

Approved: April 1, 1998
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on March 23, 1998 in Room 529-S of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Representative Susan Wagle
Tom Wilder, Kansas Insurance Department
Ray Worthington, Kansas Land Title Association
Mike McGrew, McGrew Real Estate, Lawrence
Karla Hart, Butler County
Francis Thorne, Thorne/Larkin, Leavenworth
Barry West, Dinning/Beard, Wichita
Tom Krattli, Eugene D. Brown Realtors, Overland Park

Others attending: See attached list

Information on SB 681 - Permitting state banks that meet requirements to expand

Chairman Steffes reviewed the letter he has prepared to send to Newton Male, State Banking Commissioner regarding the Metcalf State Bank's request to statutorily increase their allowable building and equipment ratio to a maximum of 150% of their capital accounts (Attachment 1). The President of the Senate has agreed that the Committee is not qualified to make such a recommendation without additional input from the Bank Commissioner and further education in banking matters. The increase to 150% granted to national banks was not a decision of the Office of the Controller of the Currency but rather a law passed by Congress in September of 1996. Committee members agreed to the sending of the attached letter with Senator Biggs descending.

Information on SB 218 - Transaction of insurance business

Chairman Steffes announced that Lee Wright of Farmers Insurance Group has requested no further discussion on the X-dating bill.

Hearing on HB 2966 - Title insurance reform

Representative Susan Wagle reviewed the catalyst for the bill which was the bankruptcy of the Realty Title Company in Wichita this past year (Attachment 2). They did not place earnest money, property tax payments, and insurance payments in trust as they had represented they had done and their clients lost between \$300,000 and \$1,700,000. This bill is an effort to prevent another such disaster as it would require title insurance agents in counties with populations over 90,000 to have an annual audit of their escrow, settlement and closing deposit accounts. Audits would be required on every two, three and four years in counties with lesser populations. The bill was not controversial in the House.

The Committee questioned the segregation of urban vs rural and was equality being addressed. After discussion it was determined the requirement of bonding the title insurance companies might be too expensive and it would be very difficult to find a company who would bond the Wichita businesses.

Tom Wilder, Kansas Insurance Department, reported than in their audit they have reported more than \$1 million is missing (Attachment 3). The bill would give more regulatory authority to the Kansas Insurance Department. The Department does not currently have oversight over escrow accounts. The bill recommends less frequent audits in the rural areas with less population. Committee members suggested the auditing

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on March 23, 1998.

criteria should be based on financial rather than a population base. Mr. Wilder walked the Committee through the bill and suggested a minor amendment on Line 25 of Page 2 changing "investing" to "invested."

Roy Worthington, Legislative Chairman of Kansas Land Title Association, Manhattan, informed the Committee it would be difficult to set up auditing criteria based on financial information (Attachment 4). There are usually very few title companies in the sparsely populated counties and annual audits are not necessary. He agreed that bonding would be a very expensive requirement for title insurance companies.

Mike McGrew, McGrew Real Estate, Lawrence, voiced support of the bill.

Chairman Steffes appointed a Subcommittee of Senators Praeger, Feleciano, and Steffes to meet and discuss the bill. The hearing remains open.

Hearing on HB 2692 - Title insurance requiring certain disclosures and prohibiting certain actions

Mike McGrew, McGrew Real Estate, Lawrence and Eudora, said this bill should be considered as a free market, proconsumer bill designed to correct the current restrictive law (Attachment 5). He informed the Committee that recent studies have shown that prices fall and service improves when real estate professionals own and operate title companies. It does not hamper independent title companies from entering the market. The bill would apply to two counties in Kansas with a population of 200,000 or more.

Karla Hart, Andover, Butler County, described title insurance as not being a protection for the consumer but as a tool that enables a primary mortgage lender to package loans and sell them to the secondary market (Attachment 6). The secondary market will not accept the abstract/attorney's opinion method of title examination. Title insurance companies search public records that are maintained with taxpayer dollars. By restricting who is allowed to write title insurance, the Legislature is restricting who can benefit from access to public records. By limiting the number of companies able to offer title insurance, the Legislature is assuring that the price remains high and the service slow. She urged the Legislature to allow competition which would benefit consumers and not restrict the ability to transact title business based on county population.

Frances Thorne, Leavenworth, reviewed the history and correlation of his real estate and title insurance business (Attachment 7). He explained the benefits of having an in-house abstractor who could spot any potential problems in title long before any closings. Mr. Thorne expressed his frustration at how the state stepped in and dictated what percent of business he could handle through his own title insurance company. He indicated he thought such a law might be subject to litigation.

Barry West, Dinning/Beard Realtors of Wichita, gave a history of the present statute (1989) known as the controlled business bill which exempted counties with a population under 10,000 from the 20% limit (Attachment 8). The effect of this law caused all of the companies doing business with supplier owned shareholders to either go out of business, sell their companies, or redeem their stock at book value in 1991. Kansas has the most restrictive "anti-controlled business" law in the nation and it is unnecessary. Customers would not be forced to use the agency title company but could choose the title company which provided the best service at the best price.

J. Thomas Krattli, Eugene D. Brown Realtors of Overland Park, stated that those real estate companies which have an interest in mortgage companies and property insurance companies have to be better than their competition or their own agents will not direct the business their way (Attachment 9). Agents are not compensated for referrals and they will lose if their company fails to satisfy the customer. They will not risk their livelihood on their broker if that broker/owner is not performing in such a way as to insure the protection of their customers and themselves. Competition tends to promote better service and lower prices. More entrants into the title insurance business will ensure such competition.

Chuck Stones, Kansas Bankers Association, provided written testimony supporting such a request (Attachment 10).

Rob Curtis, Cedar Creek Realty in Olathe, also provided written testimony supported by an article from the Real Estate Outlook publication (Attachment 11).

The hearing was continued.

The meeting was adjourned at 10:00 a.m. The next meeting is scheduled for March 24, 1998.

SENATE FINANCIAL INSTITUTIONS & INSURANCE
COMMITTEE GUEST LIST

DATE: 3/23/98

NAME	REPRESENTING
Tom Wilder	Kansas Insurance Dept
Mike Hart	CITIZEN
Mike McGrew	Kansas Association of Realtors
Barry Neet	Kansas Assoc Realtors &
	Colwell Bank
Tom Keath	Eugene A Brown Co. Reelers
FRANCIS X. THORNE	INDEPENDENT BROWN REALTORS
KAREN GEHLE	KANSAS ASSN OF REALTORS
Brittany Gehle	observing
Auburn Gehle	observing
MARTIN HAZEN	KANSAS INSURANCE DEPT.
Jill Grant	KANSAS LAND TITLE ASSN.
JOHN DOZIER	Columbia Nat'l Title Ins. Co.
Roy Worthington	KANSAS LAND TITLE ASSN
JOE JENKINS	KANSAS LAND TITLE ASSN,
John BELL	Ks. Land Title Assn.
John Peterson	Ks Land Title Assn
Billy Bayle	Speaker Pro Tem's Office
Matt Goddard	HCBA

March 20,. 1998

Dear Commissioner Male:

As you know, the Senate Financial Institutions and Insurance Committee has held a hearing on SB 681 concerning the request from Chairman Ben Craig of the Metcalf State Bank. He requested statutory authority to allow any state chartered bank, under certain conditions, to increase their allowable building and equipment ratio to a maximum of 150% of their capital accounts. This represents a three-fold increase from the present and long-held practice of 50%. We were advised that national banks have had such authority for several years.

Also, since the Special Authority (wildcard statute) of bank commissioners has received a great deal of discussion and research this year, it is our understanding that the request from Metcalf State Bank could be approved by the bank commissioner. Of course, you also have the authority to take no action on this request.

Our Committee is at a distinct disadvantage in acting upon this request for such a significant change in bank practice because of our lack of technical expertise and indepth knowledge of all the conditions involving Metcalf State Bank. Even though one of the conditions is that their CAMEL rating must be a 1 or 2, we know that at each examination

Senate FID
Attachment 1
3/23/98

this rating could be altered by either your department or FDIC to a 4 or 5.

Several members of the Committee are of the opinion that this long held policy affecting the diversification of bank assets should have a thorough review. The Committee was somewhat surprised this issue was brought to the Committee for an immediate decision on a specific request without an appropriate recommendation by your department either for or against a change of such major proportions in statewide banking policy. We are not convinced at this time that just because national banks have such authority it is the correct position for all Kansas state chartered banks.

We would suggest, therefore, that you as bank commissioner grant or deny approval of this specific request and that this change in state banking policy be discussed in depth during the 1999 legislative session. At that time a decision could be made whether we, the Legislature, should change our statutes to eliminate the need for the use of the wildcard authority in regard to building ratios.

Certainly we do not wish to imply in any way whether the Metcalf State Bank should or should not qualify for this expansion of building assets authority. Several members of the Committee are very supportive of this specific request but others on the Committee are even more concerned about the statewide implications affecting the other 250 state

chartered banks.

In closing, it seems to us that the wildcard statute is in existence for instances such as this.

Cordially,

State of Kansas
House of Representatives



Susan Wagle
Speaker Pro Tem

Testimony
March 23, 1998
H.B. 2966

Thank you Chairman Steffes, and members of the Senate Committee on Financial Institutions and Insurance, for the opportunity to address you regarding the need for providing safeguards to customers of title companies. Last September the Realty Title Company went bankrupt. By early October there was evidence that the bankruptcy of the Wichita-based title insurance and escrow company was due to dishonest financial management. Attached to my testimony are five articles from the Wichita Eagle which chronicle the fall of Realty Title. Hundreds of Wichita area home buyers, sellers, lenders and others were thrown into a financial nightmare because Realty Title did not place earnest money, property tax payments and insurance payments in trust as they had represented they had done, and as they should have done. It has been estimated that the escrow accounts were short all the way from \$300,000 to \$1,700,000. Although an audit and criminal investigation are now being conducted, I believe it incumbent upon this legislature to try to prevent future misuse of Kansan property owner dollars and a possible repeat of this debacle.

House Bill 2966 is a joint effort by south central Kansas House members and the title company industry to prevent another Realty Title disaster. The major component of the bill requires title insurance agents in counties with populations over 90,000 to have an annual audit of their escrow, settlement and closing deposit accounts. In counties having a population of less than 90,000, HB 2966 proposes an audit be done every two, three or four years, depending on population.

If this legislation had been in place several years ago, the Realty Title Company's criminal activity could have been detected and hundreds of Kansans would have been spared the agony of this financial bombshell. Please support HB 2966.

REPRESENTATIVE, 99TH DISTRICT
BUTLER/SEDGWICK COUNTIES
14 SANDALWOOD
WICHITA, KANSAS 67230

Senate File D

Attachment 2

March 23, 1998

ROOM 330-N
STATE CAPITOL
TOPEKA, KS 66612-1504
(913) 291-3500

09269050

REALTY TITLE TO FILE FOR BANKRUPTCY TODAY COMPANY IS OWNED BY LINDA AYALA,
A POLITICALLY ACTIVE WICHITAN.

Wichita Eagle (WE) - Friday, September 26, 1997

By: Dennis Pearce, The Wichita Eagle

Edition: main Section: BUSINESS & FARM Page: 17A

Word Count: 221

TEXT:

Wichita's Realty Title Co. will file for protection under Chapter 7 of the federal bankruptcy laws sometime today, according to William Zimmerman, the attorney hired to handle the filing.

The company is owned by Linda Ayala, one of Wichita's more politically active businesswomen.

Zimmerman, retained Wednesday to represent Ayala's company, said Thursday that the company, which already has closed its doors, is looking for an orderly liquidation.

"There will be assets," he said. "We want a trustee appointed to take control and get everything disposed of."

Realty Title has 15 days to file its financial schedules, he said, but added, "We will get on file as soon as we can."

Ayala could not be reached for comment Thursday.

Ayala has for years been a supporter and board member of the Wichita YWCA. She also has been a member of the Wichita/Sedgwick County Partnership for Growth.

She is a charter member of the National Association of Women Business Owners, has been an officer in the Private Industry Council and has served on the Airport Authority.

She has received many honors for her role as a business and community leader. She is a longtime friend of Wichita Mayor Bob Knight and helped run his campaign against then-Mayor Elma Broadfoot.

Dennis Pearce can be reached by e-mail at dpearce@wichitaeagle.com or at 268-6552.

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INVESTIGATION OPENED INTO REALTY TITLE * COMPANY ATTORNEY CONFIRMS THAT
ESCROW ACCOUNTS ARE OVERDRAWN.

Wichita Eagle (WE) - Friday, October 3, 1997

By: Dennis Pearce and Bob Cox, The Wichita Eagle

Edition: main Section: BUSINESS & FARM Page: 16A

Word Count: 649

TEXT:
The Kansas Insurance Department has opened an investigation into money
missing from the escrow accounts of Realty Title Co. of Wichita.

The company, which last week filed bankruptcy, is owned by Linda Ayala,
one of Wichita's more politically active businesswomen.

Wichita lawyer William Zimmerman, who represents Realty Title, confirmed
Thursday that the company's escrow accounts are overdrawn, but he said he
did not know how much money was involved.

