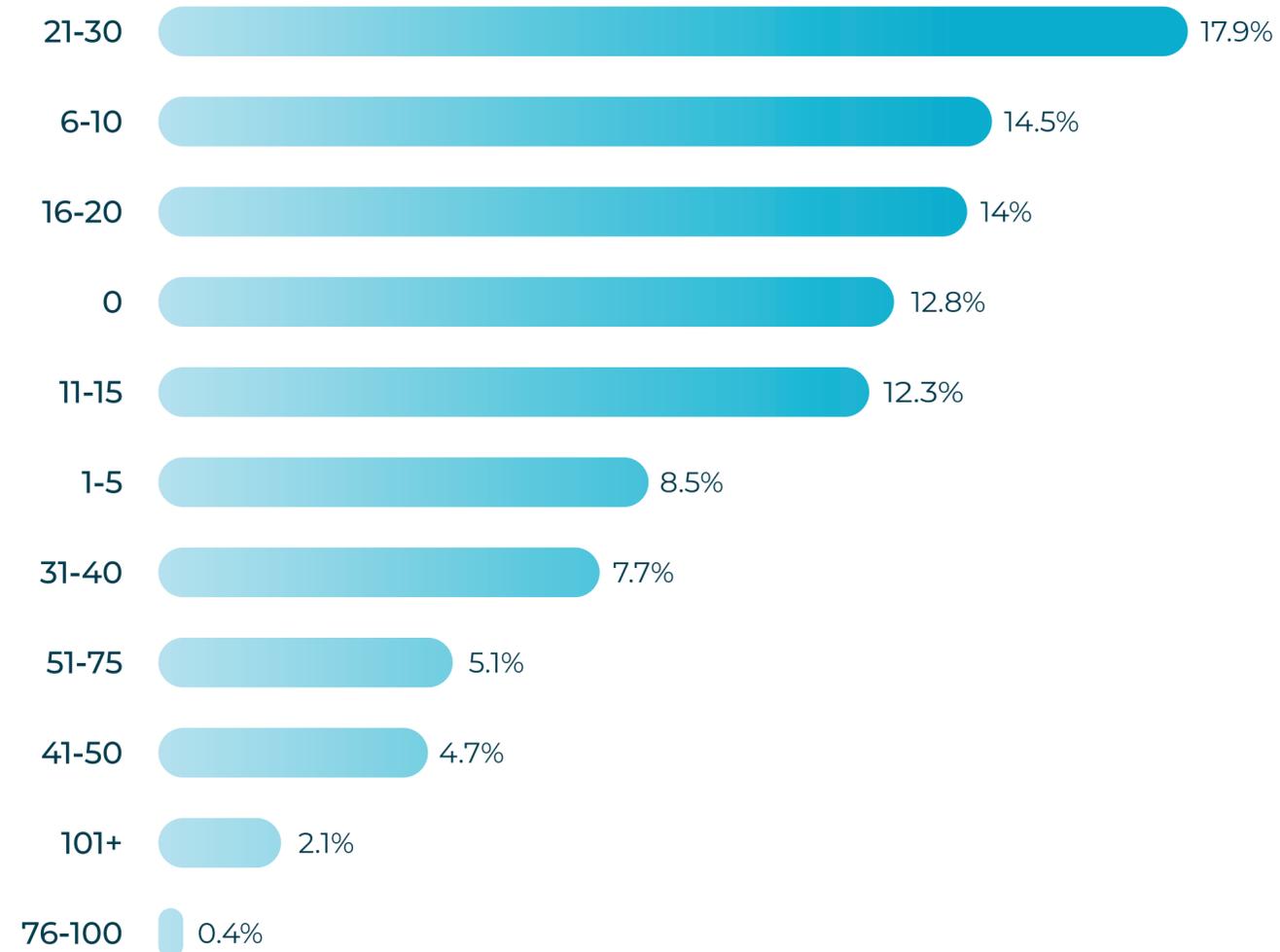
TITLE COMPANIES vs. LAW FIRMS

EMPLOYEE CLOSINGS PER MONTH

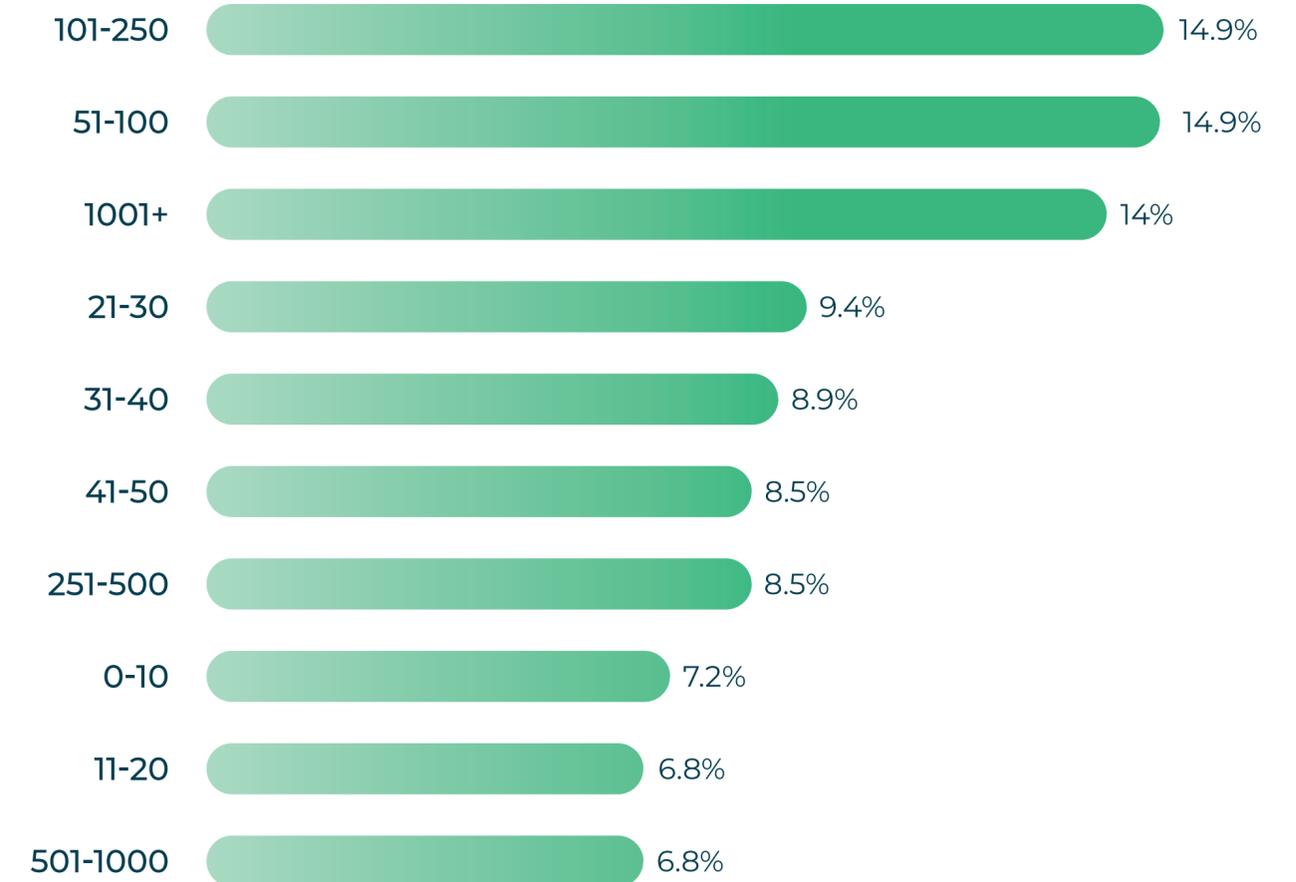




HOW MANY CLOSINGS ARE YOU PERSONALLY HANDLING EACH MONTH?



HOW MANY CLOSINGS DOES YOUR ORGANIZATION HANDLE EACH MONTH?



THE YEAR OF REFINANCES

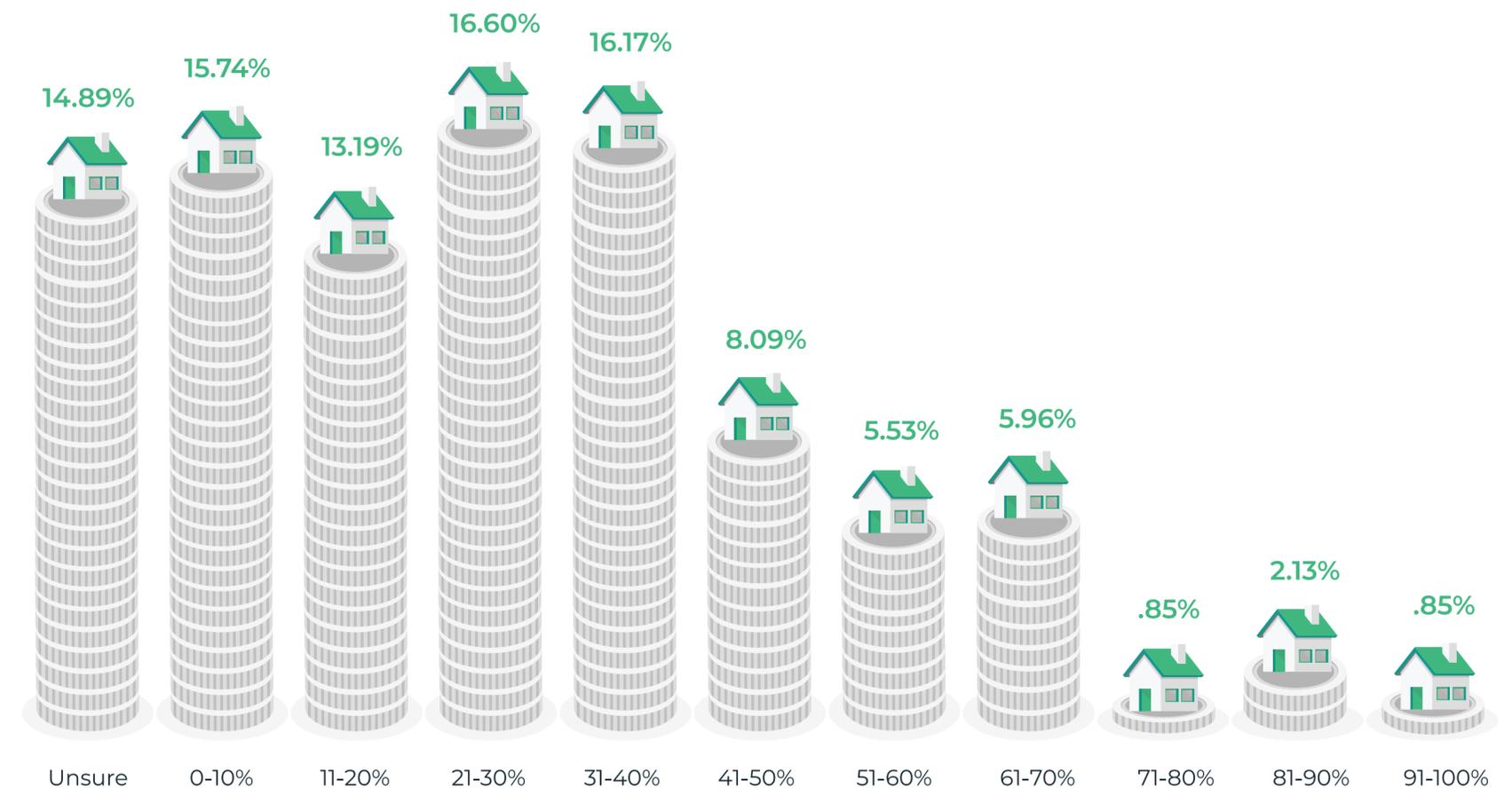
While real estate agents struggled to maintain or increase their numbers, title professionals saw record title order volume thanks to refinancing activity. Despite the COVID-19 pandemic shuttering many retail, restaurant, and hospitality businesses, homeowners took advantage of rock bottom mortgage rates. According to Freddie Mac, there were about \$2.6 trillion in inflation-adjusted refinance originations in 2020. *That's double the volume from 2019.*

How did title agents handle the demand?

