

# Building a Back Plant

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## ***Preface***

Many title companies use their closed files to speed up the examination and production processes. Having access to previous commitments, surveys, and HUD information can be a huge time and cost saver. Most companies keep their closed files in envelopes or file folders in a back room or closet, or even in off-site storage. Finding files, copying documents, and returning the files to storage can completely negate the cost savings. This White Paper discusses what a Closed File Database (or Back Plant) is and how to get the most out of it. It will also show you how to identify the costs associated with migrating from a manual Back Plant to a partial or full digital Back Plant.

## ***What is a Back Plant***

A Back Plant is all of your closed files. I have seen title companies purchase the closed files of other title companies that have gone out of business, just so they could have access to previous title information. I have seen back plants take up entire warehouse buildings. The amount of data you have is dependent on what you normally save in your files, and how long you have been doing business.

Our research shows if a company can accumulate at least 10 years of closed files, they will have data on over 90% of their orders. That is an important statistic. It means most searches will be go forward searches only, and much of the other data can be copied from the file.

A Back Plant doesn't have to be automated. But you must consider the cost to use a manual (paper) plant versus an automated one in order to see how much benefit your accumulated data is giving you.

## ***How do I measure how much my Back Plant saves(costs) me to use?***

Before you can decide if it makes sense to automate your back plant, you must measure how much your manual back plant is costing you. Since it impacts your entire order process, the measurement will be affected by your entire process. I will show you how to do a rough estimate of cost and impact. You should use a process improvement consultant to help you if you need more specific data.

1. Identify the number of orders you close per month which require title searches. Do not include any orders that do not require policies or searches.

Example:

John's company closes an average of 480 orders per month, but only 355 of those require searches and policies.

2. Identify how many commitments are completed per month that are not converted to closed orders.

Example:

John's company opens a total of 520 orders per month. Of those 520, about 40 do not ever close, and 35 of those 40 require a commitment.

3. Measure how long it takes to do a sovereign (or whatever your state statutes require) title search and commitment.

Example:

John measured his abstractor and examiner with the following results:

Sub/blk/lot	
Abstract (search)	4 hours
Examination and typing	3 hours
Survey/acres (metes & bounds)	
Abstract (search)	11 hours
Examination and typing	7 hours

4. Measure how long it takes to do a sovereign (or whatever your state statutes require) title search and commitment using a closed file.

Example:

John found he is able to use closed files on about 73% of his orders (including commitments that don't close). From Step 1 we know that John averages 355 orders per month that need searches. From Step 2 we know that John has 35 orders per month that require searches and never

close. Together, John's company completes commitments on a total of 390 orders per month. 73% of 390 is 285. He has measured his abstractor and examiner using closed files with the following results:

Sub/blk/lot  
 Abstract (search) 47 minutes  
 Examination and typing 1 hours

Survey/acres (metes & bounds)  
 Abstract (search) 47 minutes  
 Examination and typing 2 hours

5. Measure the cost of retrieving, using, and replacing the closed files.

Example:

John has measured the use of closed files for two months with the following results:

Search for whether a closed file exists (using production software for three years, and index cards for the 7 years previous to installation of production software)	7 minutes
Retrieve folder from back room storage	5 minutes
Make copies of search & commitment documents	15 minutes
Insert copied documents in new file	5 minutes
Retype data from closed file documents (examiner)	10 minutes
Retype data from closed file (production personnel)	10 minutes
Replace/re-file folder in back room storage	5 minutes

**Note: This does not include any additional time that may be required to go to an offsite storage location, or time waiting for a runner to get back from the warehouse.**

6. Compare the cost using your closed files versus not using closed files

Example:

Using the data in the examples above, and assuming that the labor costs for the abstractor (who must retrieve and replace the files) and the

examiner are \$24/hour and \$38/hour respectively (remember to include your hidden employee costs such as employee taxes, insurance, etc.), John has calculated his plant costs with and without using his manual back plant as follows:

Sub/blk/lot Costs (80% of commitments)

Item	Cost
Abstractor	4 X \$24 = \$96 per order
Examiner	3 X \$38 = \$114 per order
Total cost per order	\$96 + \$114 = \$210

Survey/acres (20% of commitments)

Item	Cost
Abstractor	11 X \$24 = \$264 per order
Examiner	7 X \$38 = \$266 per order
Total cost per order	\$264+ \$266 = \$530

Sub/blk/lot Costs using a Closed File

Item	Cost
Abstractor	47 minutes X \$24/hour = \$18.80
Examiner	1 X \$38 = \$38
Total cost per order	\$18.80 + \$38 = \$56.80

Survey/acres Costs using a Closed File

Item	Cost
Abstractor	47 minutes X \$24/hour = \$18.80
Examiner	2 X \$38 = \$76
Total cost per order	\$18.80 + \$76 = = \$94.80

