

LookingNorth

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THE SALES & MARKETING ISSUE

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Using customer relationship management to transform your business

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Welcome to a special Sales & Marketing themed edition of *LookingNorth*. This issue is chock full of tools and tips to help you grow your business and tell your company's unique story to the world.

In our cover story, we examine how customer relationship management (CRM) systems can be leveraged to transform the way you interact with prospects and customers. Online marketing is one of the most impactful investments you can make in your business, but are you using your advertising dollars wisely? See Page 6 for a primer on using Google AdWords to promote your business online. One of our independent agents, World Class Title, has some pro tips for how to use social media to your advantage on Page 7. And if you are unclear where to begin with creating a marketing strategy for your company, see Page 8 for five distinct, cutting-edge ways to convey your story to customers.

NATIC is also pleased to announce the launch of yet another great tool for agents who are looking for products and services to help them grow their business and maintain compliance with industry standards, laws and regulations: AgentMarketplace, which is available on our AgentLink website under the Tools & Resources tab. Here, NATIC agents will find a list of companies that provide product and service offerings in several areas, including American Land Title Association Best Practices, business solutions and business development. Companies listed may offer preferred pricing for agents of NATIC or may have product or service offerings unique to NATIC agents.

Beginning with this issue of *LookingNorth*, we will offer content related to an AgentMarketplace provider. On Page 5, we introduce you to Bowe Digital, which helps title agents with branding, social media management, digital advertising, media planning, crisis communications and more. **Wayne M. Stanley**, owner and chief inspiration officer of Bowe Digital, shares five current marketing statistics that may be costing your company money, many of which may surprise you.

We hope you enjoy this new tool from NATIC's Marketing and Education Department and this special edition of *LookingNorth*. ■

The NATIC
Education Team

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CRM

CRM SECRETS REVEALED

Using customer relationship management to transform your business

| by Amy Tankersley

For years, self-made entrepreneurs and business leaders have hailed customer relationship management (CRM) systems as the Holy Grail for turning prospects into customers and fostering relationships. But does your company use a formal CRM platform to automate that process, making work easier and conversions higher?

CRM is defined as all of the tools, technologies and procedures used to manage, improve or facilitate sales, support and related interactions with customers, prospects and business partners throughout the company. That may seem like a lot to digest, so **Rich Griffin**, NATIC's vice president and national sales manager, put it more simply: "CRM gives businesses an easy, automated way to manage their customer relationships and the data and information associated with them," he said. "Every company gathers intelligence about their prospects and customers, but you need a way to recollect different facts and information. A CRM platform gives you a place to store those things."

Who, what and how

If you are unfamiliar with CRM, you are not alone. According to Salesforce.com, 22 percent of salespeople do not know what it is. Another 40 percent of salespeople use email programs like Microsoft Outlook, MailChimp and Constant Contact or Microsoft Excel spreadsheets to store customer data.

"Even a stack of business cards can be considered a rudimentary CRM system, but these are all tools that can be improved upon," Griffin said. "It's one thing to be able to key in all of this information, but you need to be able to use it."

A CRM platform stores basic customer data like contact information, principals and transaction details, but it can also house the sort of personal, human data that is essential to any working relationship (for more on the value of collecting this data, see the "Recommended Reading" sidebar on

Page 4). This data can then be used to generate sales workflows, Griffin explained.

"A workflow is an automated, 'if-then' loop," Griffin said. "If this happens, then this happens. For example, when one of our prospects decides to become a NATIC agent, the state agency manager changes their record from 'prospect' to 'application sent.' This automatically generates an email with information about the company. Some CRMs even incorporate social media into their platforms so you can monitor activity and make that part of your workflow."

Every part of your company should be brought into the discussion of what a CRM is, Griffin noted.

"Everyone in your company is a potential salesperson," he said. "If your title department is creating commitments, figure out how they can turn that into a sales letter. Use this automation to tell your company's story and help the people who placed an order with you feel more engaged in the process."

Don't forget about 'why'

Here are some compelling reasons why your company should embrace CRM, courtesy of Salesforce.com:

- CRM applications can help increase sales by up to **29 percent**
- Sales productivity increases **34 percent** when using CRM, freeing up about a third of your day to work on other things if you use it correctly
- Sales forecasting accuracy jumps to **42 percent** when using CRM because it gives you a better feel for your customers' buying habits and helps you model future numbers
- **74 percent** of CRM users said it gives them improved access to customer data, and that figure is even higher

Recommended reading

Swim with the Sharks without Being Eaten Alive by Harvey B. Mackay (1988, HarperCollins)

In this No. 1 *New York Times* Bestseller, self-made millionaire **Harvey B. Mackay** explains why it is so critical to know your customer:

“When you know your customers, some of their special interests or characteristics, you always have a basis for contacting and talking to them. We want to know, based on observation and routine conversation, what our customer is like as a human being, what he feels strongly about, what he’s most proud of having achieved and what the status symbols are in his office,” Mackay writes.