Some changes that title agents and real estate attorneys made included:

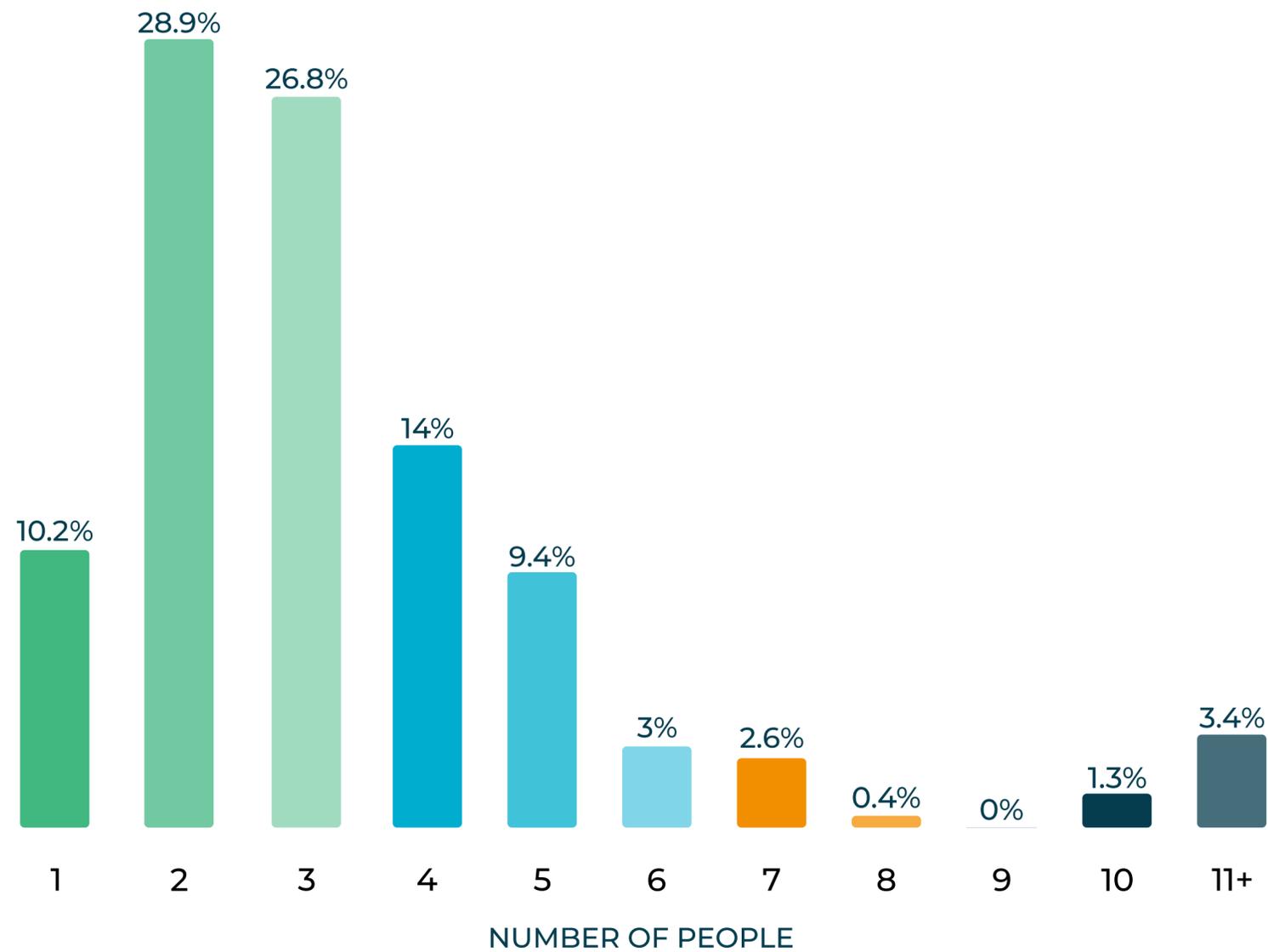
- Hiring and training more staff
- Using mobile notaries more frequently
- Updating software applications with more automation or AI
- Changing internal processes
- Personalizing services to cater to local lenders
- No changes - just worked harder and put in more hours

WHAT PERCENTAGE OF YOUR TRANSACTIONS WERE REFINANCES SINCE 2020?



PERCENT OF TRANSACTIONS

ON AVERAGE, HOW MANY PEOPLE IN YOUR ORGANIZATION WORK ON A SINGLE FILE?



MOST OFTEN, 2-3 PEOPLE WILL BE WORKING TO COMPLETE A SINGLE FILE.

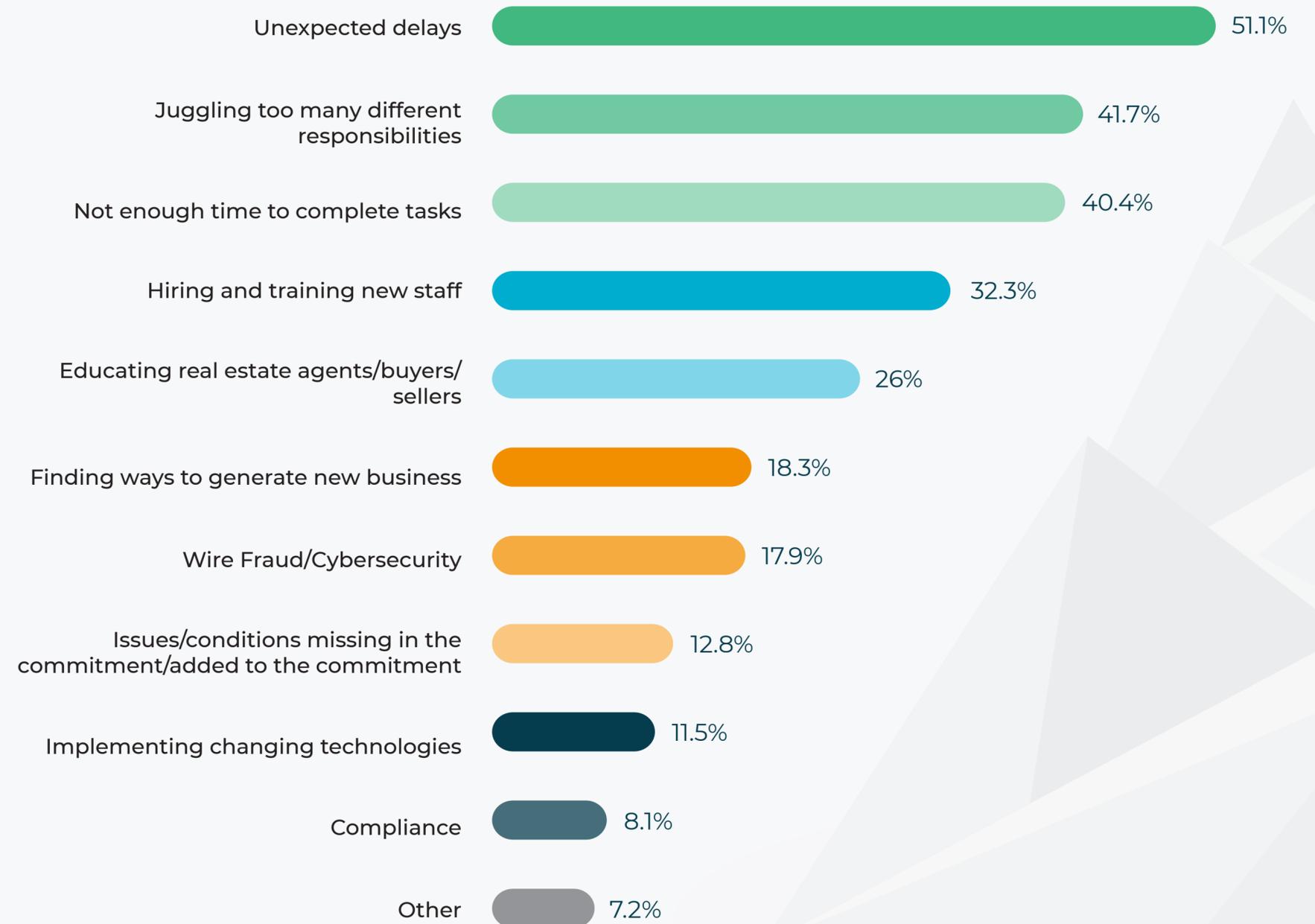
WHAT ARE THE BIGGEST CHALLENGES IN YOUR DAY-TO-DAY JOB?

A WFG survey of mortgage professionals listed turnaround times as a major operational challenge.

Closing on time was also a big challenge for our title professional respondents, with more than half (51%) choosing unexpected delays as their top day-to-day struggle.

Juggling too many different responsibilities, not enough time to complete tasks, hiring and training new staff, and educating real estate agents, buyers, and sellers rounded out the top five.

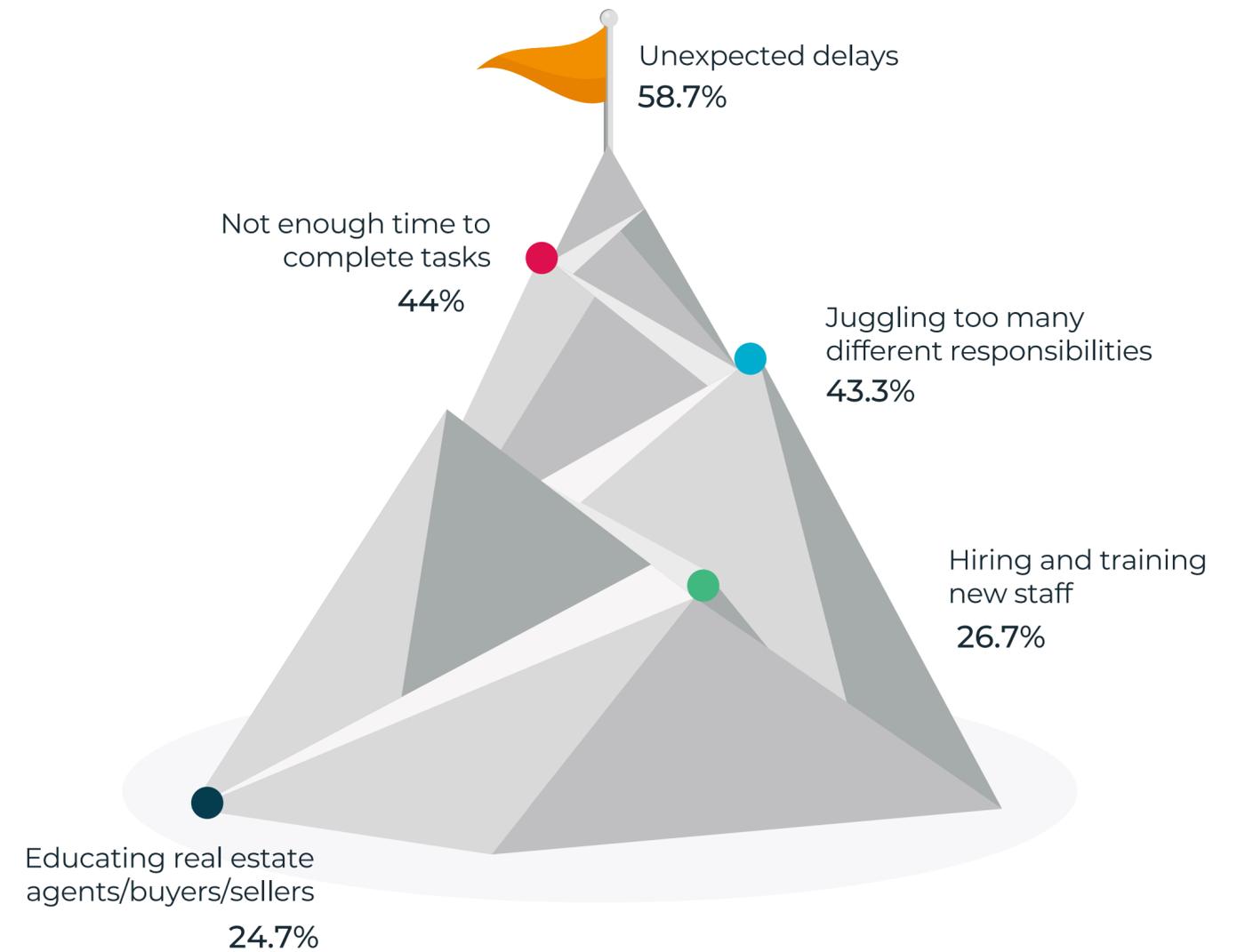
In past surveys, generating new business was in the top five of overall responses, but this year's unprecedented increase in mortgage activity driven by low interest rates and high home buyer demand has likely impacted its ranking.



TOP 5 CHALLENGES FOR OWNERS, PRESIDENTS, CEOS, & EXECUTIVES



TOP 5 CHALLENGES FOR MANAGERS, PROCESSORS, CLOSING COORDINATORS



“EXPERIENCE REQUIRED”

RECRUITING, TRAINING, AND DIVERSITY

For the first time, we see recruiting and training take the top spot for the biggest challenges facing CEOs, owners, and executives in the title industry. Last year, leaders in the industry listed it as their third biggest challenge, and in 2019, it was fifth.

As **Lindsay Hall Harrison**, Underwriting Counsel for Stewart Title told us in a [podcast interview](#),

“There’s a gap, and that gap is severe since people are retiring... Instead of hiring and stealing experienced people away from competitors, we have to start recruiting and hiring new people.

Title professionals have also begun to scrutinize how the workforce doesn’t reflect the diversity of the people it serves. Conversations around diversity, equity, and inclusion in housing are growing, especially as homeownership rates grow among minorities. Gen Z is one of the most diverse generations, and the oldest of this cohort is beginning to graduate college.