"We know there is a shortfall. We don't know how much it is. It will
take a while to sort out," he said.

Erin Hamlish, spokeswoman for the state insurance department, confirmed
on Thursday that the agency is investigating the matter.

"We have begun looking at the future of Mrs. Ayala's insurance license,"
Hamlish said. Anyone selling insurance in Kansas is required to have a
state license.

Title companies are regulated by both the state insurance and real
estate departments.

Realty Title filed a Chapter 7 bankruptcy proceeding in U.S. Bankruptcy
Court last week, which will lead to liquidation of the company's assets.

Wichita lawyer Ed Nazar is the court-appointed trustee overseeing the
case. He did not return a reporter's telephone calls Thursday.

"Ed and I have met," Zimmerman said, "and he is trying to find someone
to purchase the right to service the accounts."

In addition to the usual duties of a title company, Realty Title had
been servicing mortgages - collecting payments from buyers, paying taxes
and insurance, and forwarding the principal and interest to the seller or
mortgage holder.

Zimmerman said there was no money available to pay insurance and taxes
for an undetermined number of homeowners who had made payments into Realty
Title's escrow accounts. For most property owners, the first half of
property taxes is not due until December, but it is crucial for homeowners
to keep insurance payments current in order to maintain their coverage.

Wichitan Mike McCullough, owner of Riverside Perk, a Midtown coffee
shop, is one of the Realty Title customers affected - the exact number is
not known.

"I have to dig up money for taxes now," McCullough said Thursday.

Zimmerman said he is advising Realty Title customers to make their payments directly to the holder of the mortgage and make arrangements with the insurance carrier for payments.

Zimmerman said that people who had money in escrow with Realty Title can file a claim in bankruptcy court, but it could take several months before the company is liquidated and claims are paid. In most bankruptcies, the money left over from the sale of assets usually is less than the outstanding claims.

The normal work of title companies involves searching historical land and financial records to insure that there are no outstanding liens or other claims against a property that is being sold. Any claims, such as a mechanic's lien for unpaid work, or a dispute over payments, must be cleared before a mortgage company will issue a mortgage.

The title company then issues an insurance policy guaranteeing that the property's title is clear.

Title companies also act as the middleman in real estate transactions.

When a person buys a house, for instance, the buyer gives the real estate agent a check for earnest money to hold the property. The agent gives the earnest money to the title company to hold in escrow.

At the closing, the buyer must make the rest of the down payment, pay any closing costs and the first year's taxes and insurance. This money also is put into the title company's escrow account.

On even a relatively inexpensive \$50,000 house, the amount paid into the escrow account could total several thousand dollars. A busy title company could be holding hundreds of thousands of dollars in escrow at any given time.

Hamlish, the insurance department's spokeswoman, said that people with questions about their title insurance policies can call (800) 432-2484 and ask for a property and casualty representative.

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REALTY TITLE NOW SUBJECT OF CRIMINAL PROBES HUNDREDS OF PEOPLE, BUSINESSES
MAY HAVE MONEY IN BANKRUPT TITLE AND ESCROW COMPANY.
Wichita Eagle (WE) - Tuesday, October 7, 1997
By: Bob Cox, The Wichita Eagle
Edition: main Section: BUSINESS & FARM Page: 13A
Word Count: 562

TEXT:
Federal and local criminal investigators are beginning to sort through the rubble of Realty Title Inc., the Wichita title insurance and escrow company that filed bankruptcy less than two weeks ago.

The investigators will be trying to determine why an estimated \$1.3 million to \$1.7 million is missing from trust and escrow accounts of the company, owned by Linda Ayala, a businesswoman long active in political and community affairs.

At this point, no one seems to know for sure how much money is involved or how many people are affected by the shutdown of the title insurance office.

"That's what I've got to find out in the next 30 days," said Wichita attorney Ed Nazar, the court-appointed trustee whose job it is to dig up all of the company's records, find money if any is to be found, and find out to whom it's owed.

Nazar said that at this point he's not even sure if he knows where all of Realty Title's bank accounts are located. So far, he's found little cash.

Both the U.S. attorney and the Sedgwick County district attorney's office have begun criminal investigations into the demise of Realty Title, which sold title insurance policies to property buyers and acted as an intermediary for various types of real estate deals.

Neither agency would confirm its involvement Monday, but property owners and others involved in the case said they had already been contacted by investigators, including FBI agents.

Nazar said he has enlisted the aid of Kansas Insurance Commissioner Kathleen Sebelius in conducting an extensive audit of Realty Title's records.

Both Nazar and Sebelius' office have been inundated with calls from individuals wanting to know what has happened to their money or whether funds held by Realty Title for taxes and homeowners insurance policies have been paid to tax collectors and insurance companies.

"We've been flooded with a lot of telephone calls the last couple of days," said Erin Homlish, spokeswoman for the Kansas Insurance Department.

least 700 individuals and businesses - home buyers, sellers, lender and others - are thought to have been involved in private-party real estate transactions for which Realty Title held funds in escrow. Those are deals in which the seller usually financed the transaction. The escrow accounts reportedly are short an estimated \$300,000 to \$700,000.

An additional \$1 million or more of buyers' and lenders' funds may have been held by the company in trust accounts, to be paid out to home sellers, real estate agents and others.

Both estimates are based on an audit of Realty Title performed by its underwriter, Columbian National Title Insurance Co. of Topeka, that was conducted before the bankruptcy filing, Nazar said.

Nazar says that anyone who believes they had money held in escrow or in trust by Realty Title should immediately file a claim with the clerk of the bankruptcy court. The one-page claim forms are available at the clerk's office. Claims and supporting documents should be filed in triplicate.

The clerk's office is on the first floor of the federal building at 401 N. Market.

The number of claims filed with the court, Nazar said, will help him accurately determine how much is owed to whom.

The claims could also be of help to criminal investigators.

Bob Cox writes about business. He can be reached at 268-6424 or by e-mail at bcox@wichitaeagle.com.

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STATE AUDITORS TO INVESTIGATE REALTY TITLE * COURT RECORDS SHOW MORE THAN \$244,000 MISSING FROM 504 ESCROW ACCOUNTS.

Wichita Eagle (WE) - Saturday, October 11, 1997

By: Bob Cox, The Wichita Eagle

Edition: main Section: BUSINESS & FARM Page: 16A

Word Count: 456

TEXT:

Kansas Insurance Commissioner Kathleen Sebelius is sending a staff of six auditors to Wichita on Monday to help unravel the tangled financial records of Realty Title Inc., the title insurance company that folded two weeks ago with more than \$1 million of its customers' money.

The auditors will assist court-appointed bankruptcy trustee Ed Nazar in reconstructing the company's records.

"We're sending in a team to investigate where the money has gone and the possibility of getting those funds in the right hands," Sebelius said.

Nazar has already made some progress, at least in determining how much is gone.

On Friday, the trustee filed documents in U.S. Bankruptcy Court showing that when Realty Title filed for bankruptcy on Sept. 26, it had been servicing 504 escrow accounts and that \$241,633.85 was missing from those accounts.

Of that amount, nearly \$165,000 was money that property owners had paid to cover their homeowners insurance and property taxes. The rest, about \$77,000, was money owed to other parties, usually sellers of property.

Another local title company, South Kansas Title Co., has agreed to pay \$10,500 to buy the right to service the accounts. If the sale is approved by the bankruptcy court, South Kansas will have the not-so-pleasant task of determining how much property owners will have to pay to keep their

insurance policies in force and the tax collectors from their doorsteps will be money the property owners have already paid once before, to Realty Title, trusting that it would be sent to the right places.

The bigger task facing Nazar, and the Insurance Department auditors, is determining who had money in Realty Title trust accounts for pending real estate transactions and how much they're short. Early estimates are that those accounts may be short \$1 million or more.

Nazar said he believes that Realty Title had closed on most, if not all of the transactions that were pending through the end of August, but money paid in after Sept. 1 may be gone. The company was running about 17 days behind in closing real estate sales when the lights were turned out during the third week of September.

Both the U.S. attorney's office and the Sedgwick County district attorney's office are conducting criminal investigations into the demise of Realty Title and its holding company, Titec Corp.

The business was owned by politically and socially active Wichita businesswoman Linda Ayala, who has not returned reporters' telephone calls about the matter.

According to court records, Nazar has found only one bank account with any cash in it - \$83,513.68. Outstanding checks written on the account total more than \$189,000.

Bob Cox writes about business. He can be reached at 268-6424 or by e-mail at bcox@wichitaeagle.com

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SEBELIUS ALLEGES CRIMES OCCURRED AT REALTY TITLE * INSURANCE COMMISSIONER
SAYS EVIDENCE INDICATES THAT BANKRUPT COMPANY EMPLOYED ELABORATE FINANCIAL
SCHEME TO DISGUISE PROBLEMS.

Wichita Eagle (WE) - Saturday, October 18, 1997

By: Molly McMillin, The Wichita Eagle

Edition: main Section: BUSINESS & FARM Page: 13A

Word Count: 808

TEXT:
Kansas Insurance Commissioner Kathleen Sebelius said Friday there is
evidence that the bankruptcy of Realty Title Co. may have been due to
"criminal activity."

The Wichita title insurance and escrow company folded late last month,
with up to \$1.7 million of customers' money missing from escrow and trust
accounts. The FBI is investigating the circumstances of the company's
demise.

Realty Title is owned by Linda Ayala, a politically and socially active
Wichita businesswoman.

Auditors from the insurance department are assisting court-appointed
bankruptcy trustee Ed Nazar to unravel Realty Title's tangled business
records. While the insurance department does not have the authority to file
criminal charges, Sebelius said the auditors' findings will be turned over
to the FBI and the U.S. attorney.

"Unfortunately, this is a real tragedy for consumers - a situation that
clearly seems to involve a significant level of criminal activity,"
Sebelius said at a press conference at Realty Title's office.

According to Sebelius, preliminary results of the audit indicate:

- * That an elaborate scheme was used to move money from one account to
another - the equivalent of a check-kiting scheme - to make it appear that
Realty Title was financially solvent. The shifting of money between
accounts appears to have occurred for years, Sebelius said.

- * That money is missing from the retirement accounts of employees.

- * That \$1.3 million to \$1.7 million is missing from escrow, title
insurance and closing accounts.

Auditors are still sorting through bank accounts and boxes of
unorganized business records. Some records are missing, while other records
are not filed properly, Sebelius said.

The complicated part of the puzzle will be to figure out where the money
went, and if there is any chance of getting money back to consumers, she
said.

"I find it tragic," Sebelius said. "I think there's going to be a lot of
people in this community who are in terrible situations because of the
trust they placed in this company."

Sebelius is urging homeowners with escrow accounts to check with their insurance companies and the Sedgwick County treasurer's office to determine whether their insurance premiums and taxes have been paid and when the next payments are due.

"Homeowners should take protective action of their own," she said.

If they do not, homeowners run the risk of their insurance coverage lapsing. If taxes and insurance premiums held by Realty Title have not been paid, the property owners will have to pay again, Sebelius said.

"For a lot of folks, they don't have the money to pay that twice," she said.

Hundreds of homeowners are affected by the company's collapse. The insurance department has received calls from many concerned customers. And lenders are coming forward saying checks they received from Realty Title bounced due to insufficient funds in the company's bank accounts.

Sebelius said her department is trying to determine whether any of the money can be recovered from officers of the company, liability insurance policies and bonds held by Realty Title. Columbian National Title Co., the Topeka company which underwrote title insurance policies, may also be liable to cover funds paid to close real estate deals and for title insurance, she said.

What are customers' chances of getting money back?

"I don't know," Sebelius said.

The audit found that about \$241,000 is missing from about 250 escrow accounts; more than \$1 million is missing from an undetermined number of accounts holding funds for real estate deals that were never closed; and \$20,000 is missing from funds collected to pay for title insurance premiums.

Approximately \$40 million to \$50 million a year passed through Realty Title's accounts, said Bill Woods, a financial auditor from the department.

As of Oct. 20, Realty Title's escrow accounts will be handled by South Kansas Title.

Concerned consumers may call the local office of the insurance department at 337-6010; or register complaints with Randy Wolverton, special agent for the Federal Bureau of Investigation, at 262-0031.

Molly McMillin writes about business. She can be reached at 269-6708 or at mmcmillin@wichitaeagle.com

If you are a homeowner with money held in escrow accounts by Wichita's Realty Title Co., Insurance Commissioner Kathleen Sebelius advises that you:

* Contact your insurance company to determine whether your premiums have been paid and when the next premium is due.

* Call your county treasurer to determine whether property taxes have been paid and when the next payment is due.

If your taxes or insurance have not been paid, you must make the payments or risk insurance lapsing or being cited for delinquent taxes, Sebelius said.

She also suggests that homeowners who are unsure which company handles their escrow accounts, should pull out their records to check.

Those with questions or wanting advice can call the Kansas Insurance Department Wichita office at: 337-6010.

Homeowners with complaints may call Randy Wolverton, Federal Bureau of Investigation special agent at: 262-0031.