That’s why Mackay has the salespeople on the staff at his envelope company complete a 66-question profile about each customer. The data from this list, popularly known as “the Mackay 66,” can then be entered into your CRM platform. It includes the following:

- **Customer information:** Name and nickname, contact information, physical characteristics, hometown
- **Education:** Degree, area of study, collegiate activities and associations, military service
- **Family:** Marital status, spouse, children
- **Business background:** Current and previous employment experience; professional associations, mentors, business objectives
- **Special interests:** Hobbies, memberships, religion, political and community service
- **Lifestyle:** Culinary preferences, vacation habits, favorite sports teams
- **The customer and you:** Management priorities, moral and ethical concerns, potential conflicts

“All of us gather data about other people — especially people we want to influence. The only question is how well we understand it and what we do with it,” Mackay writes. “People, not specs, will always be the key in determining who gets the sale. The Mackay 66 is designed to convert you from an adversary to a colleague of the people you’re dealing with and to help you make sales.”

when users use the mobile versions of CRM because it gives them immediate access to data when they need it

- Using a CRM can shorten your selling cycle — the time it takes to get you from “hello” to “here is your first order” — by **8-14 percent**

“When we are talking about being able to have more accurate forecasts, giving you more time in your day and shortening your window from prospect to customer, you are attacking many of your company’s challenges on several different fronts with one solution,” Griffin said.

In addition, a CRM system can add tremendous value to your agency, Griffin noted.

“As a former agency owner, when it came time to value my company, my CRM was the largest single asset on the books,” he said. “It was a huge database of customers and information — not just email addresses, but order histories. From that standpoint, it became one of the best assets I had as an owner.”

Tips and pitfalls

When embarking on the rollout of a new CRM system, Griffin recommends finding a small group of customers to serve as a beta group to test it.

“Everyone loves to get that look behind the curtain, to see how the sausage is made,” he said. “This will make these customers feel special and tether them to your company even more, because now they feel like a vested interest in your company.”

Griffin cautions against failing to take the time to fully plot the CRM project. He advises involving many business leaders from your company — not just IT personnel, who will facilitate the actual rollout — to discuss how the CRM will benefit every department and lay out all of the steps it will take to launch it.

“When done properly, a CRM becomes a big-picture snapshot of your whole company — not just sales, title and escrow, but functions of every department,” Griffin said. “Using this as your backbone creates a relationship between your clients and all of your departments.”

Griffin also recommends “testing, testing and retesting” to work out any kinks before a formal rollout.

“Don’t feel you have to launch a full-scale version of the system right out of the gate, either, as many CRM platforms are so robust that users tend to use only about 20 percent of their features,” he said. “Many CRM platforms have all these bells and whistles, and it can take years to get to the point where you are using

everything. Test a few things, and once they work, try something new. Roll things out slowly, and continue to build on your success story.” ■



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FIVE MARKETING STATS THAT COULD BE LOSING YOU MONEY

| By Wayne M. Stanley

Your company's marketing efforts should help create relationships, build your customer base and increase your bottom line. Here are five important marketing statistics for your title company to keep in mind when planning and executing a marketing strategy.

- 1. 38 percent of salespeople (your business development team) think that getting a response from prospects is harder than ever.** Are your marketing or sales teams having a tough time getting time with potential customers? Have you taken a step back to consider the way you're marketing your business and done a gut check with your clients to see if your strategy works?
- 2. 72 percent of adult internet users use Facebook. You're not on Facebook because you don't have time to post, right?** Or maybe, particularly in the wake of recent news, you're worried about security risks? Or maybe you are on Facebook, but you aren't promoting your business regularly. Regardless, can you afford to miss out on marketing a space that 72 percent of the public uses often?
- 3. 59 percent of Instagram users use the app daily, with 35 percent visiting multiple times per day. We know: If Facebook seems daunting, then Instagram may seem impossible.** However, it's likely your buyers and sellers are celebrating their real estate experience on Instagram. Why not leverage that enthusiasm to support your business?
- 4. More than 50 percent of marketers who have been using social media for at least two years report that it helped them improve sales.** If you read that stat and thought, "Well, it certainly hasn't done anything for us," you must learn to manage your social media in a way that helps you build relationships and land more business.
- 5. 63 percent of marketers say generating leads and traffic is their top challenge.** Challenge accepted. Bowe Digital's Digital Check-Up provides you with our "Good, Bad & Ugly Report" on what's going well and what doesn't provide enough return on investment, and makes some recommendations on how to move forward in the future.

Bowe Digital can help you create a plan to make your marketing dollars go farther, test your strategy, help engage your clients and increase your referral power. ■



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BOWEDIGITAL

AgentMarketplace Provider: Bowe Digital

Through its AgentMarketplace Program, NATIC partners with industry providers to offer its agents products and services that help them grow their businesses and be compliant with industry standards, as well as state and federal laws and regulations. Companies listed may offer preferred pricing for agents of NATIC or may have product or service offerings unique to NATIC agents. AgentMarketplace companies fall within one of the following service areas:

- **Best Practices:** Companies to keep you compliant
- **Business Solutions:** Companies to optimize operations
- **Business Development:** Companies to help you grow

Visit <https://agentlink.natic.com/Tools-Resources/AgentMarketplace>.

GOOGLE ADWORDS EXPLAINED

Optimize your company's Google search results for a few dollars a day

Online marketing is one of the most impactful investments you can make in your business, but are you using your advertising dollars wisely? According to the American Land Title Association (ALTA), online advertising with Google AdWords is a highly effective way to reach new customers and grow your business. However, ALTA recently emphasized in a YouTube instructional video that you must know how to use AdWords effectively in order to maximize the return on your investment and avoid making mistakes that can cost you money and negative exposure.