A diverse workforce creates a more financially lucrative company according to research. A Boston Consulting study found that companies with more diverse management teams have 19% higher revenues due to innovation.

Recruiting younger generations will take more than a change to your mission statement. They’ll expect proactive leaders and an organization that reflects their values at every level. As Ginny Clarke stated during ALTA One’s session, *Continuing the Diversity and Inclusion Conversation*, leaders must confront the question:

“Who do you want to be and how much do you want to be an attractor of all talent?”

Attracting new and diverse workers requires industry leaders to reimagine how they look at and measure talent and re-evaluate how their job descriptions may create barriers. Felicia Buycks pointed out that requirements like “lifting 20 lbs” deter people with disabilities from applying. Another huge deterrent is the insistence that applicants have experience.

Instead, job descriptions should focus on what traits are important to the role with the intention to teach the day-to-day functions while on the job. “We have to have employers who are willing to invest the time in training somebody,” emphasizes Lindsay. She encourages industry leaders to not let anxiety about losing a newly trained team member to a competitor curtail training efforts. “We don’t have a choice.”

TITLE INDUSTRY **TECHNOLOGY**

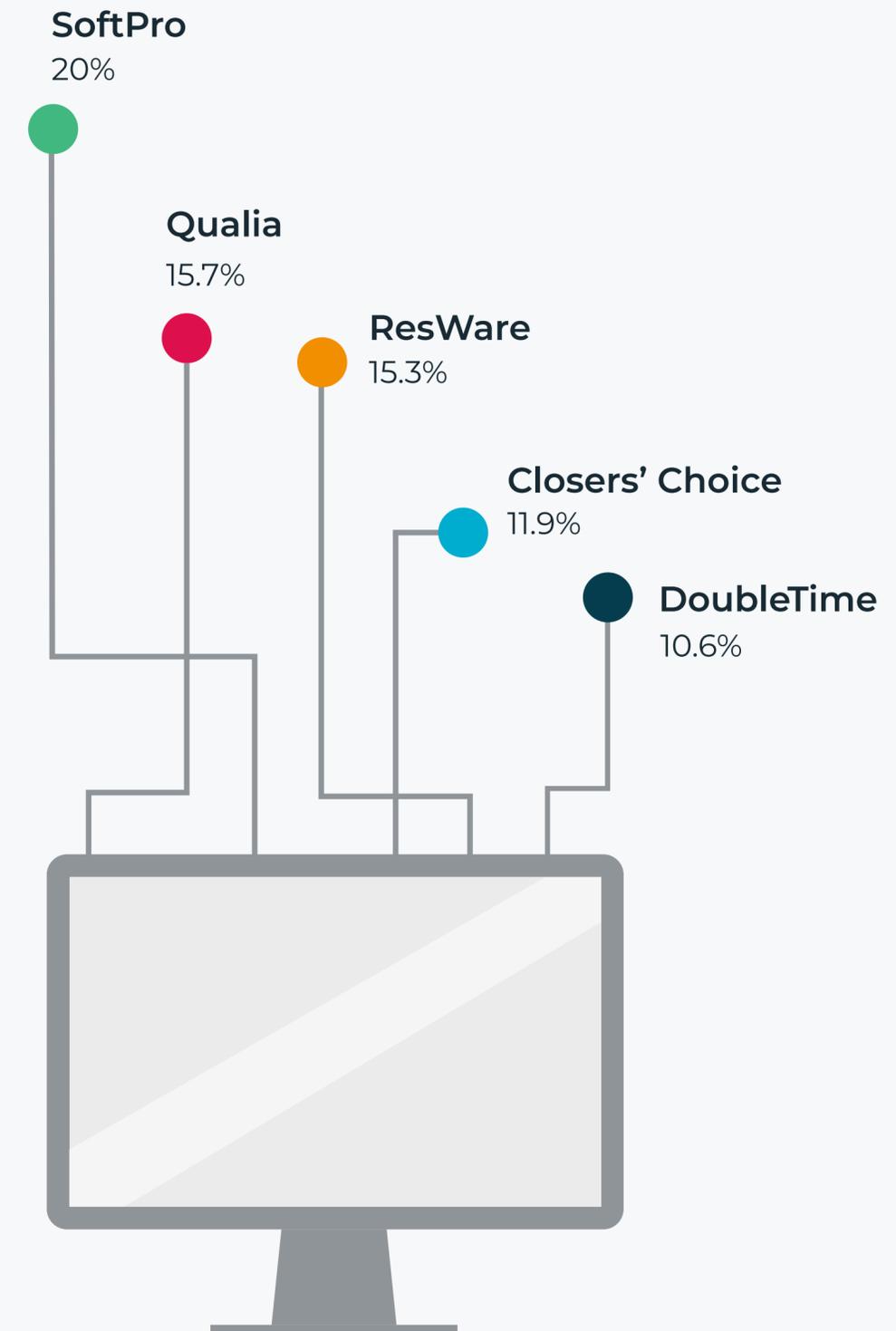
DOES YOUR COMPANY USE CLOSING SOFTWARE?

IF SO, WHICH ONE?

Title production software is the backbone of many title companies and real estate law firms. These applications allow title professionals to open new files, collaborate with co-workers, coordinate closings, reconcile payments and more.

Softpro (20%) was the most popular choice among our respondents followed by Qualia (15.7%) and Resware (15.3%). Ramquest, E-Closing, Landtech, and AIM+ rounded out the top ten. Other responses included Title Express, TitleFusion/AccuTitle, and DisplaySoft.

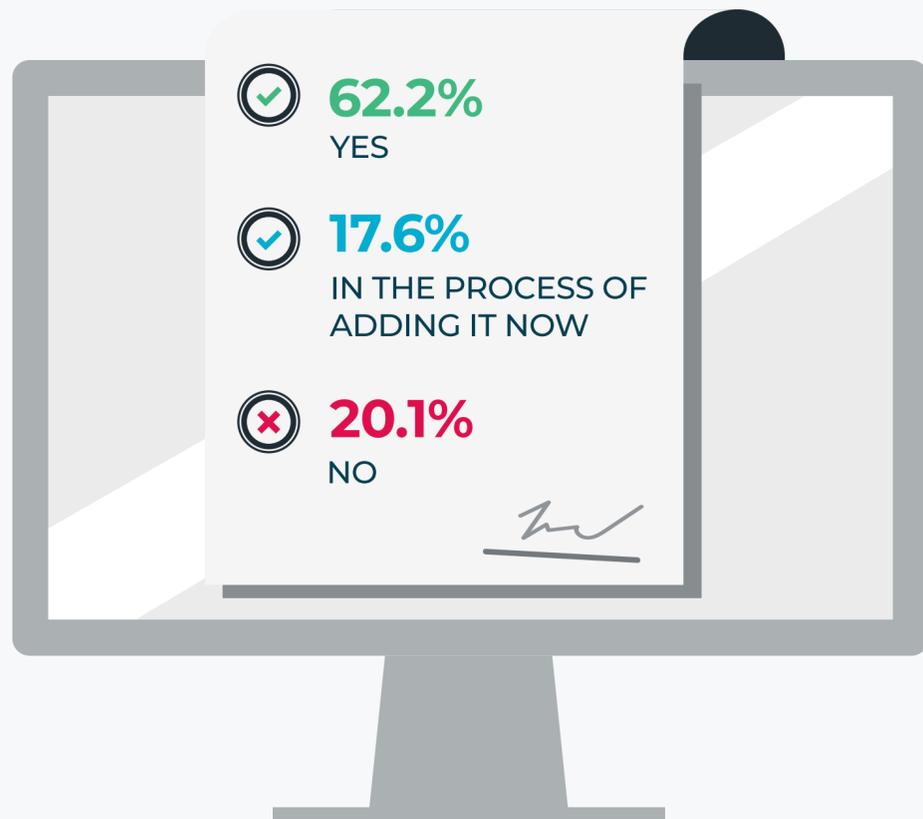
3.4% said their company didn't use any closing software.



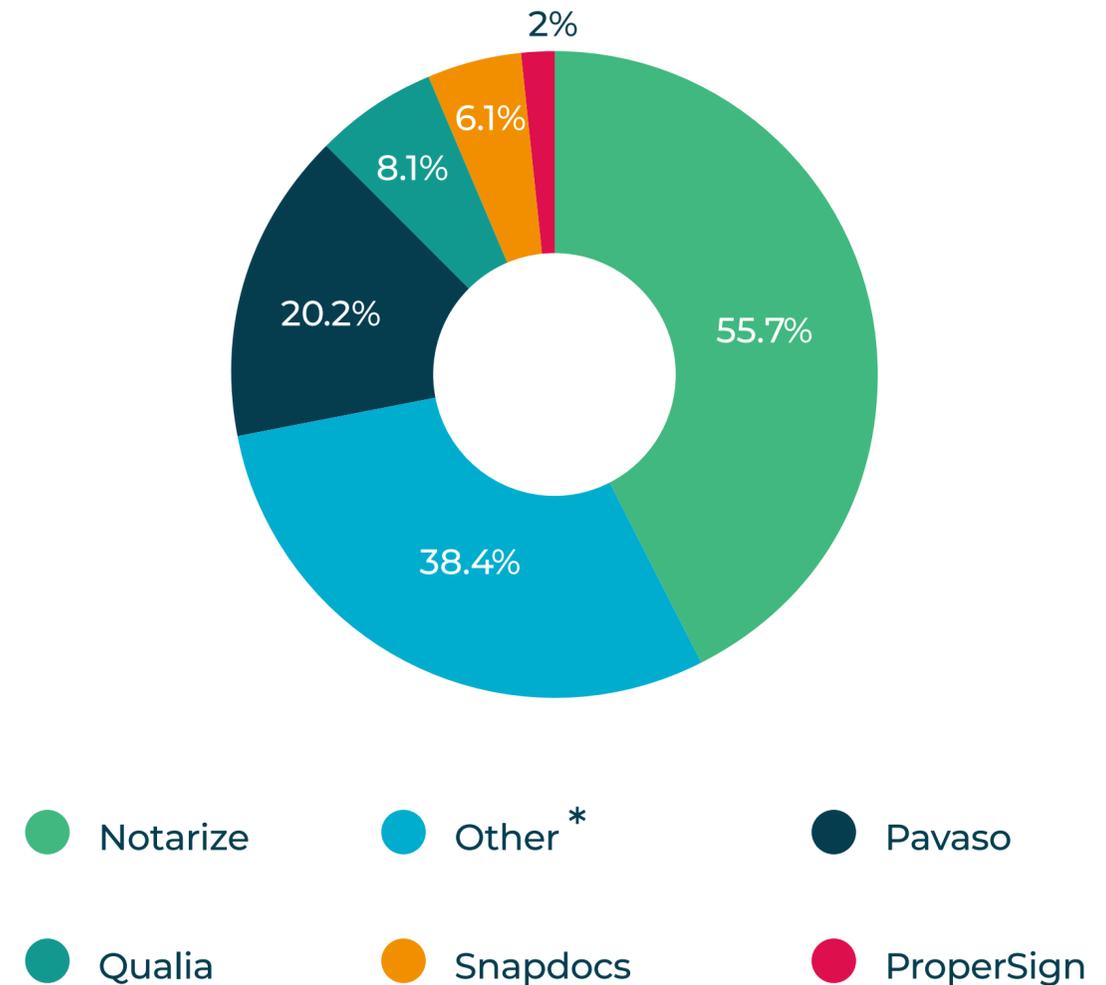
REMOTE ONLINE NOTARIZATION

A majority (62.2%) of title professionals said they added some kind of digital solution to their closing process in response to the pandemic. 17.6% are in the process, leaving 20.1% who didn't make any changes.

IN 2020 OR 2021, **DID YOU ADD RON OR ECLOSING SOLUTIONS IN RESPONSE TO COVID-19?**



When asked which platforms they used, Notarize topped the list with 55.7% followed by Pavaso, Qualia, Snapdocs, ProperSign, and others like DocVerify, NotaryCam, and SigniX.



SENTIMENTS ON RON

Adopting new technology comes with some unavoidable bumps. Overall, a majority of title agents said they were pleased with their experiences so far. Simplicity, ease of use, flexibility, and security were top characteristics that these professionals wanted in a RON provider.