CAPTION:
PHOTO

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Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Financial Institutions
and Insurance Committee

From: Tom Wilder

Re: House Bill 2966 (Regulation of Title Insurance)

Date: March 23, 1998

This legislation strengthens the ability of the Kansas Insurance Department to regulate the real estate settlement and closing activities of title insurers. House Bill 2966 was introduced at the request of the Kansas Land Title Association in response to the bankruptcy last year of Realty Title Company in Wichita. When that company closed its doors in September, there were a number of consumers who were left without escrow funds which they had deposited with Realty Title as part of the closing costs on home purchases. The company filed for bankruptcy and there are over 700 creditors who have filed claims. An internal audit of Realty Title recently completed by the Insurance Department indicates there are approximately \$1.0 million in funds which can not be accounted for.

The bill requires escrow funds to be deposited in a bank account no later than the close of the next business day after receipt by the title agent. These funds can not be combined with any personnel funds of the escrow agent. The money can not be used to pay for any expenses other than as specified in the escrow agreement. H.B. 2966 also requires periodic audits by the title agent of their business. The audit reports will be available for review by the title insurer and the Insurance Commissioner.

The House Committee made two amendments to the legislation which the Department supports. The first clarifies when the funds in an escrow account may be

released. In addition, a provision was placed in the bill to require title companies to get permission from their clients if the company intends to keep any interest generated by an escrow account.

House Bill 2966 will provide important protections for consumers who place escrow funds with title companies. I would ask that the committee recommend the legislation favorable for passage.

PRESENTATION TO SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

RE: House Bill 2966 - An Act concerning title insurance and escrow accounts.

DATE: March 23 1998

FROM: Kansas Land Title Association
Roy H. Worthington, Legislative Chairman

The Kansas Land Title Association supports House Bill 2966 as a means toward protecting the consumer from defalcations by title insurance agents engaged in settlement and closing of real estate transactions.

House Bill 2966 is a joint effort of the sponsors of the bill and the Kansas Department of Insurance, with input from the Kansas Land Title Association.

The provisions of House Bill 2966 will cause title insurance agents to incur additional costs in the form of escrow account audits and will cause the Department of Insurance additional supervisory duties, with both burdens seeking to protect the consumer.

The members of the Kansas Land Title Association are willing to accept the additional burdens imposed by House Bill 2966 in order to protect the consumer.

The Kansas Land Title Association believes that the provisions of House Bill 2966 will help prevent title company defalcations in the future.

Respectfully submitted

by, *Roy Worthington*

Roy H. Worthington
Legislative Chairman
Kansas Land Title Assn.

Senate Filed

Attachment 4

March 23, 1998



McGREW REAL ESTATE

March 23, 1998

Testimony for Senate Financial Institutions and Insurance Committee

Michael C. McGrew CRB CRS
1998 President
Kansas Association of REALTORS

Re: HB 2692 and HB 2966

I am pleased to offer this testimony today. I am Mike McGrew, the 1998 President of the Kansas Association of REALTORS. I am from Lawrence and have been a REALTOR since 1982. I will not personally benefit from the passage of these bills.

I urge your support of HB 2692 and HB 2966. HB 2692, as amended, passed overwhelmingly out of the House. Very simply it is a free market, pro consumer bill designed to correct the current restrictive law we have today.

In 1989, Kansas became the first state in the union to bow to the pressures of title associations to build barriers around the title insurance business. Several states have since used the "Kansas model" to insulate other title companies from competition. Kansas should now be the first state to remove these artificial barriers and allow the free market to operate for the benefit of the consumer.

Opponents of this bill, almost exclusively current title insurance company owners, will tell you that real estate companies should not own title businesses because of some inherent conflict of interest. As a licensed REALTOR, if I am willing invest my capital, I can legally own and operate a real estate brokerage company, a mortgage company, and a property insurance company. I can assist a consumer in the purchase, financing and insurance of the largest investment most folks will ever make. Why then can I not participate in the ownership of a licensed title insurance company? What is so special about the title business that it requires the protection of the current anti competitive law?

The opposition may refer to statistics from an outdated study done in 1977 indicating that fewer so called independent companies will get in the title business when real estate companies are allowed to participate. More recent studies, such as one done in 1994 indicate that prices fall and service improves when real estate professionals own and operate title companies. In our neighboring state of Nebraska, we have spoken to a representative from a REALTOR owned title company in a major market who said that insurance rates have fallen in the last 5 years. During the same period two new independent title companies have entered the market.

1501 KASOLD □
LAWRENCE, KS 66047
BUS. (785) 843-2055
1-800-530-5490
FAX (785) 843-2466

1402-C CHURCH ST. □
EUDORA, KS 66025
BUS. (785) 542-1112
FAX (785) 542-1164

Senate F.D.S.D
Attachment 5
March 23, 1998

This bill would apply to two counties in Kansas with the requisite population of 200,000 or more. While we hoped to provide the benefits to all Kansas consumers, we can agree to the bill in it's current form. This bill provides for stiff penalties for any violations of the rigorous disclosure requirements contained within it. Disclosures that other title companies are not required to make. As to the opponents' claim that REALTORS will feel pressured by their company to steer consumers to their own title businesses, even if the rates are high and the service is poor, virtually all REALTORS rely on repeat business and satisfied customers. And who do consumers call when they have a problem after the sale? It's the REALTOR. What incentive do real estate licensees, as independent business professionals have to send their customers and clients to less than the best possible title insurance providers? They have no incentive to do so.

Regarding HB 2966, I urge you to support the bill as presented. This bill is in response to the failure of an independently owned title insurance company in Wichita. Several hundred consumers and business people are now creditors of this bankrupt company because no safeguards were in place to monitor escrowed funds.

Real estate brokers' trust funds are audited by the Kansas Real Estate Commission. If this failed company had been REALTOR owned, a surprise audit very probably would have given advanced warning of any problems and protected Kansas consumers from much if not all of the losses.

As I conclude, I would draw your attention to two attachments included with my testimony.

The first is a "Summary of Consumer Protection Amendments to HB 2692". These are prudent measures added by the House Insurance Committee which we wholeheartedly endorse and agree with.

The second attachment is a potential amendment to HB2692 which would give a finite period of time before any additional counties could be considered for coverage under this bill. We would agree to this amendment in lieu of possible other amendments such as changing the current law's requirement that 80% percent of a real estate broker owned title company's business be from sources other than the broker's own company to another number, perhaps 50%. Any such percentage concept would not be acceptable.

Thank you for the opportunity to speak before you today. I would be happy to answer any questions.

Summary of Consumer Protection Amendments to HB 2692:

The House Insurance Committee added several amendments which give consumers strong protection and which hold title companies owned by real estate licensees and lenders to very strict standards. The amendments also provide strict penalties for failure to comply with those standards.

1. Disclosure:

WHAT: The disclosure must be in writing, and must include the following information:

- a. The referring company/individual has a financial interest in the title company, and may earn financial benefits from the consumer's use of the company.
- b. The consumer is not obligated to use this title company and may select a different company if they wish to do so.
- c. The names and phone numbers of 3 other title companies which operate in the county. If less than 3 are available, the list should be of all the title companies in the county.
- d. An estimate of the charge or range of charges made for the title services provided by the insurer or agent.

WHEN: The disclosure must be signed by the person selecting the title company prior to any commitment having been made to the title insurer or agent.

2. Penalty

Title insurers or agents who violate the law are subject to these sanctions:

- a. In addition to any other action the Insurance Commissioner can take, violators are subject to a fine of 5 times the premium for the title insurance
- b. If they are a real estate licensee, a violation of this law is deemed to have violated the Kansas Real Estate Salesperson and Broker Act and thus stand to lose their real estate license.
- c. Liable to the consumer in an amount equal to the premium for the title insurance, in addition to any other civil remedies available.

3. Enforcement

In addition to actions by the Insurance Commissioner, the Kansas Real Estate Commission and any civil remedies available, a competitor title company can go to court and ask for damages and injunctive relief for the failure to comply with the act. The successful party may recover court costs and attorneys fees.

4. Other amendment to Unfair Trade Practices Act, applicable to all title companies.

- a. A prohibition against pre-printing the names of title companies in sales contracts, prior to seller or buyer selecting the title company.
- b. A requirement that title insurance companies must provide core title services required by the Real Estate Settlement Procedures Act (RESPA) in order to receive compensation for the services it renders. Today, the core services include:
 - 1) the evaluation of a title search or abstract to determine the insurability of title
 - 2) the clearance of underwriting objections
 - 3) issuing and assuming responsibility for the issuance of the title insurance policy and where applicable, the issuance of a title commitment.

Sec. ____ No later than January 1, 2001 the Commissioner of Insurance shall provide a report to the Kansas Legislature regarding the impact of controlled business title arrangements in counties with populations of 200,000 or more. The report shall include, but not be limited to a comparison of rates for title services in effect at the time this law becomes effective and the date of the report. It shall also include a comparison of rates for title services offered by controlled business title arrangements and those offered by independent companies.

**AMENDMENTS TO HOUSE BILL 2692 PENALIZES CONSUMERS
AND BENEFITS SPECIAL INTEREST GROUPS!**

I live in Butler County, one of the fastest growing counties in the state. It does not meet the expected population requirements according to the amended version of HB 2692.

I have had a title insurance license for 10 years. I have had a real estate license for 19 years. At the present time I have no financial interest in either industry. I am addressing this issue based on what is best for the consumer.

Title insurance adds up to big money!!! Title insurance is one of the largest ticket items at on the real estate closing statement. On the whole the public is uneducated about title insurance. **The public must be educated about what title insurance is and what title insurance is not.**

Title insurance is an aberration of the mortgage industry. It was **not** designed to protect the consumer. Title insurance is a tool that enables a primary mortgage lender to package loans and sell them to the secondary market. The secondary market will not accept the abstract/attorney's opinion method of title examination. Back in the days of the abstract/attorney's opinion the consumer had protection because the seller paid to have the abstract brought up to date. The buyer then paid to have the abstract examined by an attorney of the buyer's choice. **The attorney had a duty to inform the client of any potential title defects.**

Today the title insurance process involves a search of the **public records**, in order to uncover defects in title. There is no mystery or magic to doing a title search. The records are the same in every county court house in the state of Kansas. **These are public records maintained with taxpayer dollars. No title company owns or maintains these records. The county records are available to every citizen. Title companies and**

Karla S. Hart
13687 SW 70th
Andover KS 67002

*Senate F.D.D
Attachment 6
March 23, 1998*

abstractors maintain a title plant for their own ease and business convenience. It is not something they have to do it is something that they choose to do.

By restricting who is allowed to write title insurance the legislature is restricting who can benefit from access to the public records. By restricting whom has access to the public records based on county population size, the Kansas legislature is restraining trade and preventing open competition for business. In acting to restrain trade and limit competition the legislature is benefiting special interest groups to the detriment of the consumer.

The legislature has required in HB 2692 that the consumer be informed of at least three other options for title insurance. When actively engaged in selling real estate I advised the client to go where the title insurance was the least expensive. Just as the consumer searches for the lowest interest rate the consumer should be allowed access to reasonably priced title insurance. **By limiting the number of companies able to offer title insurance the legislature is assuring that the price remains high and the service slow.**

It is a fact that the bank or real estate company to a great extent directs who receives the title insurance order. The relationship between the bank/real estate company and the title insurance company is a symbiotic relationship. One relying on the other. The best interest of the public can often become lost in the relationship of directing business and the title companies need to maintain a market share.

The responsibility for damage to the consumer should rest with the person or entity who is the procuring cause of the business. By allowing the banker or real estate company to offer in house title services the liability for informing the consumer is placed squarely where it belongs. On the shoulders of the person the consumer relied upon for accurate information.

It becomes the decision of the real estate office or bank to determine if they wish to bear the risk. If the individual or company decides the gain is worth the risk, and after all licensing requirements have been met, anyone should be allowed to enter the market.

At the present time a real estate company is allowed to offer both mortgage services and property insurance to their clients. WHY SHOULD THE KANSAS LEGISLATURE CREATE SPECIAL LEGISLATION TO PROTECT TITLE COMPANIES? Banks are allowed to offer property insurance, securities and life insurance to their customers. WHY SHOULD THE KANSAS LEGISLATURE RESTRICT WHO CAN OFFER TITLE INSURANCE?

Once again, title insurance is an industry based on usage of the **public records**. Anyone able to pass the title insurance license exam and get appointed as an agent by a title insurance underwriter should not be prohibited from transacting business, solely based on the criteria of population size of a county. (I have attached copies of minimum standards a company must attain before they can be appointed as title agent for an underwriter. IT IS NOT AN EASY TASK!)

Years ago, when attorney's still controlled the title end of a real estate transaction, Insured Titles was established in Wichita. This was an attorney based title company. All of the attorney's involved bought stock in the company and then each became a title agent, writing their own title insurance. How does the situation differ with respect to Realtors and bankers? **If a title insurance underwriter is willing to accept the liability for the policies written by the agent why would the Kansas legislature prohibit any agent from the ability to transact business?**

I can tell you why. **It's money!** A title insurance agent makes approximately 1/2 to 1% on the sale and closing of each transaction. **This money is based on a search of public records!!!** By definition title insurance does not cover defects not of public record.