What is Google AdWords?

It is Google's online advertising platform that allows you to place search results for your website on a search engine results page by paying for them. Advertisers — that's you — "bid" on certain keywords in order to make your clickable ads appear in Google's search results. These resemble "organic" search results, which are unpaid links to websites with content related directly to what a person searches for, but they are marked "ad" and can appear at the top or bottom of the search results page, depending on how relevant your ad is to the search terms used, your bid and other factors.

When someone conducts a Google search, Google's algorithm checks to see if advertisers are bidding on the keywords of that search query. This triggers an auction in which Google takes all the qualifying ads and their respective bids to instantly determine which ads to show, and in what order, on the search results page.

How much do ads cost?

AdWords uses cost-per-click bidding, so you are charged only when someone is interested enough to click on your ad and go to your website. You tell AdWords the most you are willing to pay for a click on your ad. How much you actually end up paying is often less, and you can change your bid at any time. ALTA recommends starting with a budget of \$10 per day for testing purposes.

How effective is AdWords?

Consider the following statistics:

- Google earns 71 percent of the search market share (Netmarketshare.com)
- Google display campaigns reach 80 percent of global internet users (Google Benchmarks and Insights)
- About 97 percent of Google's total revenues come from advertising (Google Investor Relations)
- Ninety-eight percent of searchers choose a business that is on Page 1 of the results they get (BrightLocal)

- Businesses make an average of \$2 in revenue for every \$1 they spend on AdWords (Google Economic Impact Report)

There are many factors that can determine whether an AdWords campaign is successful. ALTA stresses that you must set up and manage your ads correctly to see positive results.

How do I set up an AdWords campaign?

Follow these tips from ALTA:

- Visit [AdWords.Google.com](https://adwords.google.com). Enter your email address and website address.
- Create a Google account using your corporate email address. You must accept the privacy terms.
- Set up your first AdWords campaign. Enter your daily spending budget.
- Choose your location, and feel free to be as specific as you like.
- Select your keywords. You should choose 15-20 keywords. Use variations of your company name, homebuying and your state, etc.
- Be sure to keep your "bid" set at "AdWords automatically sets your bids" to get as many clicks as possible within your budget.
- Write your ad.
- Enter a website to lead customers to your company or product.
- Write two headlines. ALTA recommends using the first header to gain attention, and the second should include your company or product name. Include a brief description of your business or why a customer should choose you. Include a phone number so individuals can call your company directly when clicking on your ad using a mobile device.
- Submit your billing information. Create your billing profile using your business' name. Enter your contact information and phone number. Enter your payment information.

Agree to the terms and conditions, and your account will be ready!

Additional tips:

- You only pay when your ad is clicked on, not when it is seen.
- You can pause your campaigns at any time.
- Finally, if an ad is not working, try something new, including adjusting your daily budget anytime. ■

World Class Title shares social media pro tips

When World Class Title (WCT), a title agent based in the Columbus, Ohio, suburb of Westerville, first opened its doors in 2004, it focused mainly on refinance business. When the mortgage crisis and recession hit just four years later, the company knew it would have to start doing things differently.

“You can expect that every company that survived the market downturn provided good service,” said **Kelley Shumaker-Sauerzopf**, WCT’s co-owner and managing member. “But the one thing we found that trumps relationships is helping real estate agents grow their business. If agents see you as a partner and you are helping grow their business, we in turn grow our business.”

WCT turned to social media to leverage promotional and marketing opportunities, and today is setting the bar high for other title companies that want to put online marketing to work for them. Not only is the company active on Facebook (“which is still the top place where most people are,” Shumaker-Sauerzopf said) and Instagram, but it also offers educational courses on social media engagement to agents for continuing education credit, shoots high-end videos of property listings and helps agents set up their social media accounts. Shumaker-Sauerzopf sat down with NATIC to share some of WCT’s social-media best practices.

NATIC: What is your best social media tip?

WCT: The best tip we give our agents is to be authentic, consistent and target through Facebook advertising. The same goes for title agents who are using social media.

One thing we do that seems to go over well with buyers and sellers is post-closing photos. We could have done what some other companies do, which is take a photo of the client in our office or next to our logo and holding the keys to their new home, but we decided to create a large, light-up sign in our office that says, “We’re moving.” This became a way for us to stand out visually from our competition.

We shoot videos of property listings that are similar to what you might see on HGTV. These videos get viewed thousands of times. Hopefully, our videos help agents give sellers a unique value proposition and offering that other agents don’t have.

NATIC: What kind of resources does WCT dedicate to social media outreach?

WCT: We do spend a certain amount of time on social media, but we have a staff of people who are very savvy. We also make a point to interact with our following. People want other people to engage with them and get to know them on a personal level. We also examine our engagement to make sure that agents see and interact with the posts. We have weekly sales meetings to



talk about the effectiveness of our tools.

Facebook ads can be run for as little as \$1 a day. We create brochures for agents that are printed in-house based on the marketing package they have chosen.

NATIC: What kind of return on investment does WCT see?

WCT: We have tripled our business over the last three years and are continuing to grow.