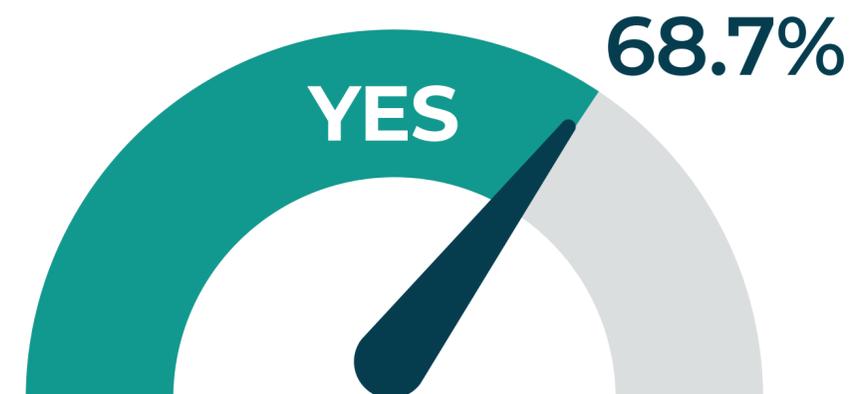
4.0

AVERAGE RATING OF RON



1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
3%	5.1%	16.1%	39.4%	36.4%

When asked if bringing their own notary was important, 68.7% said yes while 31.3% said no.



IS THERE MOMENTUM OR A MIRAGE OF RON ADOPTION?

According to one survey from the American Land Title Association, RON transactions increased by 547% in 2020. At first glance, this number is impressive, but as WFG National Title Insurance Co. Founder and Executive Chairman, [Patrick Stone told the Title Report](#) in an interview in July, “I think we’ve got a way to go before we’re going to see RON adoption rates that people are promoting it to have.”

To illustrate his point, Stone reviewed all of WFG’s transactions in 2020 and found that only .88% used RON. Because WFG is large enough, he suspects that the rate of one in every 100 transactions is similar across the title insurance industry.

Stone isn’t a detractor of RON by any means, but he makes a good point. This statistic of one in one hundred transactions deflates the seemingly colossal growth of 547%.

Another way to measure the adoption of RON and electronic closing solutions is to monitor the increase in eNotes registered on the Mortgage Electronic Registration Systems.

In 2020, [462,671 eNotes were registered](#), shattering the previous year’s record of 127,178. According to the research from ALTA, RON is most prevalent in states like Florida, Texas, and Virginia, but there are significant upward trends in other parts of the country like midwestern states.

Even among our California respondents, where RON is facing stark legislative challenges, 80% said they adopted some sort of RON or eClosing solution since the pandemic.



RON isn’t a one-size-fits-all solution, and eClosing technology can take several forms. The technology provides flexibility in how professionals piece together a workflow that suits their customers’ needs.

Some include:

- Only using RON for seller documents
- Hybrid options where the promissory note is papered out and wet-ink signed.
- Split closing packages so buyers or sellers can electronically sign paperwork not requiring notarization and cut down on time spent at the closing table

While digital closings don’t have a lion share of the market, the other numbers demonstrate that digital closing solutions are being adopted despite legal and operational hurdles.

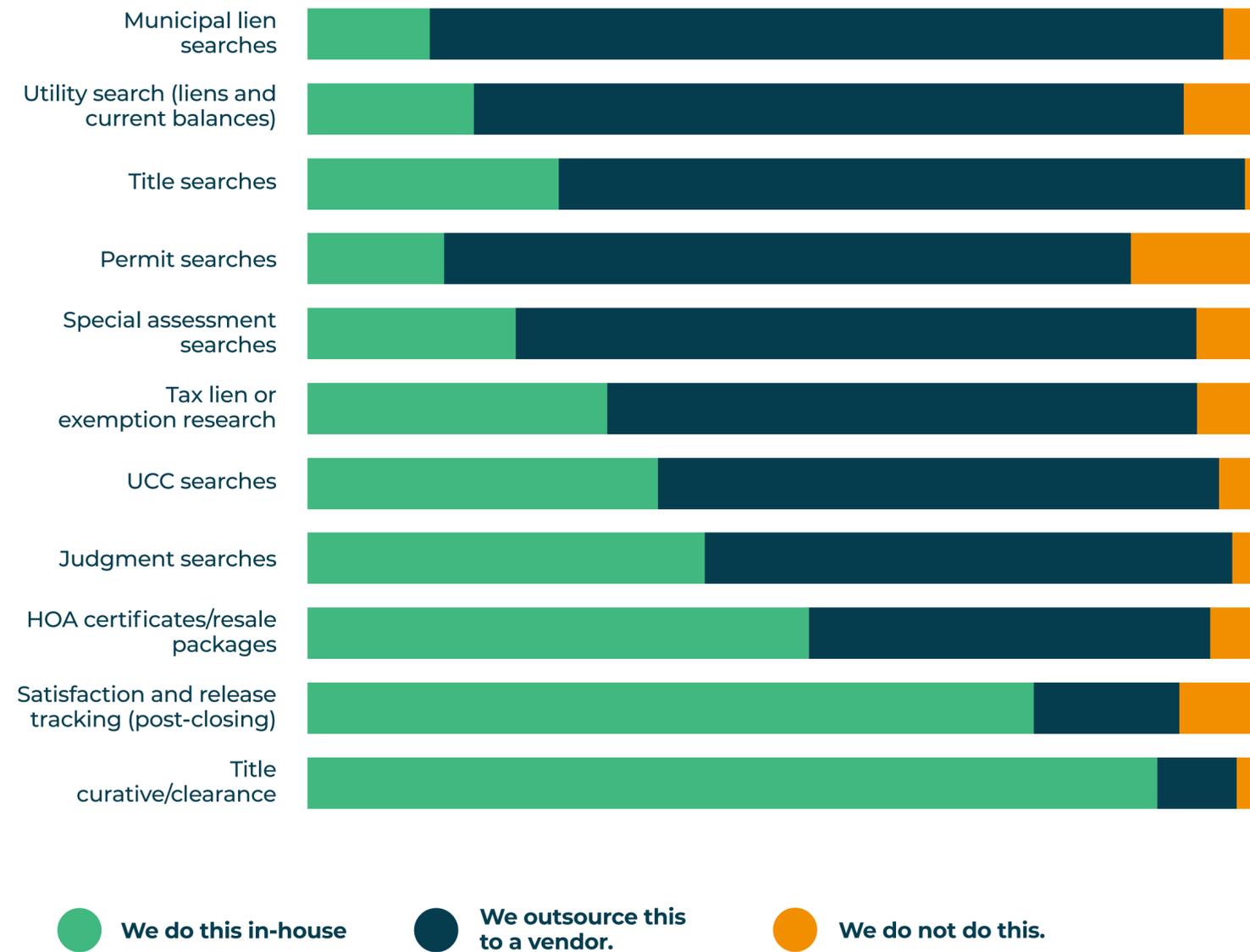
TITLE PRODUCTION AND OUTSOURCING

HOW DOES YOUR COMPANY HANDLE THESE PIECES OF TITLE PRODUCTION?

Title professionals work behind the scenes during a real estate transaction to ensure there are no parties with an interest in the property being sold, confirm debts or liens are paid off with the proceeds of the sale, and issue title insurance to protect the interests of a lender and a new homeowner.

Title curative work or title clearing takes up the bulk of the time of a title professional, and most do this part of title production in-house, but there are other tasks to juggle as we've mentioned.

HERE'S A LOOK AT WHAT KIND OF RESEARCH IS MOST COMMONLY DONE IN-HOUSE OR OUTSOURCED TO MEET THE REQUIREMENTS OF A TITLE COMMITMENT.



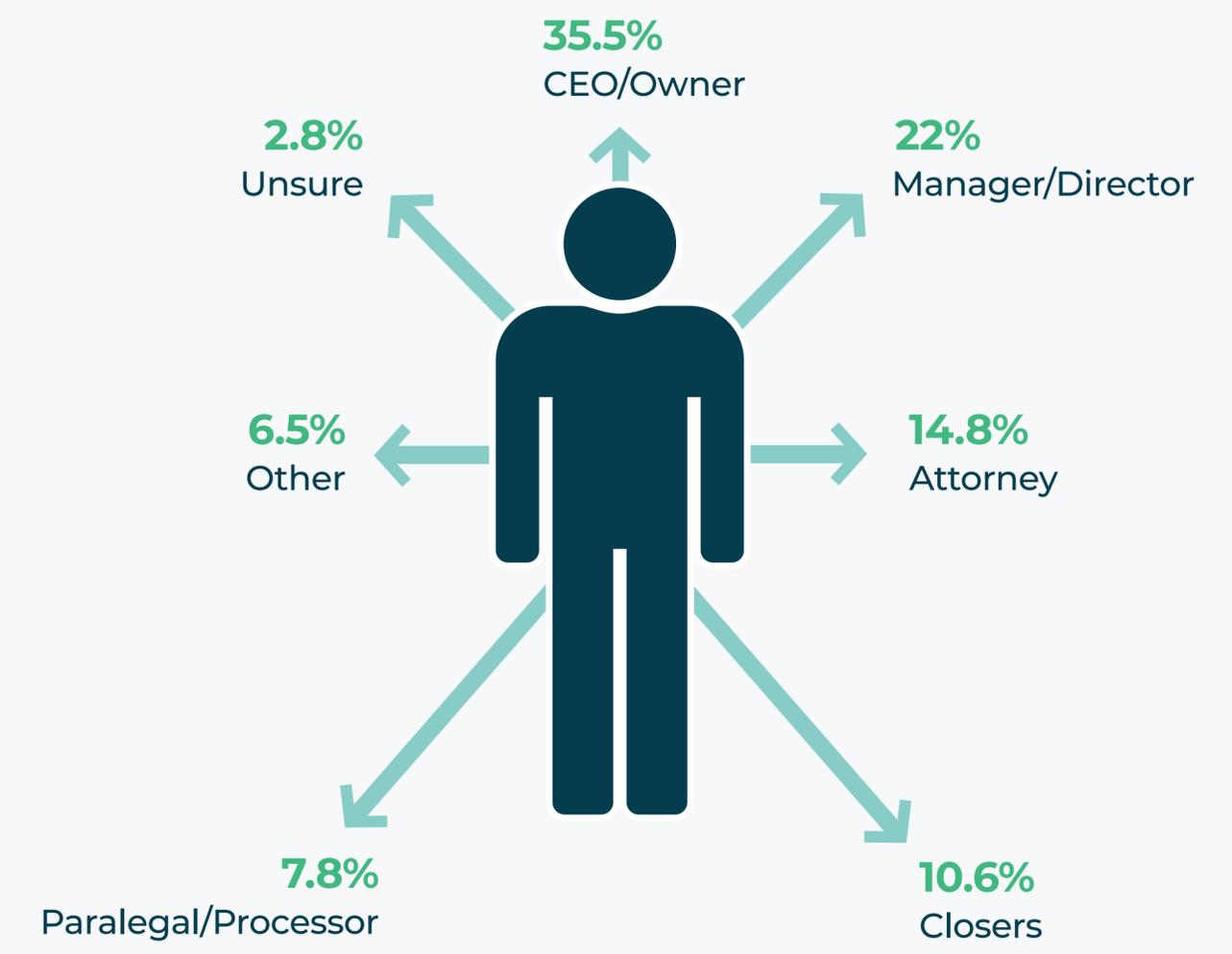
OUTSOURCING TITLE PRODUCTION

In addition to title clearing, title professionals also coordinate between parties (lender, buyer, seller, and real estate agents) to get all paperwork completed for the closing and disburse funds.