Old line title companies see that with changes in technology the need for their title plant and equipment is becoming obsolete. In order to protect their antiquated business practices pressure is put on the legislature to limit competition.

In closing let me ask you a question. Suppose there was a farmer who lived on his farm and made money for 100 years. Today this farmer is still using a horse drawn plow. If the farmer came to the Kansas legislature and requested a law be passed prohibiting his neighbor, who was also a qualified farmer, from use of his brand new John Deere tractor. Would you support this law? Would the legislature then pass legislation allowing the use of the tractor in some counties based on their population, but not in all counties? **The title insurance industry is asking the Kansas legislature to restrain trade and prohibit competition.** By complying with the wishes of special interest groups (title insurance industry) the legislature will allow title companies to maintain an antiquated system based on the use of **public records.**

I most respectfully request the House Bill 2692 be amended to allow all qualified persons and companies to enter into the title industry. **Do not restrict ability to transact title business based on county population!!! LET THE COMPETITION BEGIN!**

APPLICATION FOR AGENCY

Date: _____ / _____ / _____

- Attorney/Law Firm
- Corporate/Partnership



Fidelity National Title
INSURANCE COMPANY

- of Arizona
 California
 Pennsylvania
 New York
 Tennessee

TO BE COMPLETED BY APPLICANT

Name of person completing this application _____

1. Corporate/Firm Name _____

Business Address _____

City _____ County _____ State _____ Zip _____

(Year Agency Started)

(State)

2. Owner(s) of Agency. (INDICATE PERCENTAGE OF OWNERSHIP INTEREST)

3. List Company/Firm decision-makers and their position: (NOTE: EACH PERSON LISTED MUST COMPLETE AND ATTACH A "PERSONAL INFORMATION SHEET")

4. If agency performs closings and insured closing service letters are required list the following information regarding those employees who prepare loan closing documents, review closing instructions and handle disbursement of loan proceeds.

NAME	TITLE	YRS. EXPERIENCE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Account Signatories. (NOTE: EACH PERSON LISTED MUST COMPLETE AND ATTACH A "PERSONAL INFORMATION SHEET")

Active officers countersigning commitments and policies.

NAME	TITLE	YRS. EXPERIENCE
_____	_____	_____
_____	_____	_____
_____	_____	_____

5. List branch offices of agency, name of manager and number of employees at each location.

6-5

6. Aggregate Annual Net to FNTIC \$ _____

Total Residential Orders _____ per month? Total Commercial Orders _____ per month?

Are Insured Closing Service Letters Required? _____ What percentage of total to Fidelity? _____

7. Corporate Agents.

EXISTING - Attach current operating & financial statements. NEW - Attach pro forma operating statement for one year.

8. Do you maintain a title plant? INDICATE OWNERSHIP AND BRIEF DESCRIPTION. _____

Do you perform examinations from the court house? _____

What is the source of independent title evidence? _____

9. Do you close real estate transactions? _____ Average Number per month? _____

10. Liability coverage presently maintained in the applicants name: (ATTACH COMPLETE COPY WITH ALL ENDORSEMENTS AND RIDERS. THIS APPLICATION CANNOT BE PROCESSED WITHOUT ALL POLICY INFORMATION.)

_____ Yes _____ No Do you carry E & O Insurance?

_____ Yes _____ No Do you carry Fidelity Bond?

_____ Yes _____ No Do you carry Professional Liability (Atty/Law firm only)?

_____ Yes _____ No Are all premiums fully paid? If not, explain. _____

or

_____ Yes _____ No Are premiums financed? _____ Yes _____ No Monthly?

11. List title insurance underwriters you have represented, the status (active, canceled or terminated) and your length of experience. (ATTACH KEY CLAIMS HISTORY FOR ALL UNDERWRITERS.)

UNDERWRITER	STATUS	YEARS

If terminated, attach letter from underwriter stating reason.

- a. Total estimated net annual title premium paid to underwriters for last 3 years: 19 ____ \$ _____
 19 ____ \$ _____
 19 ____ \$ _____

b. ____ Yes _____ No Have you or your Company/Firm ever been involved in litigation with your underwriter?

(IF YES, EXPLAIN) _____

12. List outside business interest(s) of owners in related industries/or controlled business _____

13. This application and information contained herein shall survive the execution of a valid Agency Agreement and shall become part of said Agreement. If any statement contained in this application shall be false, such facts shall be grounds for termination of the Agency Agreement.

6-6

All principals and/or officers of the above Agency as set forth herein are over the age of eighteen (18) years and are bona fide residents of this state unless otherwise set forth above. The agency is qualified to do business in said state; maintains an office therein accessible to the general public at the address set forth above; all persons examining titles, issuing policies or commitments of title insurance and handling closings have the training and experience necessary to properly perform such functions.

Pursuant to the Fair Credit Reporting Act (Public Law 91-508), we are required to inform you that as part of our normal procedure for processing your application for approval as an agent for Fidelity National Title Insurance Company, a routine inquiry may be made concerning information on your character, general reputation and financial status. Further information on the nature and scope of such inquiry, if one is made, is available to you upon written request.

I hereby certify and affirm that all information in this application is true and correct to the best of my knowledge and belief and I agree that the Company shall have the right to decline the approval of this application.

Date: _____

Signature: _____

6-7

PERSONAL INFORMATION SHEET

NON-ATTORNEY



Fidelity National Title INSURANCE COMPANY

- OF
 Arizona
 California
 New York
 Pennsylvania
 Tennessee

NOTE: A personal information sheet must be completed for each of the officers, staff title examiners, partners, closers, escrow account signatories listed on the agency application.

Name of Agency: _____

- 1. Person completing this personal information form: _____
2. Social Security Number _____ 3. Date of Birth _____
4. Driver's License Number _____ 5. Issuing State _____
6. Title/Position _____ 7. Home Phone (_____) _____
8. Of which state are you a permanent resident? _____
9. How many years experience have you had in the title business? _____
10. Are you a licensed Title Agent? _____ State(s) _____
11. Other Title Insurance companies for which you are now a policy issuing agent? _____

List any previous underwriters and indicate why you are not doing business with them now. (SPECIFICALLY INDICATE CANCELLATIONS) _____

12. List your specific job duties as they relate to searches, closings or title insurance. _____

13. Beginning with your current address, list home addresses for the last 10 years and dates lived there.

Table with 3 columns: FROM, TO, ADDRESS. Multiple rows for listing addresses.

14. Beginning with your current employment, list employment history for the past 10 years. Include position, employer's address, telephone and contact person. A resume may be attached - be sure current employment is listed.

Table with 3 columns: FROM, TO, COMPANY/POSITION/ADDRESS/TELEPHONE/CONTACT PERSON. Multiple rows for listing employment history.

6-8

15. () Your personal knowledge, during the past 5 years, have you or this Agency had any claims filed which involved payment in excess of \$1000 arising out of title insurance issued or errors in the closing process?

_____ No _____ Yes. If yes, explain: _____

16. Have you ever declared bankruptcy? _____ No _____ Yes. If yes, voluntary _____ involuntary _____

Filed in which U.S. District Court? _____ When _____

17. Are you currently or have you ever been a plaintiff or defendant in any legal action? _____ No _____ Yes. If yes, in what jurisdiction? _____

Case # _____ Type of action _____

18. Are there any outstanding judgments or liens against you? _____ No _____ Yes.

If yes, where recorded? _____ Amount \$ _____

Explanation: _____

19. Have you ever been convicted of a felony? _____ No _____ Yes. If yes, when? _____

Where? (CITY/STATE) _____ Convicted of _____

20. Have you ever been denied a bond or business insurance? _____ No _____ Yes. If yes, when? _____

Where? (CITY/STATE) _____ By what bonding agency? _____

Reason denied _____

21. Professional Liability Insurance covers your activities in connection with this Agency.

Name of Errors & Omissions Carrier _____

Policy No. _____ Policy Limits _____

Expiration Date: _____ Is the premium fully paid or financed? _____

Types of coverage presently in force:

_____ Title Abstractor's E & O _____ Loan Closing Agents E & O
_____ Title Agent's E & O _____ Fidelity

This will advise you that in connection with your company's appointment as our agent, we will be seeking information relative to your business and professional reputation in your community which may include matters in the nature of investigative consumer reports as defined in the Federal Fair Credit Reporting Act. This notice is given to you in compliance with that Act. The information contained herein may be verified by Fidelity National Title Insurance Company but is furnished on a strictly confidential basis by the applicant to aid FNTIC in its investigation. By signing hereunder, you certify that the information provided hereinabove is correct.

Date _____ Signature _____

FOR FNTIC USE ONLY

Approved _____ Not Approved _____

Date: _____ Signature _____

President

Comments: _____

6-9

AUTHORIZATION FOR RELEASE OF INFORMATION

Date: ____ / ____ / ____

TO: _____

FROM: _____

RE: Account No.: _____

Account Name: _____

Dear Sirs:

I am applying for initial appointment or recertification of status as an approved attorney, title agent or title closing agency representing Fidelity National Title Insurance Company of _____. As a part of their approval process, they have requested certain information on our present and past banking activity. This form shall constitute a continuing authorization for release of this information until written notice from me. Photocopies of this form shall be treated as originals. In order to facilitate approval of our application or continued approved status, you are hereby authorized to provide the following information to Fidelity National Title Insurance Company of _____ relative to the above numbered account.

After completing the following questions, please forward this form directly to:

Fidelity National Title Insurance Company

Sincerely yours,

(Account Signatory)

Requested Information:

1. Month and year the account was opened: ____ / ____ / ____
2. Status of the account: Active Dormant Closed
3. Type of account: Individual Corporate
4. Average daily balance: \$ _____
5. Overdraft history - approximate number of overdrafts and/or returned items during past year:
0 _____
1 to 5 _____
6 to 10 _____
over 20 _____

I, the undersigned, acting on behalf of the above named institution, do hereby certify that the information above is correct as of _____, 19 ____.

Name of Bank/Lending Institution

BY: _____
Position



CURRENT FINANCIAL STATEMENT

Fidelity is very cognizant of the amount of risk it assumes whenever it underwrites an agency. Agents who only issue title insurance bind the company to millions of dollars of risk annually. Agencies who issue policies and close loans may handle millions of dollars in escrow funds each month for which the Company has ICSL Liability. Whenever these amounts at risk are handled, Fidelity understands losses can occur and it expects it's Agency operations to have enough of a "financial stake" in the business to avoid the temptation of "closing up shop and walking away" whenever a claim could arise. Fidelity will simply not underwrite agencies that don't have sufficient financial net worth to reflect their ability to absorb costs that may arise that the Agent has responsibility for under the terms of the Agency Contract.

Current signed financial statements on the corporate agency or Limited Liability Corporations will be considered but our experience has found that the assets contained in these entities are rarely sufficient to establish an underwriting relationship. Usually agency contracts must have Personal Guarantees executed by the principals. Wherever reliance is placed on a personal guarantee, current signed financial statements must be furnished on each personal guarantor.

For those of you who do not maintain a current financial statement, a blank form routinely used by banks and other lenders is attached. This form is not required to be utilized. In the event your accountant has prepared an alternative form, please submit that financial. As is the case in all financial statements, we expect all financial statements to be made under oath and our consideration of your statement will assume that it accurately reflects the financial condition stated in the statement.



CERTIFICATION OF CLAIMS HISTORY

of _____
(Agent/Agency Name)

I, the undersigned applicant for an agency with Fidelity National Title Insurance Company, understand that previous claims history experienced with other underwriters is a relevant and significant factor in Fidelity's decision to enter into an agency relationship. In order to provide sufficient information, the undersigned applicant submits the following:

Check one

_____ I have requested and received the attached Claims History Reports from all of my current underwriters. The facts relevant to all claims experienced with previous underwriters for which no report is included are itemized below as indicated.

_____ I hereby certify that this agency, or any previous agency which involves substantially the same principals as the present agency, has experienced no claims which have required any underwriter to pay sums in excess of \$1,000 per claim and the aggregate of all claims paid by all underwriters does not exceed \$3,000 over the last three years.

_____ I submit the following information with regard to all claims experience by this agency, or by any previous agency with substantially the same principals, in the past three (3) years.

Year of Claim _____
Type of Claim _____

Outstanding or Resolved _____ \$ Paid _____
Explanation _____

Year of Claim _____
Type of Claim _____

Outstanding or Resolved _____ \$ Paid _____
Explanation _____

Year of Claim _____
Type of Claim _____

Outstanding or Resolved _____ \$ Paid _____
Explanation _____

Year of Claim _____
Type of Claim _____

Outstanding or Resolved _____ \$ Paid _____
Explanation _____

Year of Claim _____
Type of Claim _____

Outstanding or Resolved _____ \$ Paid _____
Explanation _____

(please use additional pages if necessary)

I, the undersigned, hereby make oath that the statements made hereinabove are true and correct to the best of undersigned's knowledge after making inquiry of the agency personnel books and records. It is fully understood that representations made will be relied upon by Fidelity National Title and any misrepresentation or material omission of information requested shall be grounds for immediate termination of any agency relationship that may be entered into in reliance on the facts and representations made herein.