NATIC: What are some things you see title agents doing wrong on social media?

WCT: We see a lot of title agents using videos or Facebook Live and giving consumers wrong information. We also see agents who are not comfortable in front of the camera. If that person cannot show confidence in what they are presenting, your clients are not going to believe in you or work with your company. I recommend that people practice shooting videos of themselves, then review it to see how you can improve. We also see people doing some scary things, like showing pictures of a HUD-1, Closing Disclosure or a check. Obviously, with all of the cybersecurity issues our industry is facing, things like that are a big no-no.

NATIC: What regulatory issues related to co-marketing should title agents should keep in mind?

WCT: We are very in tune with the Real Estate Settlement Procedures Act (RESPA) and state insurance department regulations. For example, we have created a marketing piece that describes for agents how we can help market their listings, which they pay for. We shoot high-quality videos of homes for sale, but we will not release a video to a client unless they pay us fair market value for it. You must ensure you are compliant with all federal and state regulations at all times, and we even advise other title agents of that. This creates a level playing field for everyone. ■



STORYTELLING 101 FOR TITLE COMPANIES

Five ways to convey your story to customers

By Kelly McCarel

Title agents know marketing is essential for business growth but are faced with numerous options when considering a marketing strategy. At its core, marketing is a complex weave of multilayered systems involving areas such as communications, promotions, sales, advertising, packaging, distribution, data management, public relations, content marketing, strategic planning and positioning products and services in target markets.

Considering all these areas, many times I'm asked by title agents, where do I start? Or rather, which arm of marketing should I focus on? My answer to that is, it depends on what you want to gain from a marketing program. For purposes of this article, I'd like to focus on promotions and content marketing strategies as they link directly to a title agent's sales funnel and branding initiatives. Essentially, they give a title insurance company its life and face in the real estate and settlement services industry.

With much to consider when it comes to implementing promotional and content marketing strategies, I recommend agents start small and begin with something in which they excel. Think through one strategy and implement it using multiple, proven, impactful marketing channels. A good rule

of thumb is to do things in "fives" (hence the headline, "Five ways ..."). This allows for a diversity of outputs while keeping within attainable goals.

The following five channels can help you get your message to your customers. Using them in coordination with each other promotes a consistent company message and more opportunity for impressions on the audience.

EMAIL

Email marketing is an effective way to push your messaging to your audience. According to Marketo, a digital marketing consulting firm, "email is not going anywhere. It's still your No. 1 tool for reaching customers fast." Think about the last two-hour meeting you attended. Did you have an urge to check your email during the meeting? Have you checked it since you began reading this article?

When crafting your email message, keep in mind who your audience is and what key point you want them to remember. Remember to tell them "what's in it for them." Place your key message at the beginning and reemphasize it with a bit of

supporting information. Include a call to action: What is it you want your audience to do? And most importantly, write a catchy, short headline of 40 to 50 characters. Headlines including numbers and the word “you” tend to attract more attention in the cluttered world of email.

WEBSITE

When you want information about a company, where do you go? Some may say they would go to the company’s Facebook page or another social media site. But most would say they would go to the company’s website. This is another effective tool that, although it has been around a long time, is still a widely accessed marketing channel. According to a 2017 digital consumer report by Local Search Association, 63 percent of consumers use websites to find or engage with a local business. Eighty percent use search engines, and 48 percent use a social network. A tactic that can be powerful is to use your email message to direct traffic to your website. You can send traffic to a page that has messaging consistent with your email and provides a call to action to keep your audience engaged.

SOCIAL MEDIA

“It’s no longer just the first adopters and the young who are hooked — 71 percent of people in the United States are on Facebook, more than a half billion globally are on Twitter ... and almost half of all social network users check in on these sites at least once a day, often as soon as they wake up in the morning.”

This excerpt, taken from **Gary Vaynerchuk’s** *Jab, Jab, Jab, Right Hook* book, should be all one needs to convince the leery business owner that social media is a proven method to get messaging out. Beware, though: This is a channel that needs to be treated with delicacy. Here are a few best practices when developing your social media marketing strategy:

- It’s best to start by understanding the social media site you are using. Learn the site’s lingo and use it.
- Post content that informs, educates, is fun to read, is inviting or benefits the reader in some way. Social media marketing is about engagement and relationship building. It won’t be done overnight.
- Social media is a commitment. Have a plan for posting often. Daily is a good rule of thumb.
- To meet your daily commitment, craft a dozen micro-nuggets of information in advance that provide value, and release them on social media in a timed fashion.

Many may wonder on which site to focus. The answer to that is, it depends on where your customers are. Start with one or two platforms, and do them well before taking on others. YouTube, Facebook, Twitter and LinkedIn are widely used by the general population. If your customers are active on social media, you’ll likely find them engaging in at least one of these platforms.

DIRECT MAIL

In a report released by the Direct Marketing Association, a study revealed direct mail boasts a 4.4 percent response rate, compared to email’s average response rate of 0.12 percent. Studies have indicated that the emotional effect of a tangible object in a person’s hands leaves more of a lasting mental impression than a digital communication, making the direct mail piece easier to recall later.

