

Certifying a Title Plant

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Preface

The term “Certified” means different things to different people. In the state of Texas, a State Department of Insurance representative “Certifies” each company’s title plant every two to three years. This form of certification is not much more than handing the title company owner a list of land record documents, and expecting the company to produce them along with the accompanying document information. This form of certification satisfies the title plant requirements for the State, but is it a true representation of the level of completeness or accuracy of a title plant? No – it isn’t. Nor was it designed to be. A company’s title plant must also provide a level of information liability that makes the company comfortable issuing title insurance. Asking for a few documents from a title plant with sometimes millions of images does not ensure any level of confidence in the accuracy or viability of title searches. So, we need to broaden our definition of “Certified.” This White Paper describes various aspects of title plant certification, as well as methods to help title company owners feel comfortable with the accuracy and completeness of their title plant data. Using the guidelines in this document, title companies can feel much more comfortable with the level of exposure their title plant and accompanying title searches provide.

How do I Certify my Plant?

To ensure the highest level of accuracy and lowest liability, we recommend a title company certify the following parts of the Title Plant:

1. Certify Images

You can develop an internal image certification process that ensures your images are always straight, legible, and are free of erroneous scratches and other blemishes.

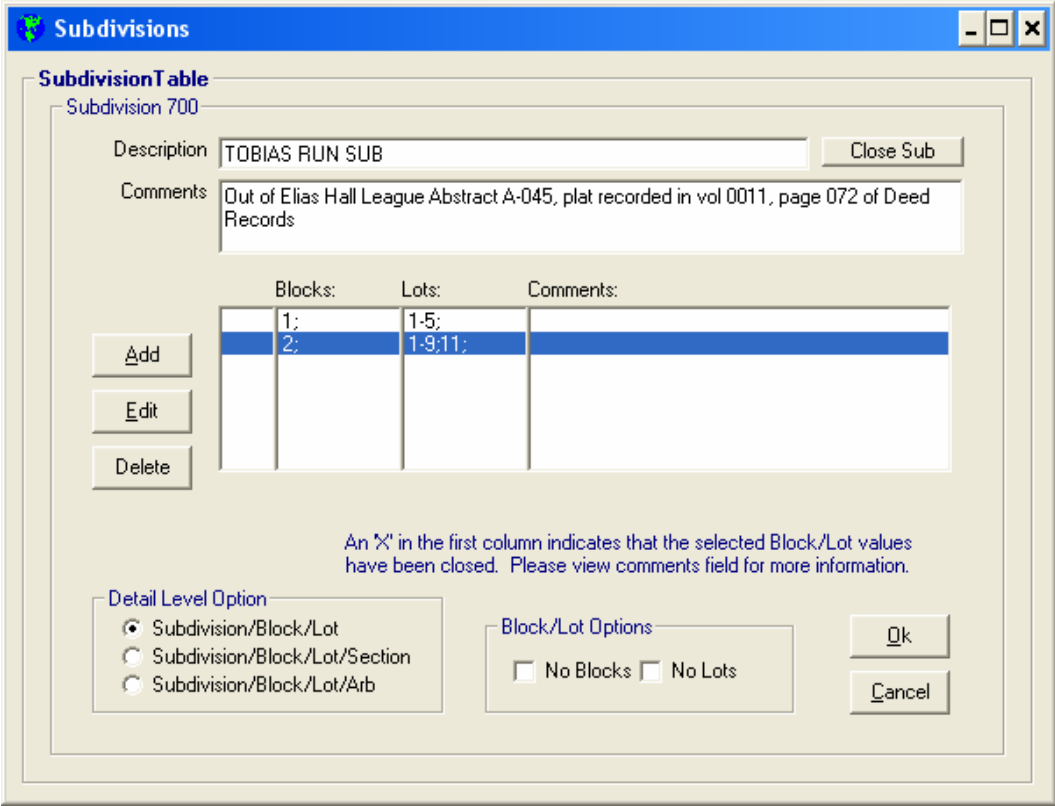
- a. Establish a standard practice of regular cleaning and inspection of the scanner. Look for scratches on the glass, lines in the scanned images, fingerprints, etc. Establish a daily cleaning standard and specify what rollers and parts are to be cleaned--include a good spraying out with a can of compressed air.
- b. Set your scanning preferences and test the readability, tone, despeckling, and other settings. Once you have them where you want them, use a page that has type, vertical and horizontal lines, and halftone photos, and scan it. Save that image as a master. Make copies of all your settings (use screen captures in a user document) and then keep that master paper in a clean folder. Test your scanner

every 5000 sheets (or less if you prefer) by scanning the master, and then comparing it to the master.tif you created originally. You will notice any changes in line widths, scratches, light spots in type and halftone images, etc.