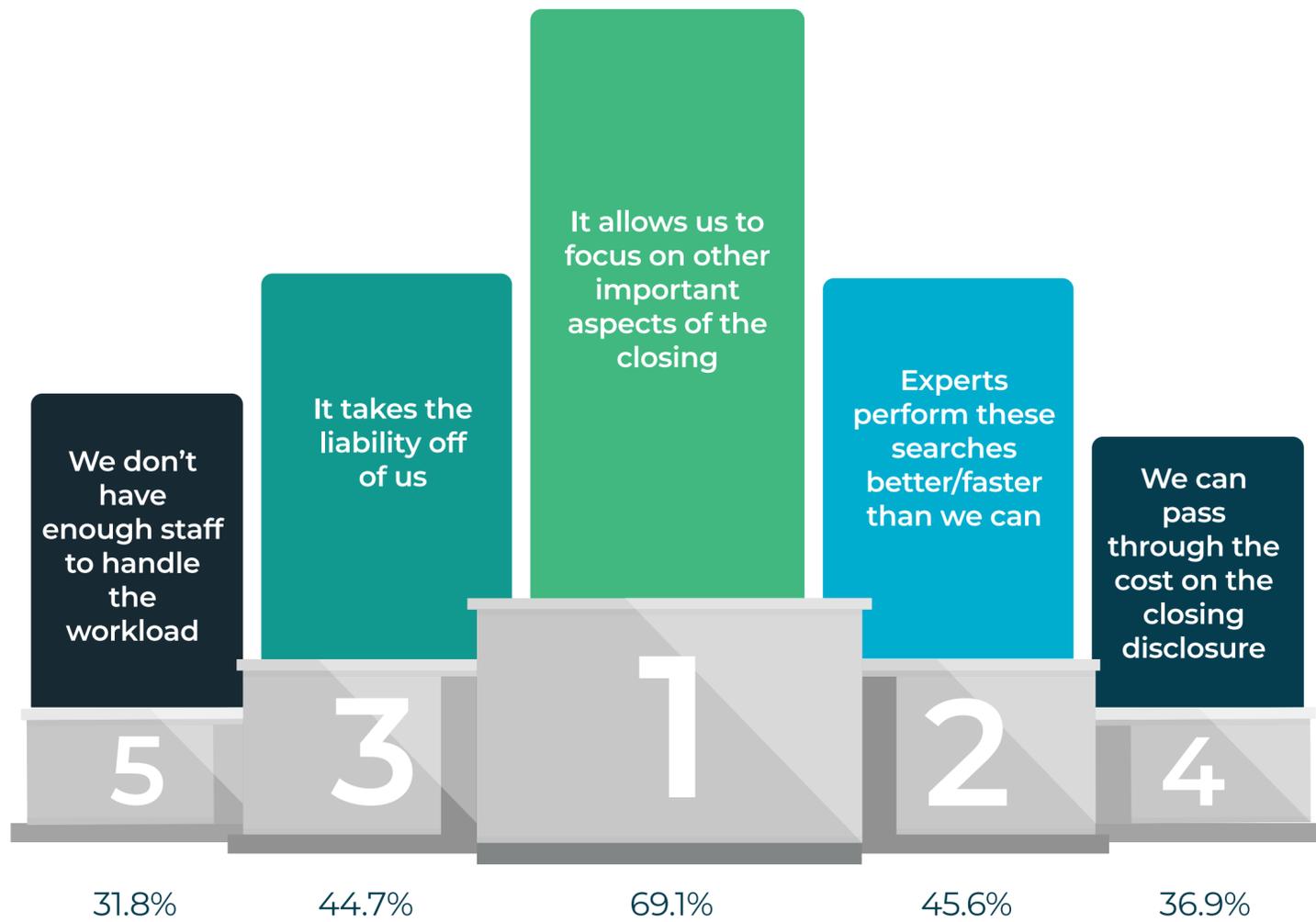
At the end of the day, title professionals are judged on their ability to provide excellent customer service, issue marketable title insurance policies, and close on time. Outsourcing parts of property research is common and helps these professionals keep the closing on track.

What is outsourced and who decides that is largely dependent on company size and customary requirements found in regional real estate contracts. Additionally, as one respondent pointed out, independent title searchers are in high demand and have no interest in coming “in-house,” where they may not be able to command as much pay. In some cases, title companies swamped with title orders may have no choice but to outsource.

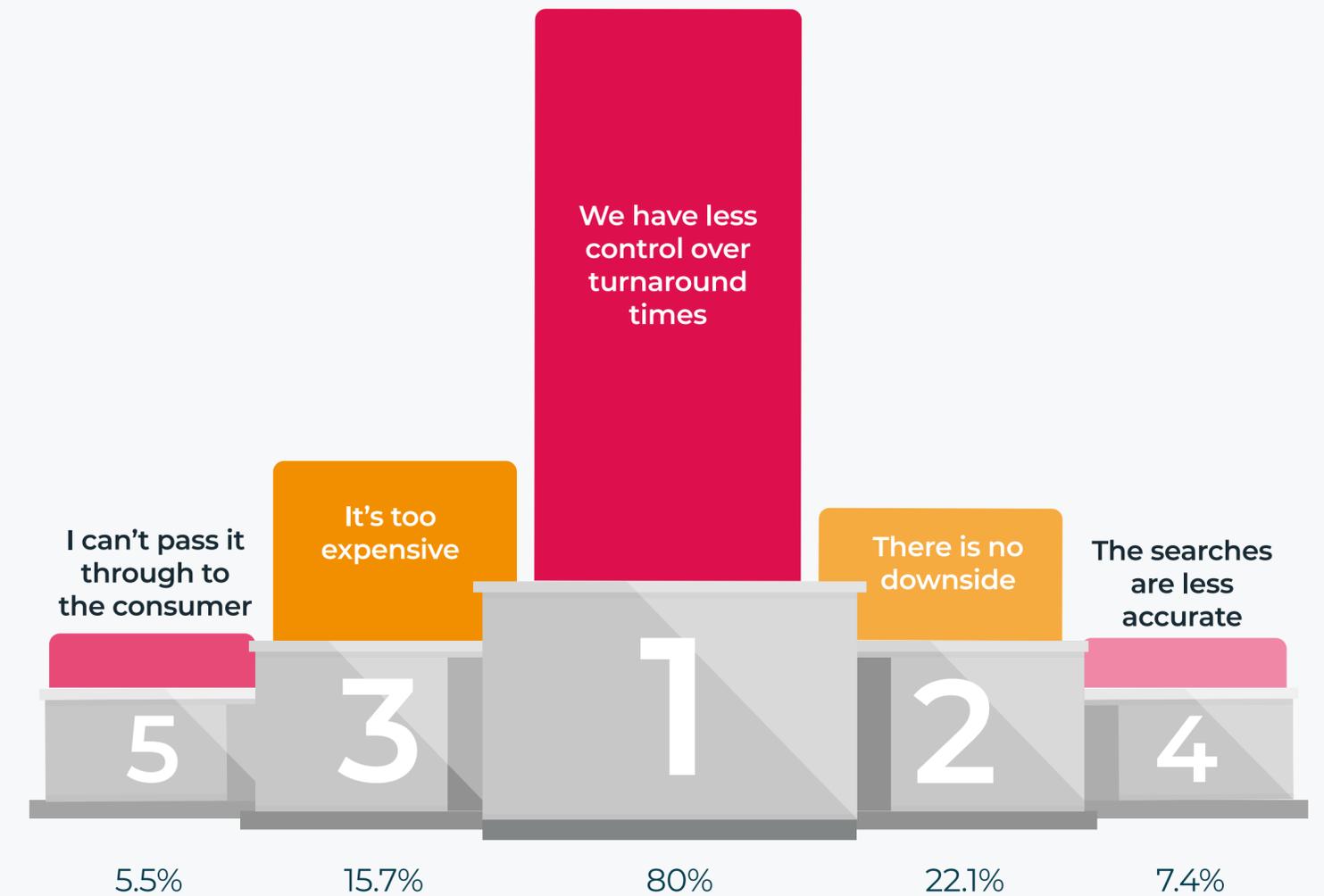
IN YOUR ORGANIZATION, WHO MAKES THE CALL ON WHETHER THIS WORK IS OUTSOURCED AND/OR WHICH VENDORS ARE USED?



IN YOUR OPINION WHAT ARE THE **BENEFITS** OF OUTSOURCING THIS TYPE OF WORK?



IN YOUR OPINION, WHAT ARE THE **DOWNSIDES** OF OUTSOURCING THIS WORK?



BEYOND THE STANDARD TITLE SEARCH

HOW REAL ESTATE CONTRACTS AFFECT THE TITLE SEARCH

Municipal Lien Searches (83.8%) are the most commonly outsourced piece of real estate due diligence followed by specific items found in a full municipal lien search like Utility Searches (75%), Permit Searches (72.5%), and Special Assessments (71.9%).

Title Searches are the next most commonly outsourced item with 72.5% outsourcing and 26.5% doing this in-house.

The requirements needed to issue title insurance are dictated by the title search and preliminary title commitment. Final coverage is largely dependent on specific items requested in the real estate contract.



It's important for buyers to understand that the standard contracts act as a jumping-off point and that contingencies, addendums, and riders may be added to give them more or less leverage in negotiations should any issues arise during the inspection period, at closing, or after closing.

With 20% of our real estate agents respondents stating they didn't feel comfortable enough explaining the title search process to their clients, title professionals have an opportunity to better educate their clients on how municipal lien searches and title searches impact the final title insurance policy.

DOES PERMIT HISTORY POSE A RISK ON TITLE RIGHTS?

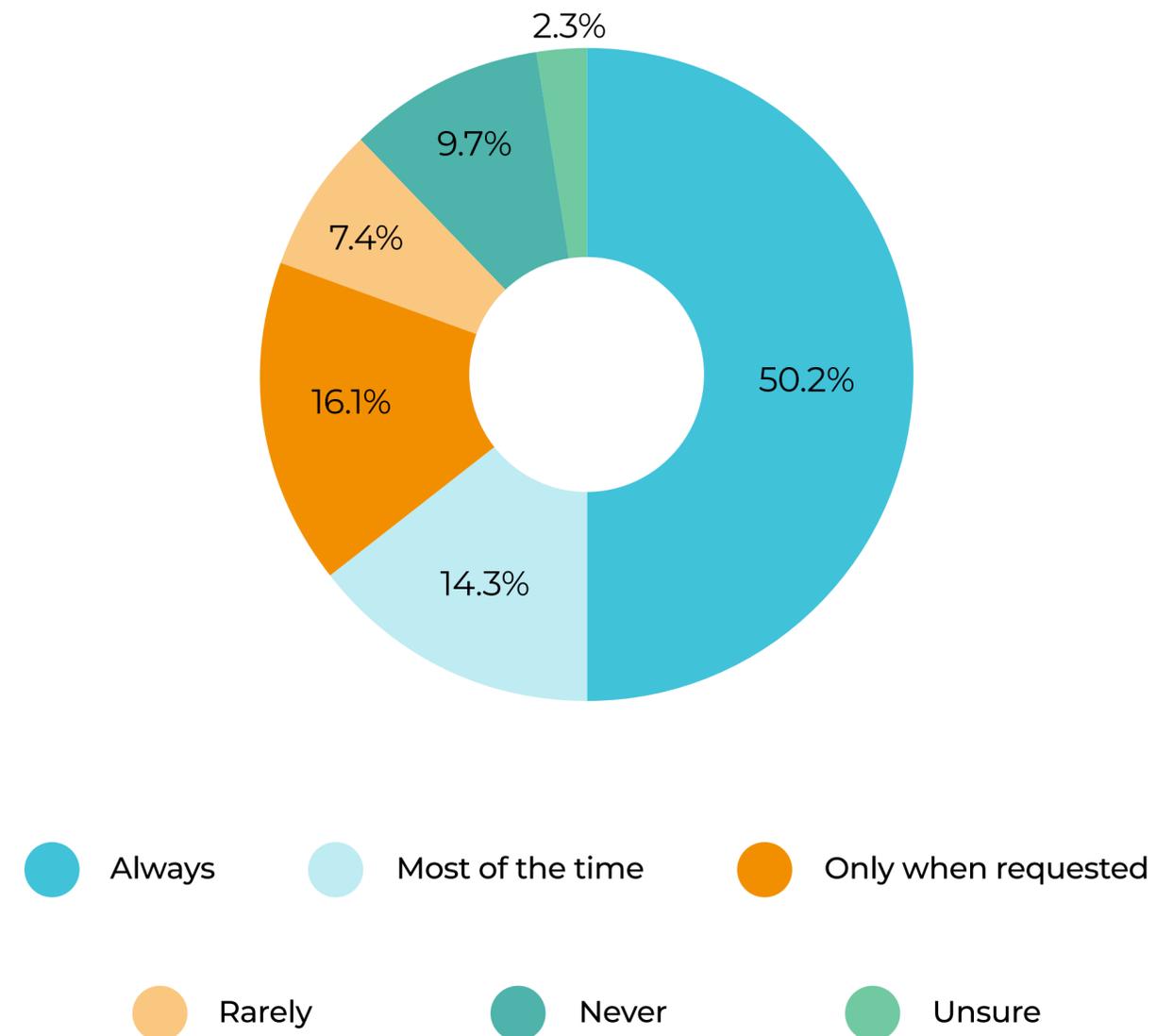
Gathering permit history on a property as part of the title search process has been debated among professionals. We asked how often title professionals look into permit history as part of their production.

Since last year's survey, there's been a slight increase in those who say they always check from 45.9% to 50.2%. Never has decreased from 15% to 9.6%.

When asked why they check for this information, one respondent conveyed an important point for those working to assess risk.

“ These items have the potential to become title claims. If there are fees owed or contractors unpaid there could be mechanic liens. If we're issuing a Mortgagee Policy and the liens are not cleared they would be in the first position above the Mortgage. **It's TOO risky NOT to check.** ”

DOES YOUR ORGANIZATION CHECK FOR OPEN OR EXPIRED PERMITS, OR PERMIT HISTORY BEFORE A CLOSING?