According to a 2015 study by Gallup, in a world of email, texts and social media, 41 percent of Americans look forward to checking what is in their mailbox each day. And while some may think this pertains to mostly older generations, the study showed 36 percent of Americans ages 18-49 look forward to checking their mailbox. If deployed with a specific goal and as part of a broader marketing strategy, a direct mailer or a tangible item communicating your message can be a smart choice as a channel for your next marketing strategy.

EVENTS

Webinars, lunch-and-learn programs, seminars, open houses, conference calls and other events can be effective channels to reach your audience. These informative sessions can build trust with prospects and customers, giving them an opportunity to learn about topics important to them. Before pursuing these types of marketing channels, check with your state laws and regulations or consult with an attorney to ensure you are in compliance with any restrictions on offering educational programming or customer outreach events.

GETTING STARTED

In this article, I’ve outlined five impactful channels to use in your next marketing strategy. Your homework is to: 1) Get your marketing lists ready; and 2) Identify what your marketing message entails. Do you provide a unique service to your clients you’d like to promote? Do you have a vision, mission or core values system you’d like to feature to differentiate your company from another in your territory? Are you a subject matter expert on a timely industry topic and want to pursue a content marketing campaign around that topic? What is the one thing you want your customers to know about your company?

After you have your lists ready and have identified your focus, you are ready for implementation. If done well, the result of implementing promotional and content marketing into your organization is a direct feed into business growth. ■



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CFPB ACTING DIRECTOR SEEKS CHANGES TO BUREAU'S POWERS

Five months after President **Donald Trump** appointed Office of Management and Budget Director **Mick Mulvaney** as acting director of the Consumer Financial Protection Bureau (CFPB), Mulvaney is asking Congress to make statutory changes to the bureau's activities.

In the CFPB's semi-annual report, released April 2, Mulvaney said, "the bureau is far too powerful, with precious little oversight of its activities."

"The power wielded by the director of the bureau could all too easily be used to harm consumers, destroy businesses or arbitrarily remake American financial markets," Mulvaney stated in his first semi-annual report. "By structuring the bureau the way it has, Congress established an agency primed to ignore due process and abandon the rule of law in favor of bureaucratic fiat and administrative absolutism."

Mulvaney requested that Congress make four changes to the Dodd-Frank Act, the CFPB's implementing law:

1. **Fund the CFPB through Congressional appropriations, rather than the Federal Reserve.**
2. **Require legislative approval of major bureau rules.**
3. **Ensure that the director answers to the president in the exercise of executive authority; currently, the**

president may only remove the director for a specific and justifiable cause.

4. **Create an independent inspector general for the bureau.**

Mulvaney testified on the report before Congress this month. He noted his recommendations were his own, and do not necessarily reflect the Board of Governors of the Federal Reserve System or the president.

Already, the CFPB has, under Mulvaney's direction, undertaken several requests for information regarding the bureau's civil investigative demands and associated processes; rules of practice for adjudication proceedings; enforcement practices; supervision program; external engagements; public reporting practices of consumer complaint information; rulemaking processes; adopted regulations and new rulemaking authorities; inherited regulations and rulemaking authorities; guidance and implementation support; financial education programs; and responses to consumer inquiries.

Mulvaney's report also previewed the CFPB's upcoming final rules, including an amendment to the Federal Mortgage Disclosure Requirements under the Truth in Lending Act related to the use of Closing Disclosures to determine good-faith disclosure of estimated closing costs.

The full 56-page semi-annual report, which covers the period of April 1 to September 30, is available at: https://files.consumerfinance.gov/f/documents/cfpb_semi-annual-report_spring-2018.pdf.

President Trump appointed Mulvaney as acting director of the CFPB in November 2017, when former Director **Richard Cordray** resigned to pursue a gubernatorial bid in Ohio. Cordray had appointed Deputy Director **Leandra English** to succeed him, but Trump appointed Mulvaney under the Federal Vacancies Reform Act of 1998, which allows for the president to appoint an interim replacement without Senate confirmation. English challenged Mulvaney's appointment, arguing that the Dodd-Frank Act makes the deputy director the acting director instead. U.S. District Judge **Timothy J. Kelly** denied English's motion for a preliminary injunction and allowed Mulvaney's appointment to proceed. English is appealing the injunction denial to the U.S. Court of Appeals for the D.C. Circuit. ■



Obtaining survey now can prevent litigation later

By Philip Holtsberg, Esq.

A recent case in Pennsylvania, *Michael v. Stock* (Superior Court of Pennsylvania, Case No. J-S84018-16), is a good reminder for agents that ordering a property survey can address legal description deficiencies and errors that may lead to costly court action later.

In 2006, **Judith Stock** contracted to sell property in Bucks County, Pennsylvania, to **George E. Michael** for \$2.2 million. The property was operated as a hotel and restaurant located on two parcels of unplatted, contiguous property. Prior to closing, both parties learned that Stock did not actually have title to both parcels.

There was no dispute as to Stock's ownership of Parcel A, which contained a three-story building and a freestanding, one-story garage, or the marketability of its title. The title insurance commitment and owner's policy issued to Stock contained the metes and bounds description for Parcel A.

Parcel B, which was comprised of unimproved land, adjoined Parcel A and was owned by Stock's grantor, the Pezzola family, in 1999 when Stock received the deed to Parcel A. The back chain of title to Parcel B differed from Parcel A's because the Pezzolas acquired Parcel B in 1995 from a different seller who had carved it out of a larger tract. The tax assessor combined both Parcel A and Parcel B for tax purposes under one tax folio number.