Using the above examples John saves \$153.20 per sub/blk/lot order and \$435.20 per survey/acres order for a monthly savings of:

Total sub/blk/lot closed file orders = 80% X 390 = 312  
 Total sub/blk/lot savings = 312 X \$153.20 = \$47,798.40

Total survey/acres closed file orders = 20% X 390 = 78  
 Total survey/acres savings = 78 X \$435.20 = \$33,945.60

## ***How do I measure what I will save by automating my Back Plant?***

To estimate what automating your back plant will save you, use the data you acquired when measuring your back plant usage, and modify it with the following automated use estimates (based on TDMS research):

Search for prior file = 1 minute

Copy closed file docs to new file = 2 minutes

Copy and paste information (abstractor) = 4 minutes

Copy and paste information (examiner) = 5 minutes

Copy and paste information (production) = 5 minutes

Total time = 17 minutes (compared to 57 minutes using manual plant)

Using the same labor estimates as before, your automated prior file retrieval cost will be approximately \$7.96 for a savings of \$17.18 per order, or \$4,896.30 per month of labor savings. This also means that you will add an additional 190 man hours of available capacity to do orders without any additional labor costs. Again, using the example numbers, this would mean completing an additional 61 commitments per month with no additional labor costs. If John were making an average of \$900/order profit, an automated title plant could add an additional \$59,000 per month of profit.

## ***What issues are associated with automating my Back Plant?***

I have worked with many title companies to automate their title and back plants. In order to get the most from your back plant, you should consider the following issues:

1. Added automation costs.

You may end up having to purchase a higher end production scanner, or contracting the cost of scanning the prior files. Most companies elect to contract the scanning in order to reduce the length of the project (which can take more than a year using internal labor). You may also need to purchase additional image storage space for your network.

2. Added document preparation costs.

We have found that few companies realize just how labor intensive it is to remove staples, paper clips, binder clips, unfold papers, etc. in order to get them ready to scan. Additionally, most companies find it useful to separate the major documents into document types so that they can be indexed separately under the same prior file number. i.e., If your file had a

- search report with copies of documents, a commitment, copies of all the production documents, signed HUD, and a copy of the policy, they would want to be able to select only the HUD when doing a search for that prior file number, and have the database produce only the signed HUD. There are several methods to automate much of this. A consultant should be used to find the most cost effective method to prepare your documents.
3. Additional setup costs.  
This is another one of those areas that most companies don't plan for adequately. In order to build a Back Plant, you will need to modify your existing title plant software to maximize your indexing image retrieval for prior files. You will want to link your prior file numbers to the number in your production software. If you don't have a title plant, you can still purchase title plant software and build your Back Plant. We have found that the most effective method of using a Back Plant is to create a separate database, and linking it to the production software for indexing. Here is another place where using a consultant is important.
  4. Shredding files after scanning.  
Check with your local state statues and your underwriters. Most states do not require a title company to keep paper copies of anything. Most underwriters don't either. However, we have found that most title companies want to keep a paper copy of the policy. Other than that, all paper in the closed file should be shredded after scanning has been completed and verified. This will clear up storage space and add additional savings to your project when it is done.
  5. Changes to your business processes.  
Once your files are scanned and indexed, you will need to change the way you do business in order to maximize the investment in your Back Plant. You will need to adjust the processes that interact with the closed file in both the title plant areas and in production. User manuals will need to be modified, and users will need to be trained on how to do the new processes correctly. This is another area that companies seem to skip. Without it, you will not get the savings and profit improvement you are looking for.
  6. Incorporate the Back Plant as part of your final archiving process.  
After your Back Plant is set up, you should change your file closing and archiving process to scan the closed file and shred it after all instruments have been recorded and the policy has been issued. This will save resources in both labor and materials at the end of each closing.

## ***How do I automate my Back Plant?***

The saying, "First plan your work, then work your plan!" was never more important than here. Automating a Back Plant can be very costly. But the Return on Invested Capital (ROIC) can be very quick, leading to added profits and marketing opportunities. The goal here is to build your Back Plant using the least amount of Invested Capital, in the least amount of time. I would never recommend a title company attempt this type of a project without the assistance of a consultant. They may ultimately elect to use internal resources, but the planning and implementation of the project is best done with the help of a consultant to ensure nothing is missed.