Date: _____

Agency

By _____

Authorized Officer

history



COMPLETE COPY OF ERRORS AND OMISSIONS POLICY

All applications must include a complete copy of the current Errors and Omission policy. **Front page "certificates" or "binders" are not sufficient.** Fidelity reviews the entire policy to insure that the types of activities the applicant conducts are covered and not excluded under some other provision of the policy.

Routine areas of review include:

- 1) Insuring provisions to insure that the agent/agency applying for an underwriting relationship is a "named insured"
- 2) Expiration dates - Fidelity will track expiration dates of the current and all future policies to insure it has a current copy on file at all times
- 3) Exclusions from coverage - Specific review is directed at insuring that agent activities such as "closings" are not covered by exclusions from coverage that ". . . exclude liability for . . . handling an disbursement of escrow funds"
- 4) Endorsements - Often coverage is granted or excluded in the "basic" policy and later these provisions are modified or restored by specific endorsements
- 5) Fully paid status -Fidelity requires the E&O policy to be fully paid and not financed.

For more information on issues that arise with Errors and Omissions policies, please request a copy of the 'E & O Memo' from the regional Fidelity office.



COPIES OF RECENT ESCROW RECONCILIATIONS

This requirement applies to all applications that involve loan closing operations. (Agency applications that do not close loans or handle disbursements of funds that are required to be covered under an Insured Closing Service Letter [ICSL] do not need to submit reconciled statements). New or "start up" operations will be required to submit the reconciliations, each month, for the first three months to insure proper techniques are utilized.

Whenever Fidelity issues an ICSL we assume certain liabilities arising from shortages in the Agent's/Agency's escrow account. For this reason, Fidelity needs to be satisfied that the Agent/Agency is protecting the integrity of their escrow account by properly reconciling their account each month.

The following needs to be provided for the previous 3 months:

- 1) Copies of bank statement
- 2) A listing of all deposits made during the month
- 3) A listing of all checks written during the month
- 4) A trial balance that shows the individual file disbursements and undisbursed balances.

This review process is important to Fidelity and has been very beneficial to our agents. Although agents often maintain that the account is reconciled by "zero balancing" each closing file, this process alone is not sufficient. The escrow account can become seriously out of balance unless steps are taken on a monthly basis to clear up "mistakes" that we have found routinely occur in the handling and disbursement of funds. For example, the following is a list of typical problems that routinely occur that can cause the escrow account to be out of balance:

1. Manual checks cut off the system that are in an incorrect amount.
2. A bank error in posting a check for \$371.00 as \$731.00.
3. Deposit of a check that never gets posted to your account.
4. A check is dishonored and results in a service charge against the account which remain un-reimbursed.
5. A borrower's check received at the closing table that "bounces".
6. A wire that was "supposed to be sent" but never actually hits your bank account because it was wired to different account number.
7. Check printing charges are assessed and remain un-reimbursed.

This is a list of just a few of the ways that we have found accounts get out of balance and justify the need for monthly reconciliation. Additionally, the reconciliation process involves creating a list of all checks that you have issued but remain outstanding as of the date of reconciliation. This list is extremely valuable in limiting your liability. To the extent that a check for a payoff of a loan is outstanding over ten days, this probably means that the check is lost and that the mortgage company will continue to accrue outstanding interest. Even more serious, if you find a check made payable to "State Farm Insurance Company" is outstanding over 15-20 days, this check may reflect that the property is uninsured. We have had a least one instance where an agent has been sued by the insured where losses have been sustained as a result of a fire three months after the closing and liability of the hazard insurance carrier was denied because they had never received the premium. In that case, the agent closing the loan was sued even though the closing agent had timely mailed the premium.

Also, please note, on schedule D of the Agency Contract, each agent/agency is agreeing to properly maintain it's escrow account on a go-forward basis. Experience has shown that the best indication of an agent's ability to comply with this section is his or her practices in the past.

f:\patti\escrow



BUSINESS PLAN

This is required for every new operation, but recommended for all applications. The purpose of a business plan is to insure that the various complex issues involved in a new agency operation have been carefully considered. While some plans may be very detailed, at a minimum we need the following matters to be disclosed.

Initial Capitalization - \$ _____

How much initial working capital is available to offset startup costs and sustain the operation during the period that cash flow is at a minimum. A minimum amount is three (3) months at realistic operating expenses.

Sources of Business

Who do you expect to utilize the services of the agency? Lenders/realtors/law firms/others? How do you plan to solicit or otherwise encourage those business producers to utilize your agency? If your proposed operation involves any sort of "controlled business" relationship with a lender/realtor, please discuss how RESPA concerns will be addressed.

(use additional sheets if necessary)

INCOME INFORMATION WORKSHEET

CAREFULLY PROJECT INCOME EXPECTATIONS

This is a crucial aspect of any business plan because it will determine the realistic gross revenue projection that must be sufficient to offset all expenses.

The key here is to be realistic - evaluate carefully what competitive pricing pressures exist in your market, estimate your average transaction size and type (i.e. 1st mortgage, 2nd mortgage, cash only or refinance) and keep in mind that it is better to be conservative on expectations.

Annual - Monthly

_____ - _____

How many files/policies/closings do you expect to handle after a start up period?

\$ _____ - \$ _____

How much net (AFTER payment to the underwriter) revenue do you expect to generate per file/policy/closing?

_____ - \$ _____

TOTAL (# Files/policies/closings times net \$ per file/policy/closings).

Briefly discuss below the factors that you utilized to arrive at the above income projections:

(use additional sheets if necessary)

EXPENSE WORKSHEET

Evaluate Expenses

Expenses can vary widely depending on the type of operation contemplated and the anticipated volume of business. However, regardless of the size of the operation, there are a number of "fixed" expenses that must be considered in every operation:

Annual - Monthly

_____	-	_____	<u>Rent</u> (include cleaning expenses and utilities)
_____	-	_____	<u>Office equipment</u> (computers, copiers, typewriters, fax machines, etc.)
_____	-	_____	<u>Bookkeeping/payroll services</u>
_____	-	_____	<u>Office equipment</u> (stationery, copy paper, invoices, fax paper)
_____	-	_____	<u>Telephone service</u> (include fax service and answering service if applicable)
_____	-	_____	<u>Taxes</u> (state, federal and local where applicable)
_____	-	_____	<u>Mail and delivery services</u>
_____	-	_____	<u>Computer software</u> (for closing operations this could be significant)
_____	-	_____	<u>Errors and Omissions insurance</u>
_____	-	_____	<u>Business insurance</u> (business liability, workers compensation, if applicable)
_____	-	_____	<u>Salaries</u> (this constitutes the largest percentage of most operations overhead expenses, be sure to include employee insurance if applicable)
_____	-	_____	<u>Principals salaries</u>
_____	-	_____	<u>Clerical salaries</u>
_____	-	_____	<u>Marketing salaries</u>
_____	-	_____	<u>Other</u> (advertising, bad debt accruals, health insurance, etc.)
_____	-	_____	<u>Other</u>
_____	-	_____	<u>Other</u>
_____	-	_____	<u>Other</u>
_____	-	_____	<u>Other</u>
\$ _____	-	\$ _____	<u>Total Expense</u>

Results of Projections

Annual - Monthly

\$ _____ - \$ _____

Total Revenues (Page 2)

\$ _____ - \$ _____

Total Expenses (Page 3)

\$ _____ - \$ _____

Projected Net Profit

plan

ISSUING AGENCY AGREEMENT

This Agreement is made this _____ day of _____, 19____, between FIDELITY NATIONAL TITLE INSURANCE COMPANY, a California corporation ("Company"), and _____ ("Agent") (collectively, the "Parties"). In Consideration of the mutual benefits accruing and subject to the terms and conditions hereof, the Parties agree as follows:

The Schedules indicated below are attached and incorporated by reference:

- [] Schedule A: Effective Date of Agreement, Agent's Territory, Liability Limit, Compensation, General Liability of Agent
- [] Schedule B: Corporate Agent's Bond and Insurance Requirements
- [] Schedule C: Attorney Agent's Bond and Insurance Requirements
- [] Schedule D: Personal Guarantee

1. APPOINTMENT AND AUTHORITY OF AGENT

Company appoints Agent solely to countersign and issue title insurance commitments, binders, guarantees, endorsements, title insurance policies of Company, or any other form whereby Company assumes liability (collectively, "Title Assurance") in Agent's Territory set forth in Schedule A.

2. RESPONSIBILITY OF AGENT

A. Affirmative Covenants. Agent Shall:

1. Receive and process applications for Title Assurances in accordance with the provisions of state law, in conformity with usual and customary practices and procedures, prudent underwriting principles and in full compliance with manuals, instructions, and bulletins of company from time to time given to Agent.
2. Maintain a Policy Register (the "Policy Register") referencing the Agent's file number, policy number, date of issue, name of insured, amount of policy, premium charged, and the description of land insured. A legible copy of the policy Register shall be tendered to Company upon termination of this Agreement or at any time as requested by Company.
3. Make available for examination by Company, at any time during normal business hours and with reasonable prior notice from Company during the term of this Agreement, all financial records and records relating to the issuance of Company's Title Assurances by Agent.
4. Provide to Company copies of any audited and any unaudited financial reports or data submitted to any regulatory agencies with jurisdiction over Agent.
5. Permit Company and its examiners, auditors, and independent certified public accountants to enter Agent's business premises for the purpose of inspecting same or performing a financial, procedural, technical or forms audit.
6. Comply with all applicable federal, state and local laws including statutes, ordinances, rules, regulations and judicial opinions.
7. Obtain Company's prior approval where funds are to be held under an escrow and/or indemnity agreement in order to facilitate the issuance of a Title Assurance without exception to or with affirmative coverage over a specific defect, lien or encumbrance. The funds and property held under any such escrow and/or indemnity agreement, together with the original documents evidencing the escrow/indemnity, shall be transferred to Company on request of Company.
8. Keep safely and segregated, in a FDIC insured escrow/trust account, which is subject to audit by Company, all monies that may be entrusted by Agent by Company, or others, in the course of: (i) Agent's business operations; and, (ii) the issuance of Company's Title Assurances hereunder. Agent shall exercise a fiduciary duty with respect to the owners of the funds so deposited. Agent shall be solely liable for any an all losses arising by reason of Agent's improper, unauthorized, reckless or premature disbursement of any escrowed funds.
9. Retain for seven (7) years, or such other time period required by law, an original or legible copy of its file to evidence the determination of insurability.
10. If Agent is a corporation or partnership, disclose to Company any change in the controlling interest in said corporation or partnership within five (5) business days of the change. A change in the controlling interest shall be deemed to occur when an owner of more than fifty percent (50%) of the capital stock of said corporation ceases to own more than fifty percent (50%) of said stock, or when there is a sale of substantially all of Agent's assets or when there is a change in more than fifty percent (50%) ownership of the interest(s) in the partnership.

B. Negative Covenants. Agent shall not, without the prior written approval of Company's corporate underwriting department:

1. Accept service of process on behalf of Company.
2. Incur debts in the name of Company.
3. Issue any Title Assurance in a liability amount in excess of the Risk Limit stated in Schedule A.
4. Commit Company to insure any Extra Hazardous Risk as defined herein.
5. Alter any Title Assurance or other form furnished by Company or commit Company to any particular interpretation of provisions or terms of any Title Assurance.
6. Receive any funds including escrow settlement or closing funds, in the name of Company, but shall receive funds solely in Agent's name.
7. Use Company's name in any manner inconsistent with the terms and conditions of this Agreement.
8. Issue any Title Assurance on land in which any officer, director, shareholder or partner of Agent has an interest.

3. RESPONSIBILITY OF COMPANY

Company shall:

- A. Furnish to Agent, without cost, the then currently approved forms of Title Assurances which Agent is authorized to issue hereunder.
- B. Provide Agent with any relevant Company manuals, underwriting bulletins and/or instructions which may now or hereafter be issued by Company.
- C. Be responsible for remitting payment of all Premium taxes.
- D. Determine all underwriting questions submitted by Agent.
- E. Arrange for reinsurance when necessary, but only to the extent reinsurance is reasonably available.
- F. Furnish its Insured Closing Service Letter to each of Agent's qualified customers requesting same.

4. COMPENSATION

- A. Agent shall remit to Company a percentage of the gross Premiums as set for in Schedule A on all Title Assurances issued by Agent. Agent shall hold Company's percentage of gross Premiums in trust for Company until such time as such remittances are made to Company.
- B. No later than the tenth (10th) of each calendar month Agent shall submit to company copies, with Premium charged set forth thereon, of all Title Assurances issued by Agent during the previous calendar month, remit the Company's percentage of the Premium charged for such Title Assurances and shall return all spoiled, obsolete or canceled policies accumulated during the previous calendar month.