The contract between Stock and the Pezzolas described the business and its operating property by street address, and stated that Stock was to purchase all of the real estate. However, the title insurance commitment that was obtained only described Parcel A, and that was also the only property described in the deed between the Pezzolas and Stock. The owner's title insurance policy described Parcel A and contained a general survey exception and a recitation of the property's tax folio number.

After efforts to resolve the title problem failed, including the underwriter's denial of coverage under Stock's owner's policy, the buyer cancelled the contract and sued Stock. The underwriter denied Stock a litigation defense. Stock joined the title insurance agent and underwriter who closed and insured Stock's 1999 purchase. The trial court ruled against Stock's claims, finding that because Stock had received good title to the one parcel described in the title insurance commitment and policy, there was no liability to Stock with respect to the second parcel.

Stock appealed, and the appellate court reversed the trial court's decision, thereby reinstating Stock's claims against the title agent/underwriter. First, the court stated that the metes-



and-bounds description for Parcel A as shown on the owner's policy did not, as a matter of law, limit title coverage under the issued policy to Parcel A. The court noted that the policy schedules contained a reference to the property's tax folio number. Second, the court stated that the trial judge erred in dismissing Stock's bad-faith claims, and that further litigation could proceed on those claims. Finally, the court stated that the trial judge did not correctly analyze Stock's claim that the underwriter breached its duty to defend her interests in Michael's lawsuit, as the duty to defend was broader than the indemnification provisions contained in the policy itself.

NATIC agents can gain at least two important practice pointers from this decision. First, the decision underscores the importance of ordering, obtaining and reviewing a survey, particularly where the property to be conveyed is a metes-and-bounds description. Had a survey been ordered, it is highly likely that the legal description deficiency would have been discovered, preventing the ensuing litigation.

Second, it is also important, especially in commercial transactions, to compare the property's legal description as shown by the property tax assessor's records with the property to be conveyed, to confirm that they match. Had this been done, the discrepancy would likely have revealed the shortage in property, which also could have prevented litigation. ■



Philip Holtsberg is Vice President and Senior Underwriting Counsel for NATIC's Florida Division.

THE LATEST CYBERFRAUD THREAT: LITIGATION

Consumers seek redress for cyber theft, raising reputational risks for title companies

By Sara Valenz, Esq.

According to the FBI's Internet Crime Complaint Center (IC3), cyber crime involving business email compromise (BEC) cost about 40,000 victims worldwide \$5 billion in losses last year. With the threat of wire fraud only expected to increase, companies in our industry are working diligently to educate our workforce about this danger and put preventive measures in place to keep cyberfraud attacks at bay. But now, a new threat has emerged: Litigation filed by consumers who have been harmed by such scams.

In the last year, consumers across the country have filed several lawsuits against their real estate and settlement service providers, alleging they should have detected and prevented cyberfraud scams that cost them thousands of dollars in closing funds and exposed their nonpublic personal information to hackers. In some cases, the actions of one party have landed all closing table entities — title and settlement service providers, escrow companies, real estate agents and brokers, mortgage lenders and brokers and others — in litigation.

Here are three cases that underscore the need for title agents to understand how cybersecurity affects them and their business.

Colorado plaintiffs file suit after losing life savings

A complaint filed in June 2017 by **James** and **Candace Butcher** starts by stating, "Imagine working your entire life to raise a family, build a successful career and save for retirement." As you may already have guessed, the Butchers allegedly lost the money they had been saving for years to a hacker or cyber thief. As detailed in the complaint, the Butchers received an email just before closing from their title agent, advising them that they would receive wire instructions from a representative. Four days later, they received an email from what appeared to be a title agency representative, directing them to wire more than \$272,000 in preparation of the closing. After replying to that email and receiving the wiring instructions, the Butchers

went to their bank branch and initiated the wire. The day after the wire was completed, the bank identified the transaction as fraudulent. The incident was reported to the police and later to the FBI.

The defendants in the Butchers' complaint include their title agency, proposed mortgage lender, the bank responsible for the wire transfer and the real estate agent and brokerage. The Butchers allege they hired professionals for their knowledge and expertise in the real estate field and technology, but the defendants negligently emailed private sensitive information, including their financials and settlement statements, through non-secure means.

They also allege that their lender did not provide the FBI with the necessary information needed to implement the "Financial Fraud Kill Chain" (FFKC). If the FBI activates the FFKC within 72 hours, it is able to halt the wire transfer and return the funds to the victim. Pursuant to the FBI's Jan. 11, 2016, bulletin, in order to activate the FFKC, the wire transfer must meet the following criteria:

1. The wire transfer is \$50,000 or above;
2. The wire transfer is international;
3. A SWIFT recall notice has been initiated; and
4. The wire transfer has occurred within the last 72 hours.

As you can see, once the bank sends the fraudulent wire, the clock is running up to a 72-hour stop. According to the Butchers' complaint, their transaction missed that deadline, so they could not benefit from the FFKC. The claims for relief against the title agency in this case include counts of negligence and breach of fiduciary duty.