1. Check your resources.  
Make sure you have the needed infrastructure to support the added data and images. If you will be scanning the files using internal labor, make sure you have an adequate scanner, and have measured the cost of document preparation. Also, line up your shredding plan. If you will have a large amount of files to shred, it is usually best to contact certified document destruction or shredding company to come into your office and pick-up the files to shred them. They will provide a certificate of destruction for you after the shredding is complete in order to protect social security numbers, etc.
2. Check the interfaces between your title plant software and your production software.  
Get this issue resolved before beginning your project. Many times, your title plant software vendor will have to work with the production software vendor to develop a custom interface between them for indexing purposes. This may require some additional cost to complete.
3. Prepare a timeline (GANTT) chart that shows what will be done, how long it will take, and who will do it.  
This is your master plan! It is flexible, but gives you milestones and timelines to measure the progress and costs of your project. It will also help to ensure that you don't miss anything.
4. Develop a cost analysis.  
Use your consultant to help you prepare a detailed cost analysis of the project, and set aside the required funds. This will ensure that there are no hidden surprises, and associated project stoppage because of a funding mistake.
5. Complete contracts (where needed).  
Use your consultant and an attorney to prepare and complete any contracts with vendors. Don't forget to issue 1099's where needed at the completion of the project.

6. Manage the project to completion.  
Managing projects such as these is a service we provide. Your consultant may do the same. We believe title company owners should focus on title company stuff, and let Back Plant experts focus on building their Back Plant. Managing a Back Plant project does not require a consultant to be on-site all the time. You may find that the actual added cost to manage your project would be significantly less than the cost of using your valuable time to manage it.
7. Change your business processes.  
You will need to change three areas of your business processes – your commitment search examination and completion process, your production document preparation process, and your closed file archiving process. Make sure these are part of your project, and use a consultant to help you define these processes, re-design them where necessary, update your training documentation, and implement the new changes to your company. A consultant will help you accomplish this with little or no negative impact on your overall business activities.
8. Measure the changes.  
This is another area that is often overlooked. Be sure to measure the changes in resource use and profitability to ensure you are getting what you paid for. If the numbers don't match your project plan, then you are missing something. You will not see that unless you measure the changes at the end of the project.

### ***How much will it cost?***

The cost will vary depending on what you decide to do. Some general guidelines you can use are as follows:

Scanning costs:

\$.75/file for document preparation

\$.04/page for scanning

\$.01/document for pagination

Indexing costs (vary depending on how many of the files are in your existing production database, or can be imported from old data files, etc.):

If they must be indexed manually, plan on \$.05/index field. Again this cost is so variable – you won't really know until you ask your consultant.

Shredding costs:

Check with a local shredding vendor.

**Process re-design:**

Plan on about \$5,000 to cover the entire business process re-design. This will include before and after measurements, training documentation, personnel training and implementation, and change monitoring after the processes have been implemented.

**Project Management:**

Plan on about \$3,000. This will cover all consulting, planning, and management fees. It will usually not cover travel and per diem costs for on-site visits. Be sure to specify the details of expected on-site visits in the contract to avoid unscheduled trips (with the associated travel costs) without your approval.

**Automation:**

You may not need any additional hardware or software, but will almost undoubtedly need some billable time from your title plant and production software vendors. You will need to use a consultant to help you identify what the impact of the Back Plant will be to your IT infrastructure, and whether you will need any additional hardware and/or software.

**Example:**

John has about 15 years of prior files (85,300 files) he wants to scan. He has 3 years of those files in his production software. The rest were done with a software application that he no longer uses.

Document Preparation = 85,300 X \$.75	\$63,975
Scanning (approx. 55 pages per file) = 85,300 X 55 X \$.04	\$187,660
Indexing (consultant was able to import old data and link)	\$20,000
Shredding costs	\$4,700
Process re-design	\$5,000
Project management with travel & per diem costs)	\$6,800
Automation (John leased a new copier with high speed scanning for his archiving process)	\$7,000
<b>Total Project Costs</b>	<b>\$295,135</b>

John expects to gain an additional \$60,000 per month of additional profit from this investment. His ROIC will be five months. His projected profit improvement for the first year after the completion of the project will be \$424,865. John believes this will be a good investment.

## **Conclusion**

We encourage our customers to make sound business decisions based on measurable facts, and not gut feelings. There are very few situations where automating your Back Plant does not make good business sense. You may choose to do it in stages in order to leverage the added profits as you complete portions of the project. There are many ways to accomplish the automated Back Plant. Call TDMS today and let us walk you through the steps to see if you are a candidate for automating your Back Plant. Our qualified consultants are familiar with most standard title plant software and technology, and can guide you through the decision-making process. We can also help you complete your project with little or no impact on your current operations. Call TDMS today. We truly improve the process of doing business.



5744 Dripping Springs Road

Denison, TX 75021

903.436.3091

[mike.hathaway@tdmsinc.net](mailto:mike.hathaway@tdmsinc.net)

[www.tdmsinc.net](http://www.tdmsinc.net)