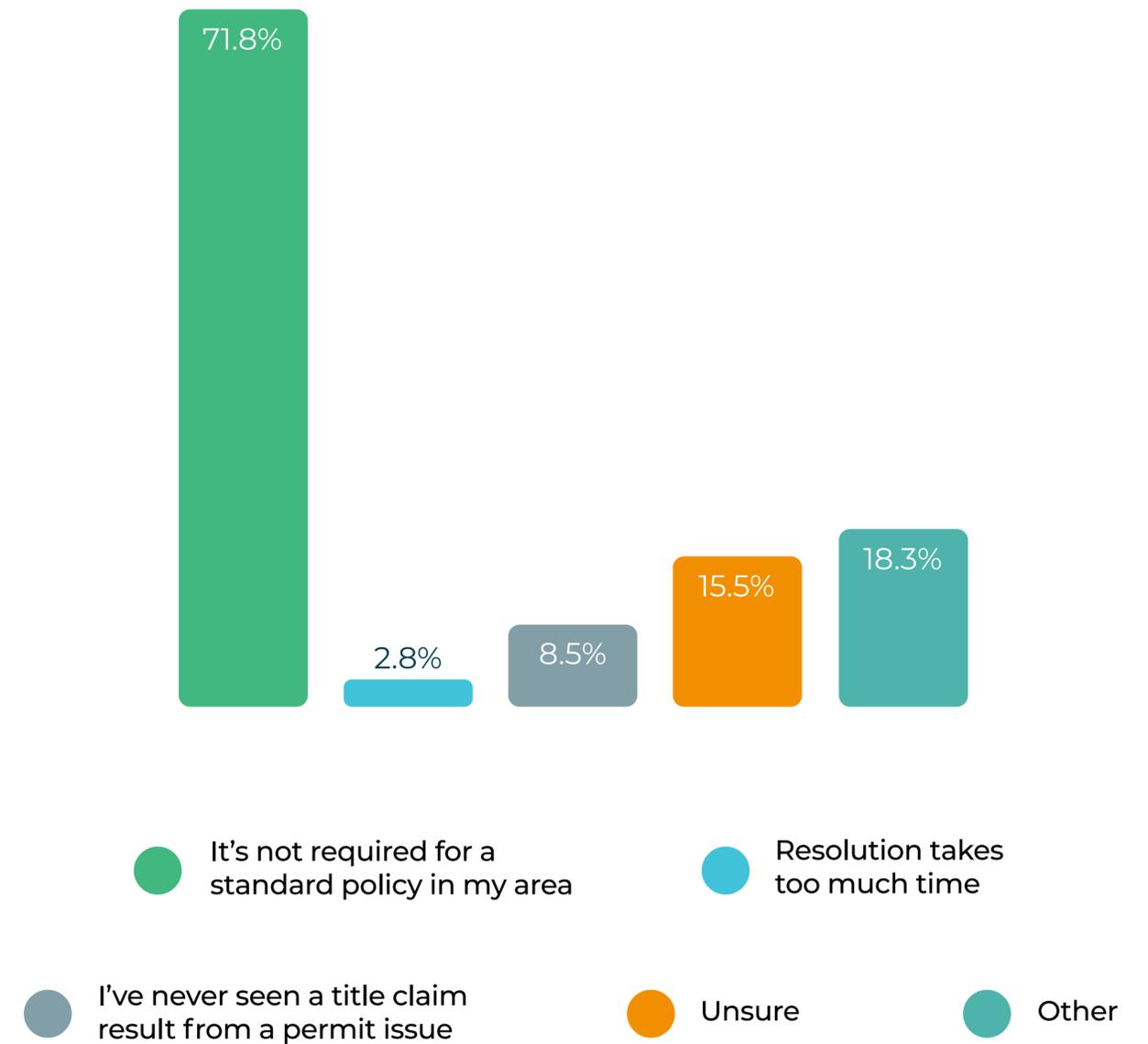




On the other hand, real estate is highly specialized based on location, property history, lender requirements, and the type of transaction. For respondents who don't search permit history on a regular basis, the majority (71.8%) noted that it isn't required for a standard policy in their area.

Some respondents also explicitly stated that it's the buyer's responsibility to request permit history in the contract.

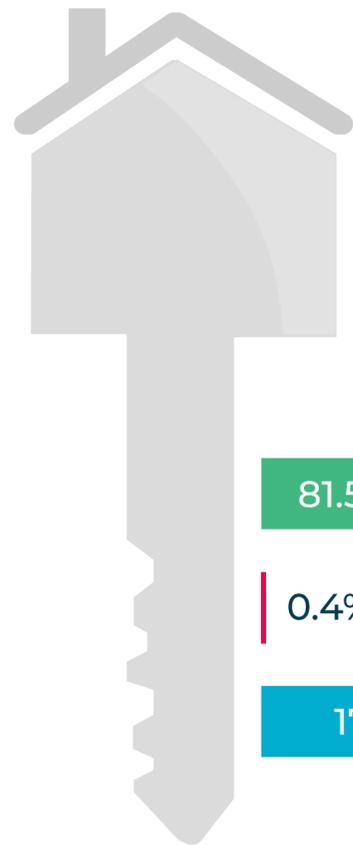
WHY DON'T YOU REGULARLY SEARCH FOR OPEN OR EXPIRED PERMITS BEFORE CLOSING?



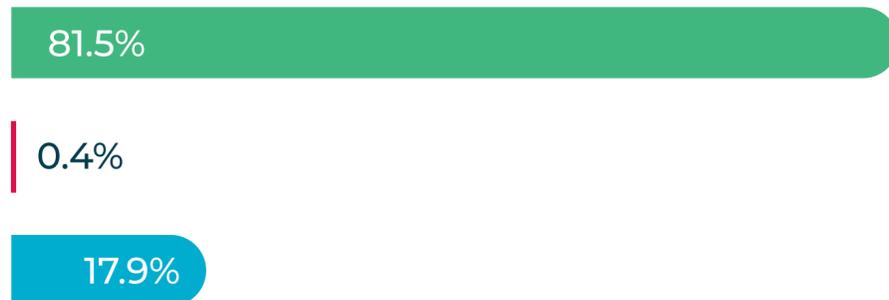
PRE- AND POST-CLOSING **DUE DILIGENCE**

CROSS-INDUSTRY COLLABORATION

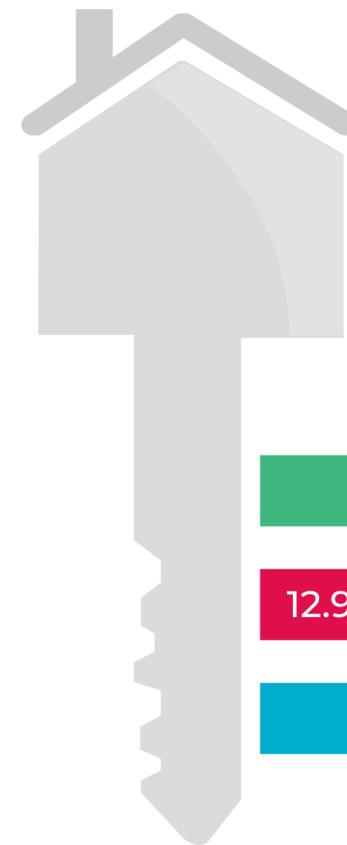
Like every industry, title professionals face some stiff competition, but producing marketable title policies is arguably a group effort. The work of past title professionals impacts the future insurability of that property. One missed or mismarked instrument can create a defect, so it's vital that best practices are consistently followed by everyone in the industry. Unfortunately, our respondents have less confidence in their peers' work.



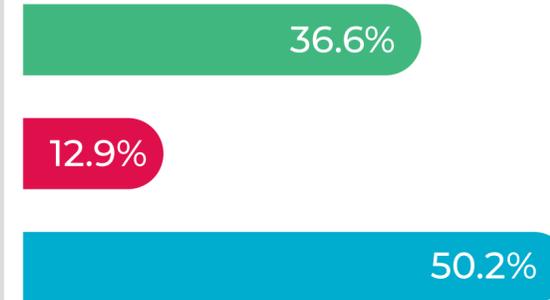
Do you think **your organization's** pre and post-closing due diligence efforts are sufficient?



● Yes ● No ● We could be better

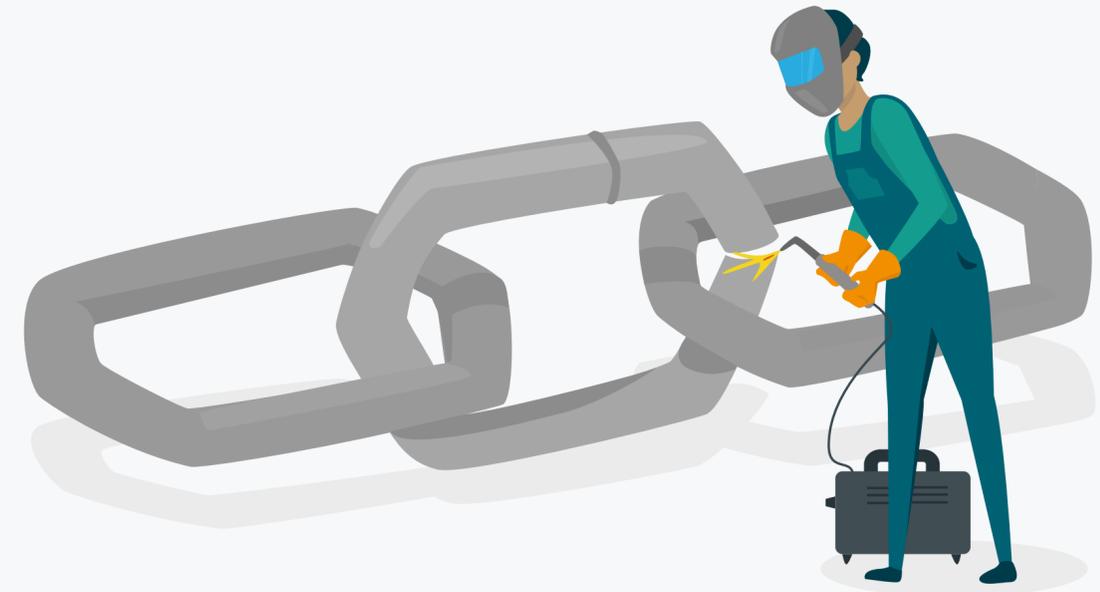
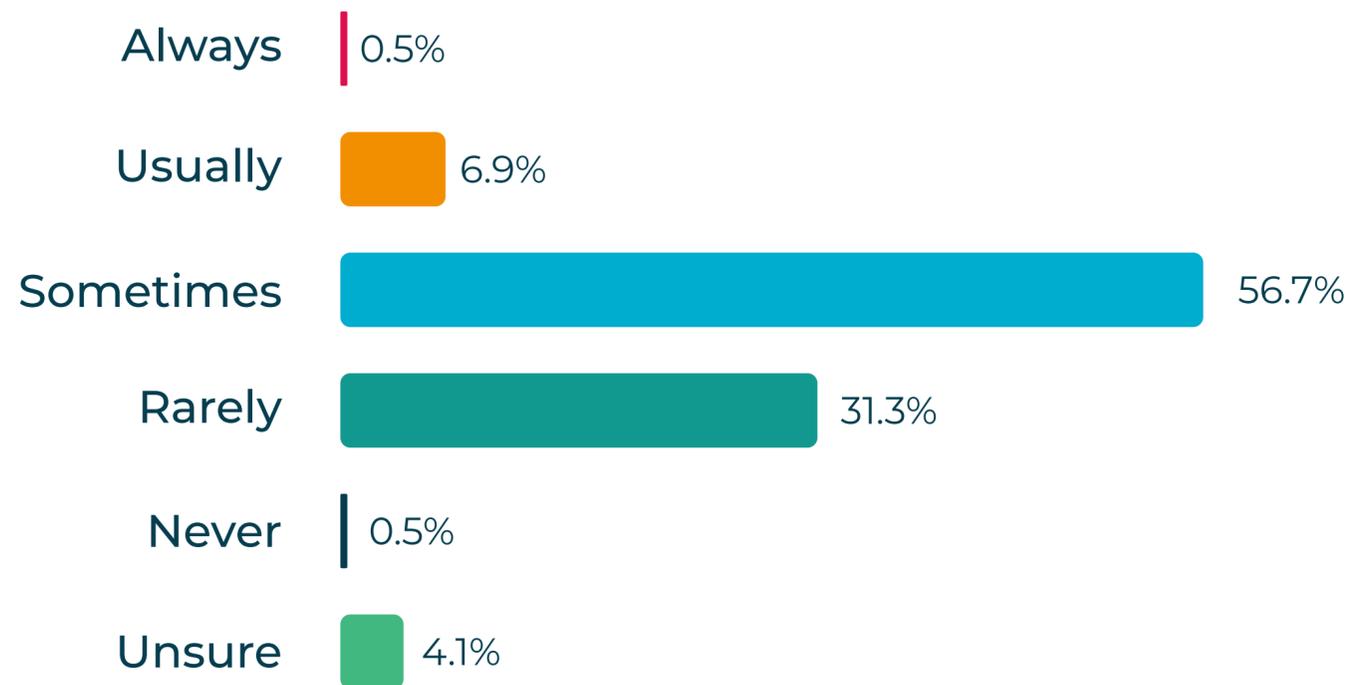


Do you think **others in the industry** do a sufficient job with pre and post closing due diligence?