5. REINSURANCE AND COINSURANCE

If reinsurance or coinsurance is purchased, the cost shall be deducted from the Title Assurance Premium before determining the compensation due to Agent and the remaining Premium together with the cost of the reinsurance or coinsurance shall be remitted to Company, except as otherwise agreed in writing between the Parties.

6. ALLOCATION OF LOSSES

- A. Agent's General Liability shall be as set forth in Schedule A for any Loss sustained or incurred as a result of the issuance of Title Assurances by Agent, unless otherwise mandated by state and federal law.
- B. In the event that a Loss sustained or incurred for a matter arising under this Agreement resulted or arose from the negligent, willful or reckless conduct of Agent, Agent's employees or any independent contractor relied upon by Agent, then Agent shall reimburse Company for the Loss. The instances where Agent shall be liable to Company under this subparagraph shall include, without limitation, the following:
 1. Failure of Agent to comply with the terms and conditions of this Agreement or with the manuals, underwriting bulletins and/or instructions given to Agent by Company.
 2. Issuance of Title Assurances which contain errors or omissions which could reasonably have been detected by Agent from the commitment, examiner's report, title search or abstract.
 3. Loss arising from escrow or Non-Title Assurance operations of Agent including, but not limited to, preparation of documents, providing abstracting services, providing accommodation services and the handling and disbursement of funds.
 4. Any Loss arising out of the issuance of an insured closing service letter naming Agent.
 5. Commission of fraud, conspiracy, dishonesty, misrepresentation or defalcation by Agent or Agent's aiding and abetting therein.
 6. Any act, or failure to act, of Agent which results in Company sustaining Loss for bad faith, deceptive trade practices, unfair claim practices, consumer protection violations or punitive damages.
- C. Agent shall be liable to Company for any Loss resulting to Company by reason of Agent's failure to comply with the terms and conditions of this Agreement.
- D. Recovery of Loss under a claim will first be applied to reimbursement of Company's Loss, then the balance, if any, to reimburse Agent's loss. However, if Agent renders material assistance in achieving recovery of a Loss, then the recovered funds will be applied: (i) first, to reimburse Company's recovery related expenses; (ii) second, to Agent's recovery related expenses; and, (iii) third, to Company and Agent in accordance with the percentage of loss paid by each party.

7. CLAIMS, LITIGATION AND ADMINISTRATIVE PROCEEDINGS

- A. Agent shall immediately notify Company if Agent becomes aware of:
 1. Any claim, or threaten claim, under any Title Assurance issued hereunder.
 2. Any judicial action or proceeding affecting or purporting to affect: (i) Company's interest; or (ii) the rights of an insured or proposed insured under a Title Assurance issued by Agent.
 3. Any administrative proceeding, including any written complaints or inquiries, by any insurance department or regulatory agency involving: (i) one or both of the Parties; or (ii) a Title Assurance issued by Agent.Agent shall provide an initial notification to Company describing the allegations and basic known facts. This initial notification shall be provided, at the addresses and telephone numbers set forth herein, by: (i) telephone advice; and, (ii) overnight courier; or, (iii) facsimile transmission. Initial notification shall be provided to Company within three (3) business days of Agent becoming aware of any of the matters described in this subparagraph 7 A. Following this initial notification Agent shall forward, as soon as reasonably possible, all relevant documents to Company by overnight courier or certified or registered mail. Agent agrees to keep Company fully advised and to promptly forward all relevant communications and other writings or documents. Agent shall acknowledge receipt of any notice in the manner set forth by Company.

B. Agent agrees that Company shall be fully authorized and empowered, in its absolute discretion, to control, defend, prosecute, settle, compromise, and/or dispose of any claim, litigation or proceeding for which: (i) Company may be liable; and/or (ii) an insured under a Title Assurance may be liable. Company shall have the rights to select and approve any counsel representing Company or an insured under a Title Assurance. Unless specifically authorized by Company in writing, Agent shall have no right to defend, deny, settle, compromise, or dispose of any action against Company or an insured. Company shall have no obligation to provide a defense to Agent.

8. TERMINATION OF AGREEMENT

- A. This Agreement may be terminated by either party without cause upon thirty (30) days' written notice to the other party.
- B. This Agreement may be terminated by Company upon ten (10) day's written notice to Agent upon the occurrence of:
 - (i.) A material failure of Agent to fulfill the obligations created under this Agreement, unless Agent cures such default to satisfaction of Company within such time; or
 - (ii.) A change, not approved by Company, in the controlling interest in Agent, if Agent is a corporation or partnership.
- C. This Agreement may be immediately terminated by Company if:
 - (i.) Financial irregularities are disclosed as result of an audit or examination of Agent's records or upon failure of Agent to allow review of its financial records or records relating to issuance of Company's Title Assurances by Agent.
 - (ii.) Agent applies for, consents to, or commences a case seeking liquidation, insolvency, receivership or bankruptcy, voluntary or involuntary, or has a conservator or rehabilitator appointed, or has its license or permit to do business suspended or canceled, or if the State covered by the Agreement, Federal authorities or any regulatory body or court shall commence a proceeding, which proceeding if successful, would lead to cancellation of Agent's permit or license to do business.
 - (iii.) Company ceases to transact business in Agent's territory.
- D. Upon termination of this agreement, Agent shall promptly furnish to Company all funds, property and agreements held as security for affirmative assurances given by Agent with respect to Company's Title Assurances, together with a complete accounting and immediate payment of any and all unpaid premiums owing to Company, and Agent shall return to Company the Policy Register, all unused forms, blanks and supplies, and all manuals, bulletins and instructions furnished by Company to Agent. Should Agent fail or refuse to return any or all of the above, Company shall have the right to enter Agent's premises and remove same. Agent may retain a copy of the Policy Register for its files and for its exclusive use in complying with the surviving obligations as set forth herein.

9. PAYMENT OF COSTS AND EXPENSES

If either party shall institute an action against the other for breach of this Agreement, the unsuccessful party shall pay court costs and reasonable attorneys' fees to the successful party.

10. NOTICES

All notices permitted or required to be given under this Agreement shall be in writing addressed as shown below, and may be: (i) personally delivered; or, (ii) delivered by express courier service; or (iii) mailed by certified or registered United States Mail. The effective date of notice shall be: (i) the date of delivery for personal or express courier deliveries; (ii) the date shown on the "return card" for certified or registered mail if delivery is by certified or registered mail. Said notices shall be addressed as follows:

Original to Company: Fidelity National Tile Insurance Company
17911 Von Karman Avenue, Suite 410
Irvine, California 92614-6253
Attn.: Western agency Department

With a Copy to: Fidelity National Tile Insurance Company
17911 Von Karman Avenue, Suite 300
Irvine, California 92614-6253
National Claims Administration

Original to Agent:

The person and/or address for notice may be changed by written notice. Telephone and telefax numbers are shown for purposes of preliminary claim and/or legal proceedings notice under paragraph 7 of this Agreement.

11. GENERAL PROVISIONS

- A. Assignment. This Agreement is not assignable by either party without the prior written consent of the other. This Agreement is, however, binding on and inures to the benefit of any corporate successors or assigns of Company and Agent.
- B. Counterparts. This Agreement may be executed in counterparts which shall collectively constitute a single agreement.
- C. Waiver. By failing to exercise any of its rights hereunder, Company shall not be deemed to have waived any breach on the part of Agent or to have released Agent from any of its obligations hereunder. The waiver by either party of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of any provision of this Agreement.
- D. Severability. If any one or more of the terms of this Agreement shall be adjudged unenforceable, void, or voidable, the remaining terms shall not be affected thereby and shall be valid and enforceable to the full extent permitted by law.
- E. Continuing Obligations. In the event this Agreement is terminated, the obligations to make any payments, including without limitation Agent's share of any Loss under paragraph 6 herein, to provide notification as to claims and to provide access to records and files shall continue beyond the date of termination.

- F. Headings. The subject headings of the paragraphs and subparagraphs of this Agreement are included for convenience and shall not affect the construction of interpretation of any of their provisions.
- G. Time of the Essence. Time shall be of the essence with respect to all terms of this Agreement.
- H. Further Cooperation. Each of the Parties hereto shall execute and deliver any and all additional documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the Parties.
- I. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, supersedes all prior discussions, understandings or agreements between the Parties and shall not be amended, modified, or otherwise changed in any manner except in writing by the Parties.

12. DEFINITION OF TERMS

- A. Loss. Loss shall mean sums paid or to be paid by Company, in cash or otherwise, to settle or compromise claims under any of Company's Title Assurances issued by Agent. Loss shall include, but not be limited to, expenses, costs and attorneys' fees actually paid or incurred in connection with investigation, negotiation, litigation, or settlement of such claim which ultimately requires payment of any sum by Company. Loss, as defined herein, shall be reduced by the value of any recoveries actually realized by Company.
- B. Premium. Premium shall mean the amount payable or paid in accordance with Company's rates in effect or as otherwise approved by Company in writing for the issuance of Title Assurances.
- C. Extra Hazardous Risks. Extra Hazardous Risks shall mean all risks which result in a liability not normally assumed by the Company. Extra Hazardous Risks include, without limitation, the issuance of a Title Assurance without a Schedule "B" exception for any of the following matters where said matters affect the subject property:
 - 1. Unrecorded construction/mechanics' liens which may gain priority over the interest insured where Agent is aware that the owner, general contractor or a subcontractor may not be paying its debts as they become due.
 - 2. Any interest of the applicable state, the United States or other governmental entity in tidelands, swamp and overflow waters, existing streams or rivers or lands which currently or formerly were beneath a navigable waterbody.
 - 3. Outstanding subsurface rights containing a right of entry.
 - 4. Existing liens and encumbrances.
 - 5. Bankruptcy, insolvency or creditors' rights.
 - 6. Major encroachments.
 - 7. Non-imputation of knowledge.
 - 8. Indian land or restricted Indian title.
 - 9. Pending actions and litigation.
 - 10. Any risk involving a title about which agent has knowledge of an existing dispute or of risks, adverse claims or questions of title known in the community.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be properly executed by their respective representatives having full authority to do so.

AGENT

COMPANY:
FIDELITY NATIONAL TITLE
INSURANCE COMPANY

BY: _____

BY: _____

Patricia L. Faust
Vice President Regional Agency Manager

ATTEST: _____

Its: _____

**NOTIFICATION IN COMPLIANCE WITH SECTION 606(A)
OF "THE FAIR CREDIT REPORTING ACT"**

In making this Agreement, it is understood that an investigative report may be made whereby information is obtained through personal interviews with third parties such as family members, business associates, financial sources, friends, neighbors or others with whom you are acquainted. This inquiry includes information as to your character, general reputation, personal characteristics, and mode of living, whichever may be applicable. You have the right to make a written request within a reasonable period of time for a complete and accurate disclosure of additional information concerning the nature and scope of the investigation.

SCHEDULE A

Attached and made a part of the Agreement between Fidelity National Title Insurance company ("Company") and _____ ("Agent").

**EFFECTIVE DATE OF AGREEMENT, AGENT'S TERRITORY
LIABILITY LIMIT, COMPENSATION, GENERAL LIABILITY OF AGENT**

1. Effective Date of Original Agreement:
2. Effective date of Extension (if any):
3. Agent's Territory:
4. Liability Limit: On any Title Assurance which has liability in excess of \$ _____, Agent shall first review and obtain Company's written approval prior to issuing the Title Assurance.
5. Compensation: Agent shall pay Company _____ of the gross premiums on all Title Assurances issued by Agent.
6. General Liability of Agent: Subject to the provisions of subparagraph 6 B above, Agent shall be liable for the first \$ _____ of any Loss sustained or incurred by Company as a result of the issuance of the Title Assurances by Agent.
7. Governing Law. This Agreement is to be construed, enforced, and governed according to and by the laws of the State of _____ in all respects.

**SCHEDULE B
CORPORATE AGENT'S BOND AND INSURANCE REQUIREMENTS**

1. Agent shall, at its own expense, maintain a blanket fidelity bond in a principal sum of at least Fifty Thousand Dollars and No Cents (\$50,000.00) in a form and issued by a company acceptable to Company and naming Company as an additional insured or payee.
2. Agent shall, at its own expense, maintain errors and omissions liability insurance in a principal sum of a least Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00) per occurrence and Five Hundred Thousand Dollars and No Cents (\$500,000.00) total annually, in a form and issued by a company acceptable to Company, with a deductible of no more than Five Thousand Dollars and No Cents (5,000.00) and naming Company as an additional insured or payee.
3. Agent shall annually furnish Company with true copies of the bond(s) and policy together with current premium receipts for said bond(s) and insurance.
4. Upon request of Company, Agent agrees to notify its fidelity bond or errors and omissions insurance carrier of any claim for which Agent may be liable to Company.

**SCHEDULE C
ATTORNEY AGENT'S BOND AND INSURANCE REQUIREMENTS**

1. Agent shall, at its own expense, maintain Lawyer's Professional Liability Insurance coverage with Real Estate Title Agent's Errors and Omissions coverage with limits not less than Three Hundred Thousand Dollars and No Cents (\$300,000.00) and a maximum deductible of Five Thousand Dollars and No Cents (\$5,000.00).
2. Agent shall annually furnish Company with true copies of the above policy together with current premium receipts for said insurance.
3. Upon request of Company, Agent agrees to notify its errors and omissions insurance carrier of any claim for which Agent may be liable to Company.