D.C. homebuyers allege conspiracy among settlement service providers

A home purchase transaction that took place on June 19, 2017,

resulted in this complaint, in which plaintiffs **Sean Smith** and **Erin Wrona** filed suit against numerous defendants, including their attorney, title agency and an employee of the title agency after they lost more than \$1.5 million in funds allotted for the purchase of their home. Their complaint, filed in August 2017, alleges that a title agency employee emailed them to introduce herself and provide instructions as to where to wire the initial deposit. After this email, they received a forwarded email with a second wire request and a detailed settlement statement from the same employee. Again, they followed the wire instructions. The second email had a different end bank account for the wiring of the funds. Smith and Wrona followed the instructions — and those funds never made it to the seller.

The loss of funds was discovered during closing. The FBI was contacted and confirmed that the money from the second wire was gone. Fortunately, the plaintiffs were able to come up with additional funds to close.

Among the allegations in this action is that some of the defendants schemed to obtain funds through fake escrow accounts. The plaintiffs allege that either one of the defendants' emails was hacked, or the defendants had something nefarious to do with their missing funds. The counts against the title agency include violations of the Racketeer Influenced and Corrupt Organizations Act (RICO), conversion, civil conspiracy, negligence, breach of contract and breach of fiduciary duty.

Title company seeks relief from real estate agents after theft of client funds

In this action, First American Title Co. (FATC) is the plaintiff and title agency looking to be reimbursed for funds expended due to a cyber theft. FATC filed this lawsuit in 2016 against several parties, including two real estate agencies, after client funds went missing. The complaint filed includes allegations that the email account of the seller's real estate agent was hacked. This hacking allegedly resulted in FATC wiring nearly \$514,000 of buyers' funds to a fraudulent bank account. Of course, the seller never received the money, FATC paid the seller for the loss and was assigned the seller's claims. Although FATC did recover some of the funds stolen, the filing of this complaint was for the balance. Two of the counts against the real estate agencies in the complaint are for negligence per se and negligence.

Please note that all of these cases are still pending, and the counts listed in each complaint are not necessarily proven to be true.

The pattern of these lawsuits shows a clear trend. As we in the real estate industry hear constantly about wire fraud schemes, homeowners or borrowers are not on equal footing. They are not privy to the same level of education and resources available to us. The counts in the complaints may differ, and the base allegations range from carelessness to fraud, but the end result is the same: Reputational damage to businesses and employees. The takeaway here for title companies is to stay educated, act quickly and make sure you follow industry practices on keeping clients' private information and funds safe. ■

YOUR UNDERWRITING COUNSEL

Valenz provides legal and underwriting support to NATIC agents in MA, NJ and PA



Sara Valenz, who joined NATIC as our vice president and regional underwriting counsel for the Northeast division last year, provides legal and underwriting support to NATIC agents throughout Massachusetts, New Jersey and Pennsylvania.

Sara brings to NATIC 10 years of title insurance industry experience, having most recently served as associate senior underwriter, New Jersey state counsel, underwriting counsel and claims counsel for a large national underwriter. Her problem-solving and transactional facilitation skills in her role as an underwriting counsel are complemented by the skills she gained as a claims counsel in the area of assessing risk.

A graduate of the University of Massachusetts-Amherst, Sara earned her Juris Doctor from New York Law School. She is admitted to practice in the state of New Jersey, the United States District Court for the District of New Jersey, the Commonwealth of Massachusetts and the Commonwealth of Pennsylvania.

Sara is very active in her home state of New Jersey, serving as the second vice president of the New Jersey Land Title Association, chair of the 2018 Convention Committee and on the Legislative, Amicus and Technology Committees. She is also a new member of the Community Outreach Committee of CREW NJ, the New Jersey chapter of the Commercial Real Estate Women Network.

Additionally, Sara serves on the Title Insurance Rating Bureau of Pennsylvania's Rate and Manual Committees and the Real Estate Bar Association of Massachusetts.

In her leisure time, Sara enjoys vacationing in Cape May, a seaside resort in Southern New Jersey, with her husband and 7-year-old child.



NATIC HONORS FRAUD-FIGHTING CLOSERS

While email and wire fraud continue to be prevalent threats in our industry, NATIC agents and affiliates have faced a variety of other types of fraud in recent months. Contractual, foreclosure and identity scams were also tackled by recipients of our CloseWatch Reward program, which rewards title agents, escrow officers and closing professionals for the proactive detection and prevention of fraud at the closing table with a \$500 reward and plaque. Here are some recent CloseWatch Reward recipients and their stories.

Maryland independent agent quick to spot wire fraud attempt

On a recent purchase transaction in Maryland, a NATIC independent agent's client received a fake email instructing her to wire funds to another account. The agent immediately called the client to verify the true wire instructions and prevent the client from sending the wire to the wrong account. He also reminded the client that wire instructions will never be changed via email to ensure that the client is aware of any future fraud attempts. For protecting the

\$220,000 wire and thwarting one of the most common types of cyber fraud impacting our industry today, the agent earned a \$500 CloseWatch Reward and letter of gratitude.

California independent agent uncovers identity fraud scam

While examining judgments of record, a California independent agent discovered that a client had three different Social Security numbers. All three numbers corresponded to the client's address and unique name. A further Lexis-Nexis inquiry yielded similar results. The agent referred the matter to NATIC underwriting counsel, who declined to insure the transaction and issued a warning about the fraudster. The agent's diligence prevented a potential \$800,000 liability and garnered her a \$500 CloseWatch Reward and letter of gratitude.

