



**PYALeadership** Briefing

# **American Land Title Association (ALTA)**

*Best Practices Framework Certification*



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**“Wells Fargo supports ALTA’s Best Practices, and considers them to be guidelines for sound business practices that should ideally already be in place for businesses providing title and closing services for our customers.”**

**– Wells Fargo announced in its Settlement Agent Communications issued March 6, 2014**

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### **What are the benefits for title insurance and settlement companies obtaining the American Land Title Association (ALTA) Best Practices Certification?**

Lenders will be more likely to conduct business with you if you provide a certificate that you are compliant with the new industry benchmarked Best Practices. This will help you retain your existing business and give you a competitive advantage on attracting new business.

### **Who is ALTA?**

ALTA has been the national trade association and voice of the title insurance industry since 1907 and represents nearly 4,800 title insurance companies, title agents, independent abstracters, title searchers, and attorneys.

### **Why did ALTA develop a Best Practices Framework?**

On January 10, 2014, amendments to Regulation X became effective for residential mortgage lenders, and based on Consumer Financial Protection Bureau (CFPB)

Bulletin 2012-03, the lender’s title insurance and settlement companies will also need to comply. The (CFPB) will now hold mortgage lenders accountable for their relationships with third-party service providers. Since the CFPB has already started auditing the mortgage lenders for risk management compliance, lenders will only want to do business with title insurance and settlement companies that are also compliant with the CFPB. ALTA decided to assist by developing a set of uniform best practices to help their members highlight policies and procedures the industry exercises to protect lenders and consumers.

The good news is that, while the Framework is new, from an operational standpoint, many title insurance and settlement companies have already been applying similar best practices. The missing link may be that not all of your current operating practices are formally documented in your policies and procedures. Adopting the ALTA Best Practices and having a third-party verify your company’s compliance can provide assurance that you are compliant with Regulation X.

## What is the ALTA Best Practices Framework and who is it for?

ALTA developed a set of best practices in 2013 for title insurance and settlement companies to assist lenders in satisfying their responsibility to manage the risk associated with third-party vendors. Why is this important to title professionals? Well, you can expect with the pronouncement of these best practices that your mortgage lenders are watching and will have to take into consideration your company's responsiveness to obtaining certification. The seven main ALTA Best Practices or what they identify as the "seven pillars" are:

1. **Licensing** – Establish and maintain current license(s) as required to conduct the business of title insurance and settlement services.
2. **Escrow Accounting Procedures** – Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation.
3. **Privacy and Information Security** – Adopt and maintain a written privacy and information security program to protect Non-Public Personal Information as required by local, state, and federal law.
4. **Settlement Procedures** – Adopt standard real estate settlement procedures and policies that ensure compliance with Federal and State Consumer Financial Laws as applicable.
5. **Title Policy Production & Delivery** – Adopt and maintain written procedures related to title policy production, delivery, reporting and premium remittance.
6. **Professional Liability Insurance Coverage** – Maintain appropriate professional liability insurance and fidelity coverage.
7. **Consumer Complaints** – Adopt and maintain procedures for resolving consumer complaints.

## What are the ALTA Best Practices Assessment Procedures?

The standard assessment procedures are used by the independent third party engaged to evaluate settlement servicing providers on their compliance with Best Practices. The engaged, independent third party will then provide a PASS or FAIL certificate to the title company based on the performance of the assessment procedures in accordance with the ALTA Best Practices Framework. An assessment is required every two years.

Although ALTA has established straightforward guidance for how to achieve compliance with its Best Practices through the use of their Assessment Procedures, the CFPB does not currently have a standardized method for verifying compliance. This leaves the burden of proof on the mortgage lenders to ultimately determine what is deemed acceptable under a self-regulatory umbrella. The mortgage lenders then retain a greater responsibility, and therefore should seek a superior level of assurance that its service providers are compliant – this leads to certification.

## What is in the Certification Package?

The certification package is made up of three parts:

### Part 1: Agency Letter

This letter is management's acknowledgment that the company has implemented and is compliant with ALTA Best Practices. ALTA provides a standard certification agency letter template that can be customized by your company.

### Part 2: Certificate

This is provided by the independent third-party who performed the assessment.

### Part 3: Declarations Page

A copy of your Errors and Omissions or Professional Liability Declaration Page.

The certification package can be sent to lenders by title professionals to ensure they have obtained independent verification of compliance with ALTA's Best Practices.

## What are some of the next steps you can start taking today?

1. If you are confident you are in compliance with ALTA's Best Practices, you can skip to #5. Otherwise, you should perform #2-4.
2. Check your written policies and procedures to ensure that they are up-to-date with your current operations and, at a minimum, cover ALTA's Best Practices.
3. Review the assessment procedures and perform a cursory review of your operations to see if you maintain the documentation necessary to support adherence to ALTA's Best Practices.
4. Engage a qualified third-party that is experienced in the industry to perform a pre-assessment to determine if your company is ready to undergo the full-assessment with positive results.
5. Engage a qualified industry-experienced third party to perform the assessment procedures in accordance with ALTA's Best Practice Framework in order to issue a certificate of compliance.

The Best Practices, assessment procedures, certification package, and other tools are available on [ALTA's website](#).

## Why should you consider PYA to perform a pre-assessment and/or full-assessment?

PYA is a Certified Public Accounting and Consulting Firm that provides timely insight and strategic direction, helping our clients thrive in the midst of rapid change. For nearly three decades, we've been providing clients with world-class support. We deliver comprehensive services in compliance, accounting, and consulting.

PYA is well-versed in the complex regulatory environment of the financial institutions industry. As such, we have a unique understanding of the issues surrounding third-party vendor risk management. If you are uncertain whether you are in compliance with ALTA's Best Practices Framework, contact us about a pre-assessment. At the conclusion of the pre-assessment, we can advise you on the areas that may need additional attention. If you are more confident you have fulfilled the requirements of ALTA's Best Practices Framework, contact us about performing your full-assessment and certification.

## For more information regarding PYA's Assurance Services, please contact:

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