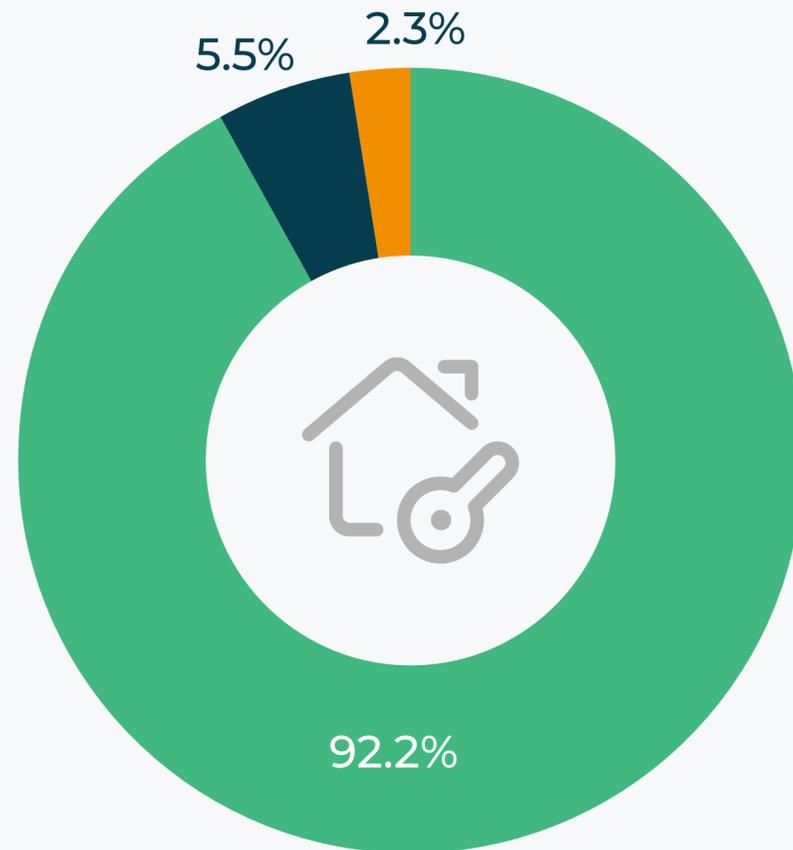
● Yes ● No ● They could be better

HOW OFTEN DO YOU (OR YOUR ORGANIZATION) SEE A BREAK IN THE CHAIN OF TITLE DOCUMENTATION AS A RESULT OF MORTGAGE RE-ASSIGNMENTS OR OTHER SECONDARY MORTGAGE ACTIVITY?



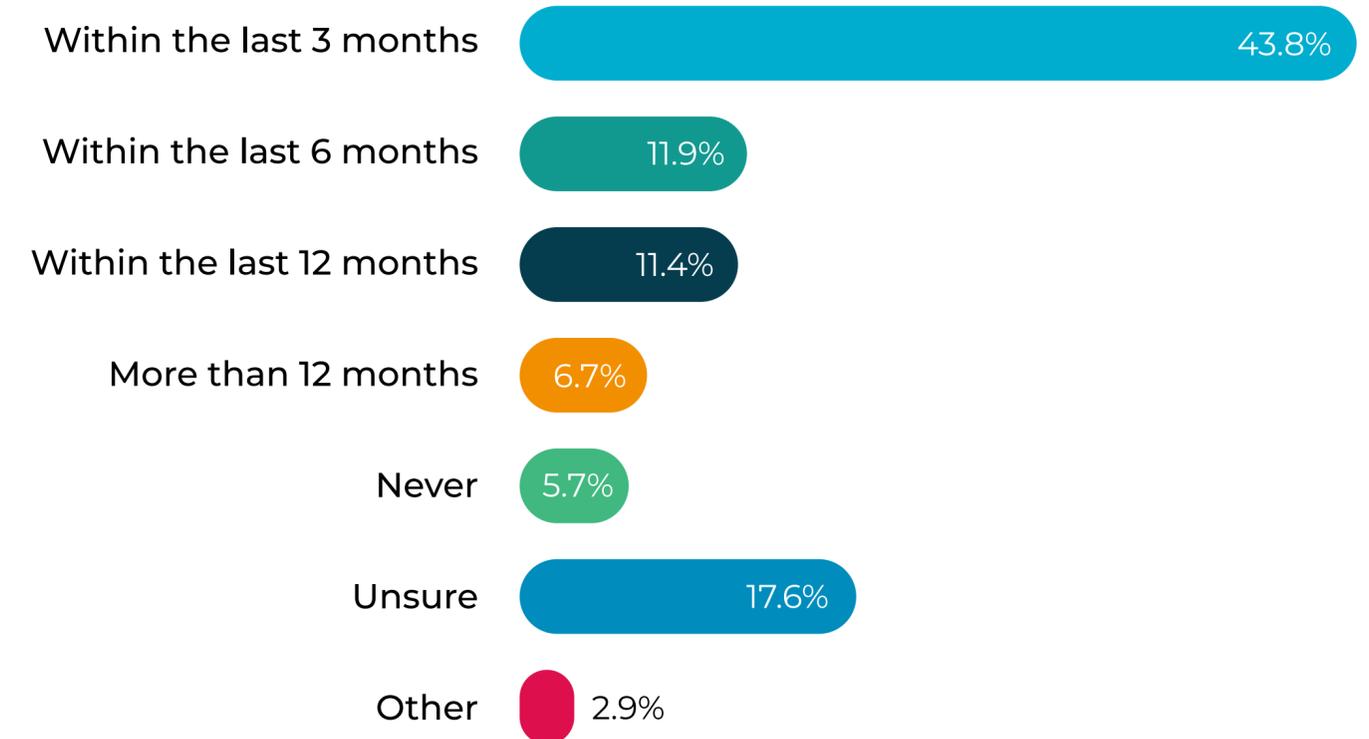
Title professionals are also reliant upon mortgage professionals to help preserve the chain of title. 56.6% of respondents said they sometimes see a break in the chain of title due to secondary mortgage activity.

HAVE YOU EVER HAD TO CLEAR TITLE ISSUES ON A PROPERTY NEGLECTED IN A PRIOR CLOSING?



● Yes ● No ● I don't do closings

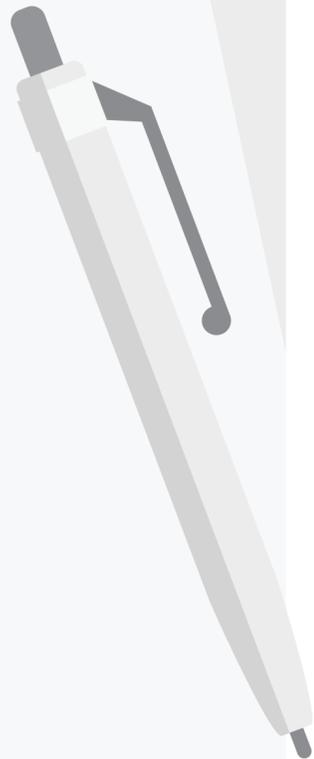
HOW RECENTLY HAVE YOU RUN INTO AN ISSUE WITH MORTGAGE SATISFACTIONS OR LIEN RELEASE RECORDINGS?



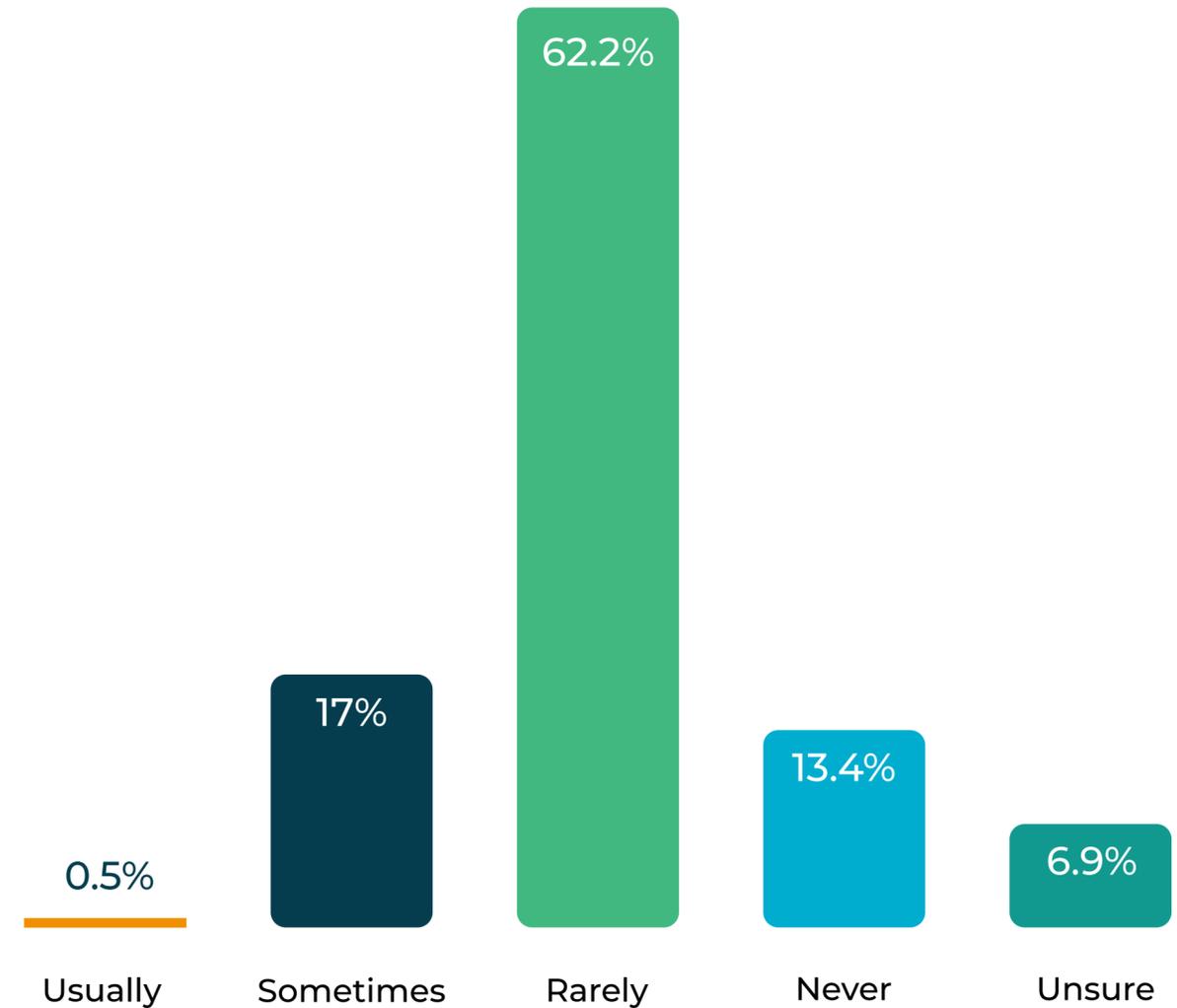
When efforts to correct title defects meet a dead end, title professionals and real estate attorneys turn to a judicial process called quiet title action. During the legal proceeding, every party with a potential claim to the property has an opportunity to present their evidence of ownership. A judge determines who is the rightful owner.

For most (62.2%) this is a rare event.