**SCHEDULE D
PERSONAL GUARANTEE**

In consideration of One Dollar (\$1.00) in lawful money of the United States, paid to the undersigned and as further inducement to Company to enter into the foregoing Agency Agreement, each of the undersigned acknowledges that (s)he will personally benefit from said Agency Agreement, and each of the undersigned jointly and severally does hereby personally and unconditionally undertake, guarantee and assure the full, prompt and complete performance of all the terms, agreements, covenants, conditions and undertakings of Agent as set forth in said Agency Agreement.

It is further agreed that the liability hereunder is , and shall be, a primary and personal undertaking by each of the undersigned and Company shall not be required to exercise its remedies against Agent before enforcing this undertaking against the undersigned, or any one of them.

Effective Date _____

Francis Thorne

SEVERAL YEARS AGO, I OPENED UP A TITLE INSURANCE AND ABSTRACTING COMPANY. I HAD BUILT UP A LARGE REAL ESTATE BROKERAGE, WHICH - AT THAT TIME, WAS THE LARGEST REAL ESTATE AGENCY IN THE LANSING/LEAVENWORTH AREA. LIKE MANY OTHER BUSINESSES, I BRANCHED OUT INTO RELATED BUSINESSES, WHICH WOULD HELP THE 'FLAG SHIP OF THEM ALL - "THE FRANCIS X. THORNE REALTY AGENCY'.

I HIRED GOOD PEOPLE WHO WERE RETIRING FROM THE ARMED SERVICES AT THE YOUNG AGE OF 40 OR SO. I ALSO HAD A LAND DEVELOPMENT COMPANY, NAMED 'DELAWARE LAND DEVELOPMENT', A LARGE HOME CONSTRUCTION COMPANY - 'XAVIER CUSTOM HOMES', MY OWN HOME OWNERS INSURANCE COMPANY, 'FRANCIS X. THORNE INSURANCE AGENCY', AND ABOUT THIS TIME I STARTED A MORTGAGE BROKERAGE COMPANY- 'AMERICAN GENERAL MORTGAGE BROKERAGE. MY WIFE AND ONE OF OUR SONS - ALONG WITH THREE OTHER WOMEN, RAN THE MORTGAGE BROKERAGE. FINALLY, I HIRED A TOP ABTRACTOR AND " TRI-COUNTY TITLE AND ABSTRACT COMPANY" WAS FORMED.

ALL THESE DIFFERENT COMPANIES WORKED HAND-IN-GLOVE TO MAKE EACH ONE A BETTER AND MORE PROFITABLE ORGANIZATION. THE TITLE INSURANCE AGENCY WAS IN ONE OF THE OFFICES IN THE BUILDING THAT HOUSED ALL THESE COMPANIES. CAROL BEALL, WHO MANAGED THE TITLE COMPANY, ATTENDED ALL OUR REAL ESTATE SALES MEETINGS. SHE WAS RESPONSIBLE TO BEGIN A TITLE SEARCH ON ALL OUR LISTINGS AND ANY SALES CONTRACTS THAT CAME INTO THE REAL ESTATE AGENCY. THIS WAS TO SPOT ANY POTENTIAL PROBLEMS IN TITLE - LONG BEFORE ANY CLOSINGS. THE SALES AGENTS APPRECIATED HER EXPERTISE AND HELP, PLUS - THE BUYER AND SELLER CLOSINGS WENT MUCH FASTER AND SMOOTHER. NO OTHER ABSTRACTOR COULD AFFORD TO GIVE US SUCH ATTENTION AND HAND-HOLDING AS WE HAD WITH OUR OWN TITLE INSURANCE AGENCY.

THERE WERE THREE OTHER TITLE COMPANIES IN TOWN. OUR TITLE RATES WERE THE SAME AS ONE, A LITTLE LOWER THAN ONE, AND A LITTLE HIGHER THAN THE THIRD. WE HAD DISCLOSURE STATEMENTS ON ALL

*Senate FWD
Attachment 7
3/23/98*

PP2

CONTRACTS THAT I WAS FINANCIALLY INVOLVED IN - ALL THE COMPANIES THAT I OWNED. WE BUILT UP A GOOD FOLLOWING WITH SEVERAL ATTORNIES, AND THE BANK AND S & L MEMBERS. WE HAD AN AGGRESSIVE MARKETING PROGRAM.

I COULD NEVER UNDERSTAND HOW THE STATE COULD STEP IN AND DICTATE WHAT PERCENT OF BUSINESS I COULD DO OR NOT DO, WITH MY OWN TITLE INSURANCE AGENCY. IF THEY HAD THE POWER TO DO THAT, IT WAS ONLY A MATTER OF TIME THAT THEY COULD DO THE SAME, WITH REAL ESTATE AND LAND DEVELOPMENT, REAL ESTATE AND BUILDERS, REAL ESTATE AND INSURANCE, REAL ESTATE AND MORTGAGE BROKERAGE - AND ON AND ON. I HAVE ALWAYS FELT THAT A GOOD ATTORNEY COULD STOP THIS UNHEARD-OF LAW, TO LIMIT A PERSON'S RIGHT TO EXPAND HIS INDIVIDUAL INTERESTS INTO LEGITIMATE ALLIED ENTERPRISES.

THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS ELECTED BODY.



DINNING • BEARD,
REALTORS®

8415 E 32ND ST N
WICHITA, KS 67226
BUS. (316) 636-2323
FAX (316) 636-2744

March 23, 1998

To: Members of the Senate Financial Institutions and Insurance Committee.

My name is Barry West and I am owner of Coldwell Banker Dinning Beard, in Wichita, KS. I am asking your support for HB2692.

I would like to share briefly with you a bit of background regarding the "Controlled Business" bill of 1989.

1. In January of 1989 the insurance department introduced a House Bill HB-2502 known as the controlled business bill which would add a paragraph (f) to the existing statute (40-2404) that would limit the amount of business obtained by title insurance companies from controlled business sources, or its shareholders, to 20%. The effect of this, of course, was to shut down or cause to be sold approximately 7 existing title companies operating in the state of Kansas, approximately 5 in Kansas City, 1 in Leavenworth, and 1 in Wichita. Furthermore, this law exempted all counties with a population of under 10,000. There was no clear rationale for this exemption except that the industry seemed to say that it was harder to make a living in the small counties without doing other services related to the title business. This provision might have been politically motivated.

2. Wichita Title Associates, Inc., a Kansas corporation, was formed in approximately August of 1988 with all proper disclosures complying with federal law under RESPA and also with written approval from the state insurance commissioner's office legal department. The letter from Mr. Tim Elliott, attorney for the state insurance commissioner's office at that time, clearly stated that the structure of Wichita Title Associates would not violate Kansas' Unfair Trade Practices Act. Wichita Title was initially comprised of five Wichita based real estate brokerage companies, two savings & loans, and one title company. All were shareholders holding stock proportionate to the amount of their investment.

*Senate FID
Attachment 8
3/23/98*



3. It was argued by the people who had supplier owned title companies that the addition to the law of the 20% provision was completely unnecessary because they already complied with RESPA, the federal law that governed this area, and all necessary disclosures were being made. The law, however, was passed by both the House and Senate and signed into law by the Governor in the spring of 1989.

4. Later in the spring of 1989 a lawsuit was filed by a group of the title companies that were being forced out of business as a result of this law, challenging the constitutionality of said law. The lawsuit was filed in Shawnee County District Court and a temporary restraining order was issued prohibiting the law from going into effect until an adjudication could be made on the constitutionality of said law. In January of 1990 a District Court judge in Shawnee County ruled the law unconstitutional.

5. Supported by the Kansas Land Title Association and the insurance commissioner's office, the judge's ruling was appealed to the Kansas Supreme Court and in January of 1991 the Supreme Court of Kansas upheld the law as being constitutional. They overturned the District Court judge's ruling and said it was legal but did not necessarily say it was fair or a just law.

6. The effect of this law caused all of the companies doing business with supplier owned shareholders to either go out of business, sell their companies, or redeem their stock at book value in February of 1991.

7. In the fall of 1992, HUD issued more clear definitions of Section 8 of the Real Estate Settlement Procedures Act which controls this area and it made it clear that the federal law felt that supplier owned title companies were and should be legal. Two things must occur: (1) The producer of title insurance would need to disclose his ownership interest in advance to the client, and (2) not require the client use their company to affect the transaction. Also, no referral fees could be paid -- only legitimate profits from shareholders of a corporation or partners of a partnership.

8. Kansas currently has the most restrictive "anti-controlled business" law in the nation and it is completely unnecessary. This law legislates competition and is anti-free enterprise in nature. ✓

In today's business climate the term "controlled business" as it relates to our industry is almost an oxymoron. With the growth of Buyer Agency, unless a provider of services owned or partially owned by a broker was at a minimum, less expensive, as safe as or safer and higher quality than competition, the agent would recommend another provider - regardless of ownership.

Full and complete disclosure to buyers and sellers is also a requirement.

The old law, as I have stated earlier, is anti-competitive, anti-business and in no way consumer friendly.

I speak in strong support of the proposed change.

Sincerely,

Barry West



Asking for your support of HB2692, which allows member Realtors to own their own title company without the artificial restriction on affiliated business arrangement's.

A perception exists that Real Estate Brokers exert enough control over the real estate transaction that we are able to direct affiliated business, i.e., homeowner's insurance, mortgage origination, and title insurance to a particular company or provider of these services without competing with other suppliers. It is further assumed that if we indeed owned one of these providers, we would be able to direct that business to the possible detriment of a home buyer or home seller.

Nothing could be further from the truth. In fact those of us that have mortgage companies and property insurance companies have to be better than our competition or our own agents will not direct their business our way. Since the agents cannot, by law, be compensated for these referrals, they can only lose if their company fails to satisfy their customers. Therefore, many will not even take the chance and in some cases even refuse to let us quote for the business. This attitude exists because the primary relationship in a real estate transaction is one established between the client/customer and an individual sales associate, an independent contractor. This primary relationship is closely guarded by the independent contractor because the agent's livelihood depends on the transaction being handled smoothly. If it is not, the agent will lose a customer, an income source and most likely, the referral business from that customer for future business. The repeat customer and customer referrals are the lifelines of successful sales associates. To think that the person who exerts the most control over the transaction, the agent/independent contractor, would risk their livelihood and reputation by referring business to a service provider who is not competitive in terms of price and service is ludicrous. The agent/independent contractor is looking for a service provider who provides a high level of customer service at a competitive price that helps facilitate the closing of the transaction. They do not get paid unless a closing occurs. They are not going to risk their livelihood on their broker if that broker/owner is not performing in such a way as to insure the protection of their customers, and indeed, themselves.

*Senate J.D.D.
Attachment 9*

While it is true that some buyers and sellers are not knowledgeable of the various service providers they are, none the less, protected by the laws of agency. When buyer's and seller's enter into an agency agreement with the independent contractor that independent contractor is obligated, by law, to represent their best interests. Recommending a service provider that does not operate in a customer's best interest, whether it be price or service or both, would be contrary to their fiduciary responsibility.

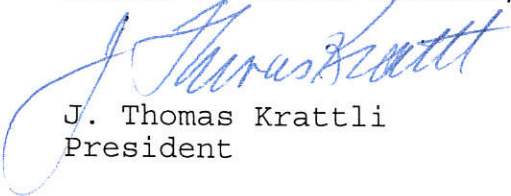
I find it unusual that Kansas places no restriction on Realtors owning mortgage and property insurance businesses but does restrict entrance into the title business. Competition tends to promote better service and lower prices. It is my opinion that more entrants into the title insurance field, i.e., more competition, would impact the title insurance industry in the same manner. Competition is good for the consumer. The National Association of REALTORS has conducted surveys with consumers that indicated a primary need that buyers and sellers have is to simplify the process. There is no reason to complicate the real estate transaction, both in terms of time and energy, by separating all of the buying components rather than dealing from one point of sale provider.

Free enterprise demands competition, the consumer demands it. The service providers who do not respond to the customers needs, in terms of price and service will not stay around. Realtor owned companies will have to provide better, faster and less expensive service or we will not get the business. We will not jeopardize our core business, real estate sales commissions, for the sake of profit in a title policy. We'd be cutting our own throat. Our independent contractors would leave if we put their business at risk and our underwriters would cease doing business with us. Instead of affiliated business we would have no business if we do not perform to protect everyone's interest.

Thank you for the opportunity to present our case. The title companies that support us now do an excellent job and serve a vital role in our business. Rather than fear our joining them in providing this service, I hope that they will compete with us to insure the buying and selling public is truly served.