California escrow agent unravels lender's foreclosure fraud scheme

While handling the sale of a California home in foreclosure, an escrow agent was unable to obtain a payoff demand from the mortgage servicer. The sellers provided the escrow agent with contact information for their lender's attorney, who asked her how the title company planned to handle the "outstanding bankruptcy" and "grant deed" to another individual. The escrow agent requested documents related to these items, as they had not appeared in the preliminary title search. The attorney sent her a copy of the bankruptcy petition and a grant deed that appeared to be recorded. However, a subsequent search by the escrow agent and her title manager revealed that the deed was never recorded or indexed, and had a fraudulent county seal and instrument number. The team flagged the property and notary public associated with the transaction and alerted claims counsel. Having uncovered a fraud scheme by the lender to stop the foreclosure, the team prevented a potential loss of nearly \$2.8 million, and were rewarded with a \$500 CloseWatch Reward and gratitude certificate.

NATIC CLOSEWATCH REWARD PROGRAM: BY THE NUMBERS*

62 | CloseWatch Reward recipients

\$21M | Transaction funds protected

47% | Percentage of cases involving email fraud

*Since 2015

NATIC IN THE NEWS



In February, NATIC employees from our Miami headquarters office, who regularly volunteer with United Way of Miami-Dade County, participated in a Reading Day at the Innovative Early Learning Academy in Doral, Florida. Members of the NATIC family, including President **Emilio Fernandez** (pictured above), read books, painted and provided lunch for children ages 5 and under.

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On March 8, NATIC leaders and independent agents marked International Women's Day by participating in IndyCREW's Women in Leadership Conference. Pictured below from left to right are: **Laura Francesconi**, senior VP/director of corporate development at Meridian Title Corp.; **Denise Kouril**, account manager, Meridian Title; **Danielle Kaiser**, NATIC regional underwriting counsel and forms counsel; **Jenna Francesconi**,



account manager, Meridian Title; and **Kathy Hulbert**, NATIC state agency manager for Indiana. IndyCREW is an affiliate chapter of CREW (Commercial Real Estate Women) Network, which has more than 10,000 members from every aspect of the commercial real estate industry.

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On March 5, **Donna Anderson**, NATIC's agency business specialist, spoke at the 2018 RamQuest User Group Annual Conference, held at the Westin Galleria in Dallas. Donna presented along with **Alex Anderson**, co-founder of Gentile Creative Marketing, on how to recruit and retain Millennial employees and make them a valuable part of your organization.

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On March 20, **Rich Griffin**, NATIC's vice president and national sales manager, spoke at the American Land Title Association's Springboard conference, held in Atlanta. Rich delivered a career advancement presentation that focused on how to turn employee engagement into company profit.

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On March 21, **Valerie Jahn-Grandin**, NATIC's executive vice president and chief underwriting counsel, participated in the Women's Symposium at the Young Women's Preparatory Academy (YWPA) in Miami. YWPA, the only single-gender magnet college preparatory school in Miami-Dade County, is ranked No. 1 in college preparedness in the entire state of Florida. Valerie and members of CREW Miami met with students, faculty and administrators to discuss professional careers for young women.



EVENTS AT A GLANCE

May 15

NATIC

Texas Title Education Webinar Series:

Probate and Intestacy:

A Practical Roadmap

CE Webinar for TX agents

www.natic.com

May 21-23

American Land Title Association

Advocacy Summit

Watergate Hotel

Washington, D.C.

www.alta.org

June 6-8

October Research

National Settlement Services

Summit (NS3)

Detroit Marriott at the

Renaissance Center

Detroit, MI

ns3thesummit.com

June 11-13

Texas Land Title Association

Annual Conference & Business Meeting

Fairmont Austin

Austin, TX

www.tlta.com

June 14

NATIC

Nuts & Bolts of Bankruptcy

CE/CLE Webinar

www.natic.com

June 19

NATIC

Texas Title Education Webinar Series:

Insuring Home Equity Loans in Texas

CE Webinar for TX agents

www.natic.com

June 19-20

American Land Title Association

Innovation Boot Camp

Renaissance Minneapolis Hotel,

The Depot

Minneapolis, MN

www.mba.org

June 7

NATIC

Blockchain of Title: New Technology in a Century-Old Industry

CE/CLE Webinar

www.natic.com

June 7-9

Virginia Land Title Association

Annual Convention

Richmond Omni Hotel

Richmond, VA

www.vlta.org

June 10-12

New Jersey Land Title Association

NJLTA Annual Convention

Hotel Hershey

Hershey Park, PA

www.njlta.org



NATIC's Toolkit for Title Agents seminar hits Nashville

Our 2018 Toolkit for Title Agents seminar made a stop in Nashville on March 5 and 6. Tennessee and Alabama title agents learned about onboarding prospects and clients, ethics, claims and escrow issues, FIRPTA, cybersecurity, e-closings and more, while earning CE/CLE credit. Special thanks to our sponsors: Entrust Direct, eRecording Partners Network (ePN), Landtech Data Services, RamQuest, Simplifile, SoftPro and Total Trust Accounting Service. ■



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