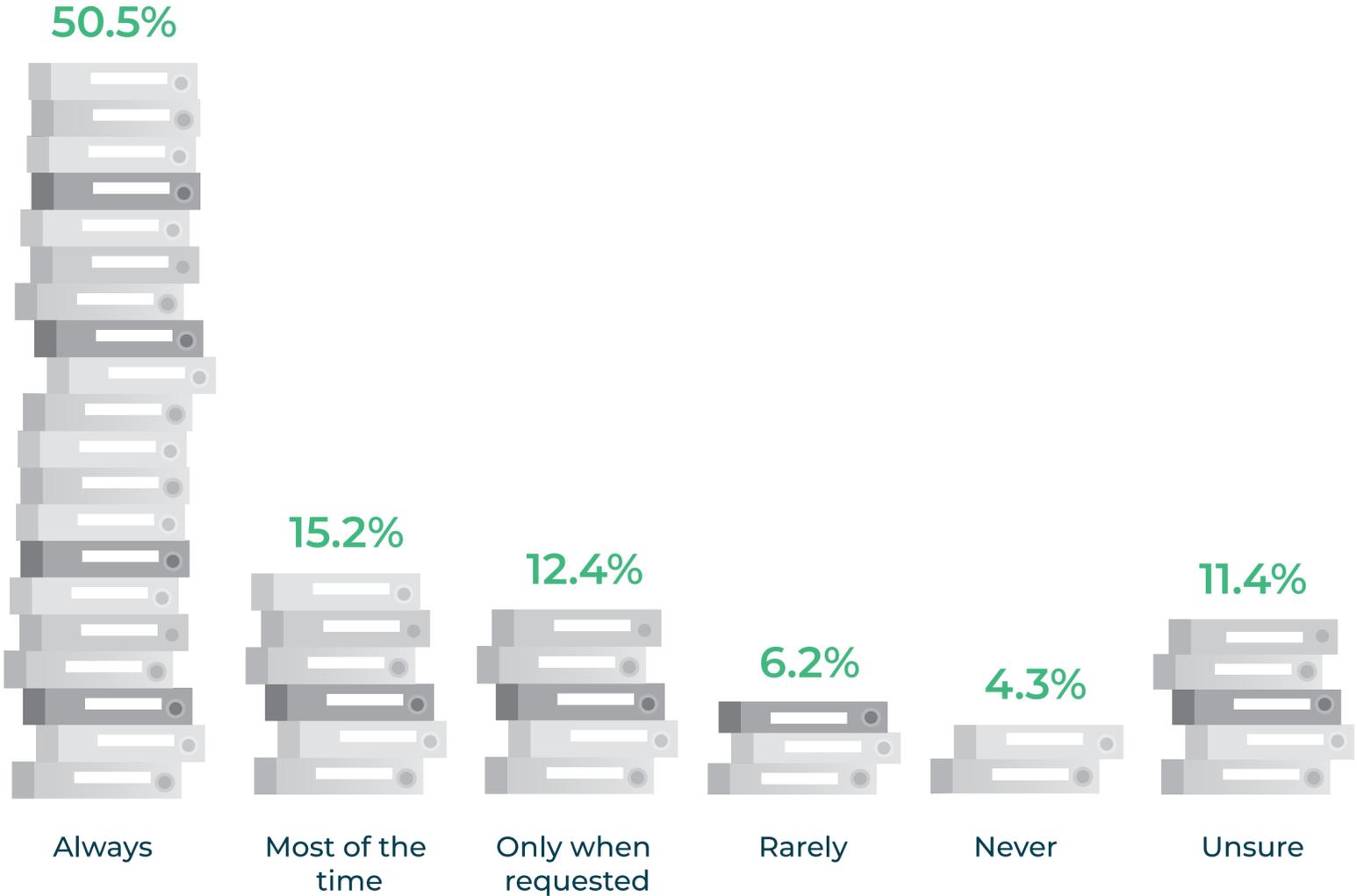
An unresolved break in the chain of title can be corrected through quiet title, but preventing the need for the judicial intervention with well-documented release tracking procedures can save thousands of dollars in court costs.



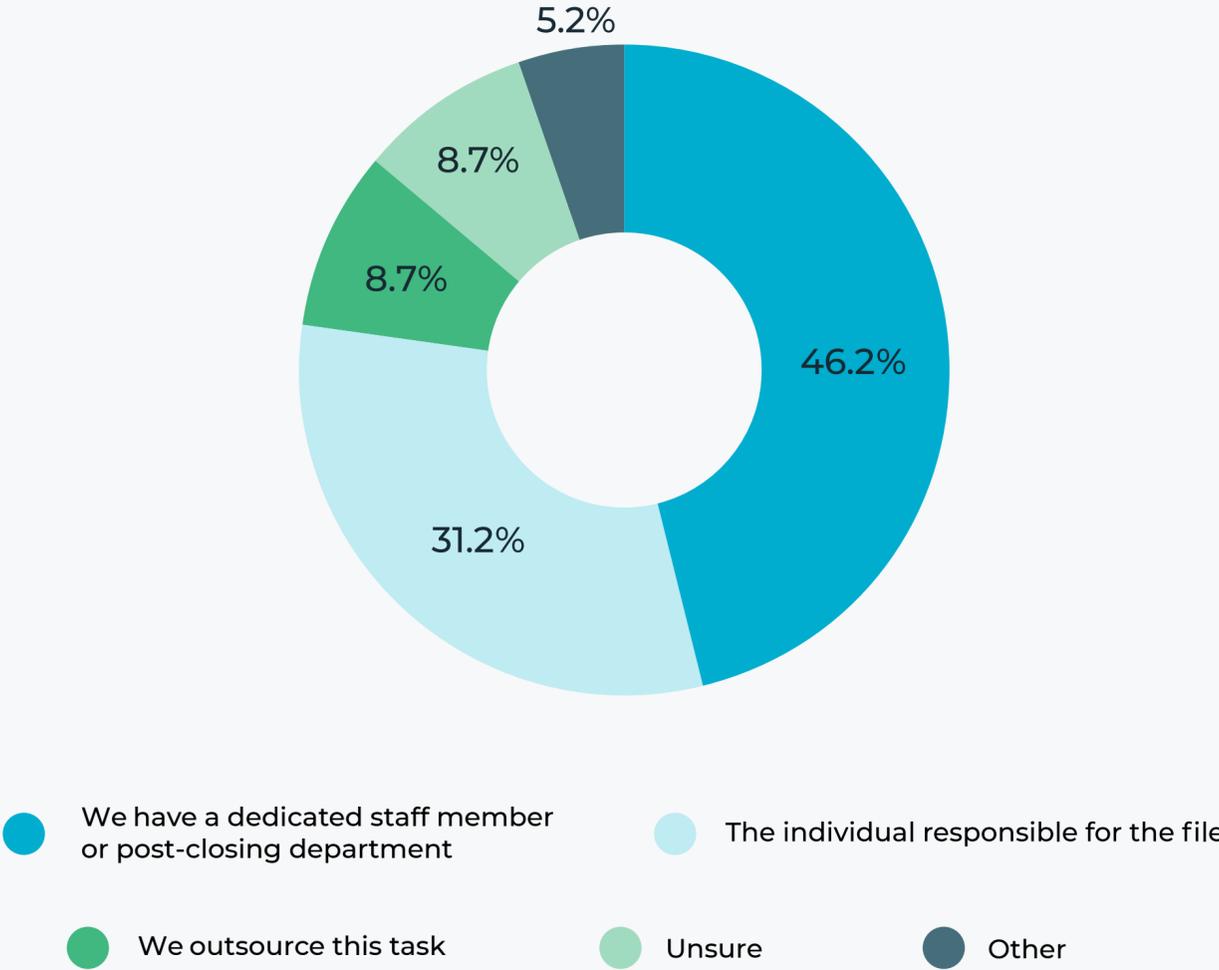
HOW OFTEN DO YOU (OR YOUR ORGANIZATION) HAVE TO SETTLE TITLE DEFECTS THROUGH QUIET TITLE?



DOES YOUR ORGANIZATION CHECK THE PUBLIC RECORD AFTER CLOSINGS TO ENSURE MORTGAGE SATISFACTIONS AND OTHER DOCUMENTS ARE RECORDED?



WHO CHECKS THE PUBLIC RECORD FOR LIEN RELEASES, MORTGAGE SATISFACTIONS, DEEDS OF RECONVEYANCE, ETC.?



TRACKING INSTRUMENTS AFTER CLOSING

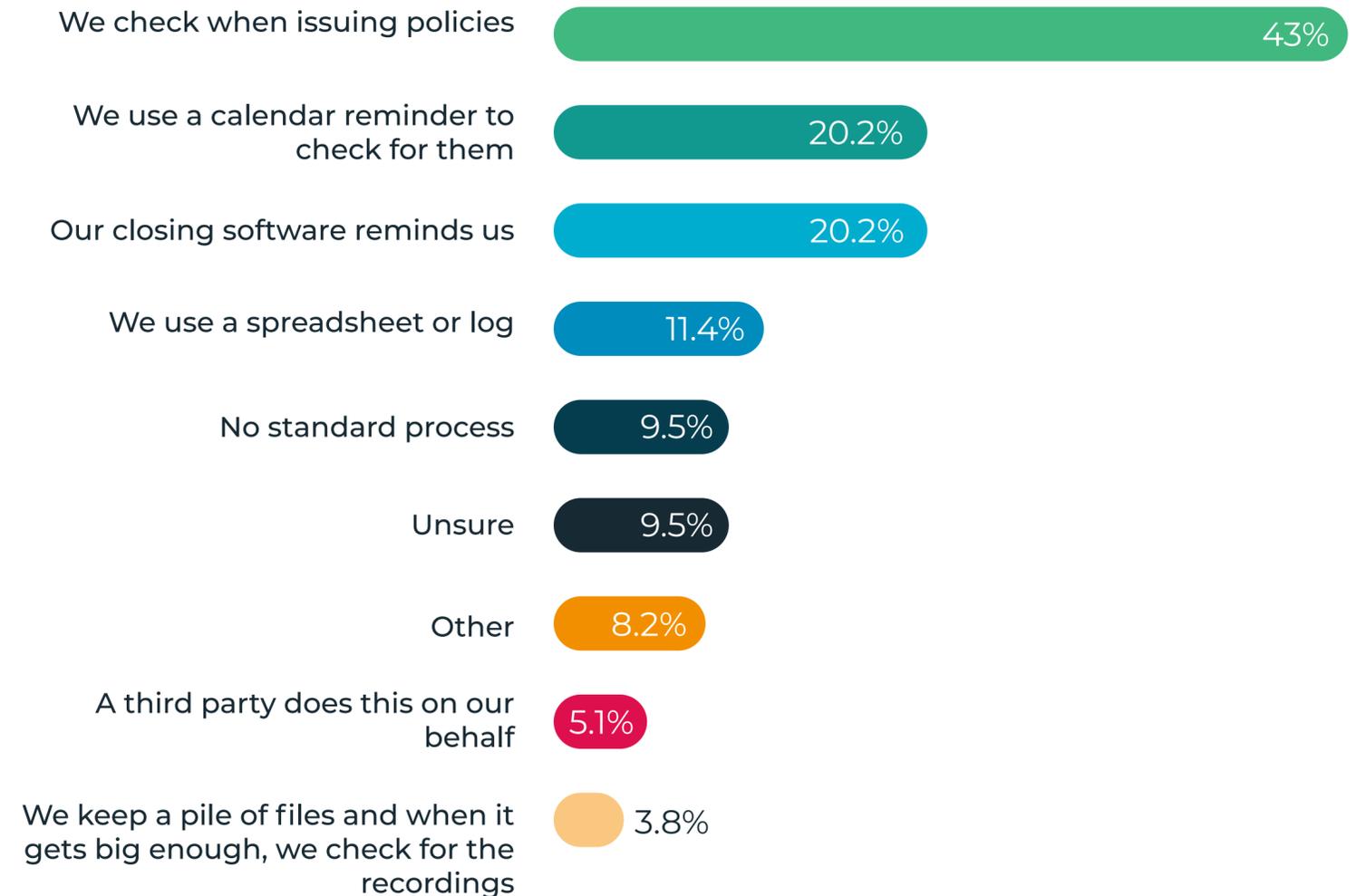
9.5% have no standard process for tracking instrument recordings after closing. Well-documented procedures help companies improve the quality of work, reduce mistakes, and optimize training for new hires. Four out of the five American Land Title Best Practices mention adopting a written standard procedure for various aspects of a title company's operations, and release tracking should be no exception.

Recording jurisdictions sometimes reject documents for various reasons, like incorrect document formatting, poor image quality, incorrect information, missing information, payment error, and submission to the wrong recording jurisdictions. So, while documents may have been submitted, that's no guarantee that they will be successfully recorded. While eRecording provides a convenient way to submit documents, it isn't available in all areas, and it doesn't eliminate all risks of rejection.

How your company decides to track releases, satisfactions, and other instruments is heavily dependent on your state, as the required time frame to officially record them ranges from 30 to 90 days. Since COVID-19, some jurisdictions may be experiencing delays that will likely increase this time frame. **As a result, those who check the public record when issuing policies (43%) may find it difficult to finalize their policies promptly.**

Regardless of which method your company chooses, be sure to establish a standard process and document it.

HOW DOES YOUR ORGANIZATION TRACK THESE RECORDINGS AFTER CLOSING?



CONCLUSION

CHANGE AND ADAPTATION IN THE REAL ESTATE AND TITLE INDUSTRY

The majority of respondents (69.8%) said they plan to make or have already made some sort of change to their business in response to cybersecurity, remote online notarization, or regulatory uncertainty.

Before the pandemic hit, some real estate experts predicted a slump in the housing market in 2020 based on economic predictors like the inverted yield curve, but that didn't happen. In fact, home prices surged as homebuyer demand increased, interest rates remained low, and homeowners took advantage by refinancing. The title industry experienced record-breaking title order volumes.

Like a pressure valve, outsourcing parts of title production can help alleviate some of the work when needed. Since last year's survey, the percentage of respondents who turned to a third-party vendor for Municipal Lien Searches increased from 71.8% to 83.8%, while Tax Research doubled from 31.6% to 62.3% and HOA Certificates jumped from 27.9% to 42.4%.

The industry seems to be more comfortable with implementing new technology to manage the influx of work. Last year, 25.5% said adopting new technology was a challenge, but it fell to 12% this year. Still, new technology can't solve all the challenges facing the industry, like the shortage of highly skilled examiners and closers.

With a new administration, new concerns arise around regulatory enforcement and legislative changes that could impact real estate activity and local economies, like the cap on 1031 Exchanges and the nationwide approval of remote online notarization.

The last year has taught us that change is inevitable and quick adaptation is key to thriving in a complex industry.