Respectfully submitted,

EUGENE D. BROWN COMPANY, REALTORS


J. Thomas Krattli
President

Kansas Bankers Association

800 SW Jackson, Suite 1500

Topeka, KS 66612

785-232-3444 Fax - 785-232-3484 e-mail - kbacs@ink.org

3-23-98

TO: Senate Financial Institutions and Insurance Committee
FROM: Chuck Stones, Director of Research

RE: HB 2692

Mr. Chairman and Members of the Committee:

The Kansas Bankers Association is supportive of HB 2692. We feel this legislation more accurately defines the way the Title Insurance business works in Kansas and better protects the consumer with the proposed disclosures.

If enacted, we feel the bill would create an opportunity for banks to expand and diversify their business.

We urge your favorable consideration.



Charles A. Stones
Director of Research

*Senate F&I
Attachment 10
3/23/98*



To: Senate Insurance Committee
From: Rob Curtis, President-Elect of KAR, President of Cedar Creek Realty
Date: March 23, 1998
Re: HB 2692 - Controlled Business Arrangements

Thank you for the opportunity to testify. On behalf of the Kansas Association of Realtors, I ask for your support of this legislation.

I stand before you as President Elect of the Association which consists of more than 6,700 Realtor members. At the last meeting of our Board of Directors, January 15, 1998, our directors (134) who represent our entire membership voted unanimously to support HB 2692 for the following reasons:

1. First and foremost, this is clearly a consumer driven issue. Through national surveys by the National Association of Realtors, buyers are telling our industry that the home purchase process needs to be much more simplified, less time consuming, and more convenient for the buyer and seller. This message supports the idea that "one stop shopping" is a concept that appeals very strongly to the consumer. They want to know they have choices and they expect their agents to provide them with all the pertinent information required in the home buying / selling process. Consumers do not wish to be required to purchase title insurance from anyone, not even from the Realtor, but they clearly want to have the option to choose.
2. Secondly, we firmly believe that we need to let the free enterprise system work and allow for competition which will result in improved services at a lower cost. At present, it is perceived by many people that Kansas currently has the most restrictive "anti-control business" law in the nation. It legislates competition rather than allowing the "free market" to work. We do not think that was the intention of the current law but that is what the effect of the existing law has created in the marketplace.
3. We support a real estate company's rights... or any company for that matter... to open a business and compete in the free market. In this specific instance, we support the real estate companies' right to offer title insurance to its customers as long as those companies and agents strictly comply with the following:
 - A. Give full disclosure of their financial interest in the company owned title company.

3/23/98
Senate F.D.S.D.
Attachment 11

- B. Inform their customers of other title company options available to them including services, costs, and benefits.

We even support fair penalties and enforcement procedures against such companies in the event they do not comply.

During the past ten years, the real estate industry has been in a continual state of change not only in technology but also in the manner in which real estate agents conduct their day to day business. An excellent example of the latter would be how our members in today's marketplace are required to disclose their agency relationships. Our industry certainly exemplifies that familiar saying that "nothing is constant but change". This particular Bill, Controlled Business Arrangements, is another part of our changing industry and it is being driven by the consumer. I understand that currently 25 states have controlled business arrangements and 25 have some restricted controlled business arrangements but Kansas is one of the lowest with 20 %. But, I also understand that the momentum across the country is clearly toward affiliated business arrangements, because of the growing demand of one-stop shopping. Once again, this is consumer driven. Our Association consists of many diverse and independent thinkers. It is rare that we would all agree on one issue; however, on January 15, 1998, that is exactly what happened. All 134 directors voted unanimously to support this Bill. Our position in strong support of this legislation comes from this 140 member Board of Directors who are elected on a representative basis, from across the state, just as you are. When this Bill was presented to the Directors in January, no one stood up to oppose the position in support of this legislation when it was debated. Therefore, we are here to carry the unanimous message to you support this Bill.

Lastly, on a personal note, I think you should know that this particular Bill does not affect me or my company. Cedar Creek Realty does not currently plan or plan in the future to open a title insurance company. What is important to us... and the members of the Kansas Association of Realtors... is having the freedom to meet the needs of our customers by allowing the market to establish the best service at the lowest possible price.

Thank you.

A handwritten signature in cursive script, appearing to read "Bob Curtis". The signature is written in dark ink and is positioned below the text "Thank you."

OUTLOOK FEATURE

WHAT CONSUMERS WANT: RESEARCH OF RECENT HOMEBUYERS

by Forrest Pafenberg, Director, Real Estate Finance Research

This is a follow-up article on RESPA, the Real Estate Settlement Procedures Act. In October's Real Estate Outlook, we looked at some of the provisions of the current Act and the momentum to revise RESPA to meet homebuyers' desires for protection from abusive practices and a more streamlined settlement process. Here we discuss some of the consumer research findings that support the move to reform RESPA.

Changes in technology, communications and information processing over the last two decades have irretrievably altered the marketplace for goods and services in the world economy. The real estate industry is no different from any other industry. It's quite possible that real estate has been affected more than most industries, because it is fundamentally an information business and the primary changes have been to improve information management. The impact of innovation to real estate brokerage and residential lending has been far reaching and is continually changing the way business is being done.

What is different for the real estate industry versus other industries, however, is the level of federal regulation imposed by the Real Estate Settlement Procedures Act (RESPA) on the business practices of firms providing services to the homebuying public, and the stifling of innovation into this industry as a direct result of this regulation. The NATIONAL ASSOCIATION OF REALTORS® is currently working with other industry and consumer groups in developing an alternative to the present Act. As part of that effort,

NAR contracted with two outside vendors to explore recent homebuyers' perceptions, opinions, attitudes, and beliefs about the homebuying process. Specifically, the research focused on the closing process.

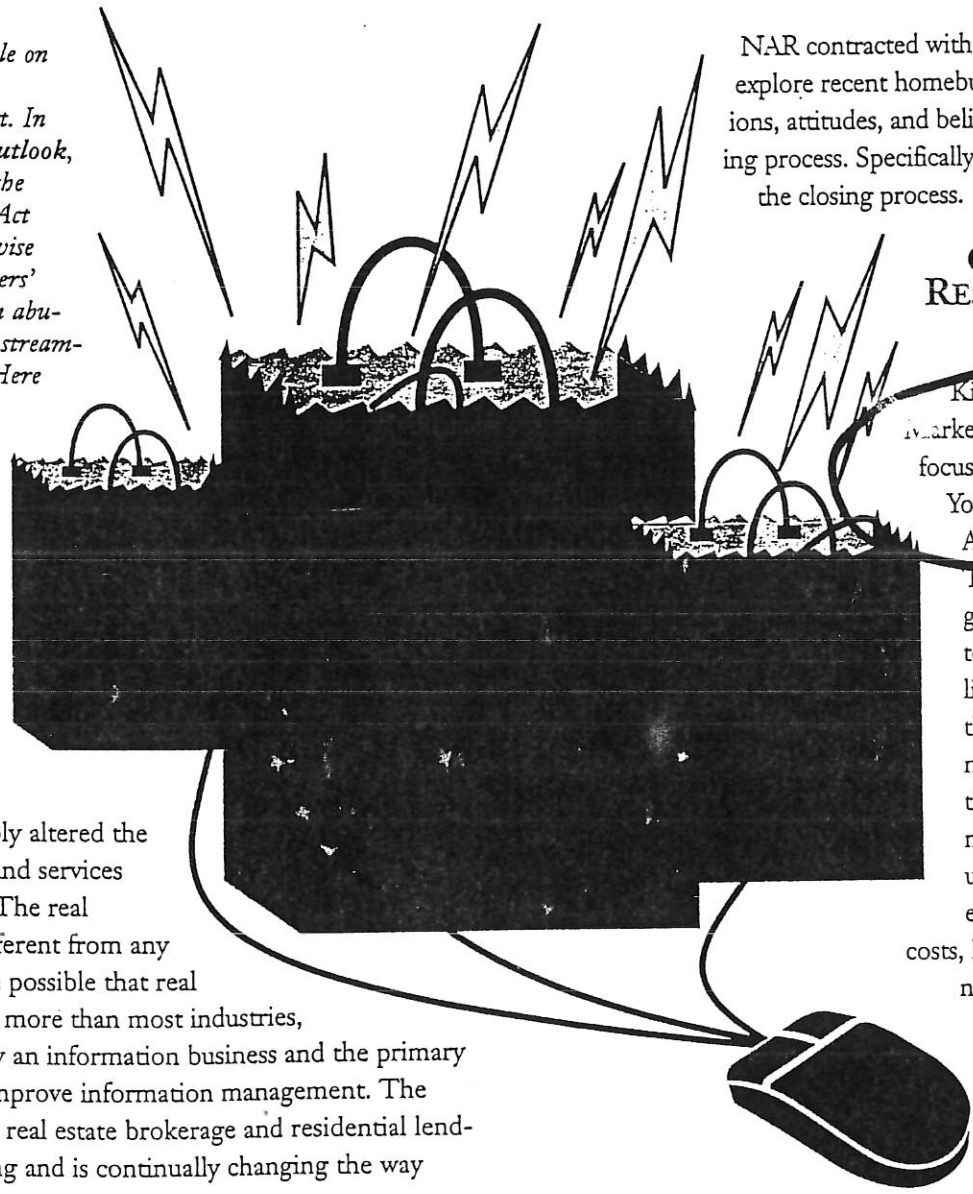
QUALITATIVE RESEARCH: FOCUS GROUPS

Kinsey & Day Qualitative Market Research conducted 2 focus groups each in New York, Kansas City and Los Angeles in April 1997.

The results of these focus groups showed that today's homebuyers, just like other consumers in the 1990's, want service, not just lowest price, and that RESPA, while originally designed to protect unsophisticated homebuyers from unnecessary costs, has evolved into a mechanism which hinders settlement service firms from providing services such as one-stop-shopping.

Key findings from this research include:

- Participants in all three cities complained that the process of buying a home is time consuming and can be very stressful and anxiety-producing. Many said they did not understand the process (particularly the first-time buyer), and said they felt that they had to learn the process because they had "no one to protect their interest."



OUTLOOK FEATURE

- Participants found three areas of the homebuying process both most time-consuming and frustrating: searching for a home; getting the mortgage; and the closing. Participants in all three cities said that having one person or company coordinate closing would be much more convenient and should make the process faster and more efficient. In Los Angeles, participants stressed that it would reduce their worry and anxiety.
- Participants in all three cities also reasoned that having one person coordinate everything would also be cheaper, because they could utilize efficiencies of scale. Some participants in New York and Los Angeles said they would pay more for the convenience and time-savings.
- Participants in both New York and Los Angeles saw enough advantages in the "bundling of services" to be very interested in the idea, as long as they were always given the choice of which services they wanted the company to provide.

In addition, participants said the Federal Government should encourage, or at least not discourage "one stop shopping" as an option. They felt that disclosure laws would be perfectly adequate to explain any financial involvement among parties.

QUANTITATIVE RESEARCH

Between May 13 and 14, 1997, the consumer polling firm of Hart-Riehle-Hartwig Research interviewed a representative cross-section of 808 homebuyers nationwide who purchased their homes within the past two years. Survey respondents were asked about their experiences in the purchase of their home. Specifically, homebuyers were asked about:

- the difficulty of the homebuying process;
- their satisfaction with current settlement services and the closing process;
- the appeal of one-stop-shopping for settlement services;
- their understanding and satisfaction with disclosures in the real estate transaction; and
- their opinions on the practice of one-stop-shopping.

Key findings from this research include:

- Homebuyers want the convenience of one-stop-shopping for homebuying services at the real estate company. More than three in four (78%) recent homebuyers say the opportunity to handle some or all their homebuying services through their real estate company would be appealing to them.

Two in three (66%) say that if they had to do it all over again, they would choose a real estate company that offers one-stop-shopping. In fact, one in three (32%) say that they would be willing to pay more for the convenience of handling some or all of their homebuying services through their real estate company.

Simple disclosure of potential conflicts gives homebuyers confidence. Disclosure works. Looking back to their own homebuying experience, three in four (74%) recent homebuyers were satisfied with the disclosure process.

Even after hearing all the arguments raised against one-stop-shopping at the real estate company, recent homebuyers continue to favor changes in the rules in order to allow one-stop-shopping. Nearly half (46%) of those surveyed favor government rule changes to make it easier for real estate companies to offer one-stop-shopping while only 30% opt for no rules change, and only 12% support stricter rules.

A majority of respondents endorse arguments in favor of the changes, saying there is a great deal of merit to the argument that one-stop-shopping would be more convenient (53%), easier to manage with just one contact person (52%), and that some services might be cheaper when contracted through the real estate company (54%).

CONCLUSION

The NATIONAL ASSOCIATION OF REALTORS®, and its partners in the Mortgage Reform Working Group,* are using the results of this research as we continue our efforts to reform RESPA. Sentiment favoring a rules change is all the more convincing given the basic level of satisfaction that most recent, successful homebuyers express with the homebuying process. Almost all (92%) of recent homebuyers are satisfied with the homebuying services they used, and 76% are happy that the closing process was thorough rather than indicating that they are frustrated that it took so long. When most of these homebuyers, who are satisfied with the current system, favor change it is an overwhelming indication that one-stop-shopping makes sense to homebuyers. ■

*For details, see "Revising RESPA: On the Way to One-Stop Shopping," in the October 1997 Real Estate Outlook.

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