- c. Have the plant manager look at random images (I recommend at least once per week if you are doing daily takeoffs, or every 5000 pages if you are scanning a whole title plant) to verify the scanner or imported images meet your standards.

2. Certify Subdivision and Abstract Tables.

Check with your County Clerk monthly to ensure you have not missed any surveys or subdivisions that may have been added or changed since you last checked. Most title companies leave it to the indexer to catch a new plat while indexing. This is rarely a good practice. You should enter the subdivision description, as well as the plat information into the subdivision table when you find out a subdivision has been platted or re-platted. This is especially important when using outsourcing for your indexing. Here is an example of a properly entered subdivision in a haFILE subdivision table.



If you are outsourcing your indexing, make sure you provide an updated copy of your subdivision and abstract tables to your vendor. MAKE SURE NO ONE changes a table without authorization. Only one or two people should be allowed to add, change, or close subdivisions or abstracts. If you do not follow this rule, your title plant will quickly become useless. If your indexer finds a legal that doesn't seem to fit in an existing entry – they need to check with the plant manager to ensure it gets indexed properly. Many times the legal is actually typed wrong on the instrument, but the manager or the examiner will know where it is supposed to be indexed, and asking them instead of just creating new entries keeps your plant clean and valid.

3. Regularly review your instrument type codes.

Here is one of the biggest problems I see in title plant indexing. A poorly designed instrument type table can add literally thousands of hours of wasted time trying to find the right code. If you have more than about 100-150 instrument type codes, your table is out of control. Consider what the instrument does rather than what it is named. For instance, a deed is a deed is a deed! You may consider having a DEED, DEED OF TRUST, WARRANTY DEED, WARRANTY DEED WITH VENDORS LIEN, and MINERAL DEED. All other types of deeds fall into one of these categories and all the fancy titles for deeds are still just deeds. There are some instruments that don't even say deed, but when you read them – they are simply a deed. For instance, a 'CONVEYANCE' is really just a DEED! So are ASSUMPTION, EXCHANGE, DELIVERY, DISTRIBUTION, GIFT, PARTITION, and OWELTY deeds. I regularly work with title companies with 500 to 1000 instrument type codes. This does not help an abstractor or examiner. It actually hinders their examination and reporting. Here also, MAKE SURE NO ONE ADDS CODES without the authorization of the plant manager. Set up strict guidelines as to what is considered acceptable logic to add a new instrument type code. And finally keep your abbreviations short and meaningful as possible. 'D' works great if you only have one entry that starts with D. It is probably too cryptic if you have 30 entries that start with D.

4. Double verify your indexes.

This is an absolute MUST for title plants. You don't necessarily have to double verify every index field, but at a minimum, I recommend you double verify the grantor, grantee, and legal fields. If you outsource your indexing, make sure this is part of the contract.

5. Spot check indexing.

This is another important job of the plant manager. Indexes should be spot checked at least every 50-100 instruments. You may even want to

go down to every 25 instruments. This should also be a part of your outsourcing contract.

6. Check accuracy percentage for each indexer at least once every month.
This will ensure you stay above 99% accuracy which should always be your goal. It also provides you with an added employee performance tool for raises and bonuses. Here is how you do it.
 - a. Once a month, select 100 records a specific indexer has indexed prior to verification (you can use a halFILE Transaction Report to measure percentage after verification).
 - b. Verify each record and track each time a record is indexed improperly. You should also check dates, instrument codes, clerk number and volume/page entries for the purposes of this process.
 - c. Calculate the percentage of accuracy as follows:
Percentage = 100% – (Total Errors / (Index Fields X Instruments))

EXAMPLE:

John's title plant has 9 index fields. He selected 100 instruments that were indexed by Sarah. He verified them and found 17 fields with mistakes. Her percentage of accuracy is 100% minus the percentage of errors as follows:

$$100\% - (17 / (9 \times 100)) = 99.98\%$$

7. Let users make corrections.
If you have inherited a plant with lots of mistakes in it, consider giving your other users permissions to correct entries. If you are using halFILE, I would only suggest this if you are using versions greater than 2.2. Make sure you set your options to send alerts to the halFILE administrator every time an instrument is changed by someone. The administrator or manager can then go over the report daily or weekly to check the corrections to make sure they are correct.
8. Run a 'GAP' report.
This is a report that uses a special SQL query to find any gaps in instrument (clerk or document) numbers. This is extremely helpful when you want to make sure no instruments are missing in your plant. It gives you a report by instrument number and range of what instruments are missing. You can then check with the county clerk to see if the instrument

number was purposely skipped, or if the instrument is missing in your title plant. TDMS has this custom report available to subscribers.

9. Run a 'MISSING PAGE' report.

This is another custom report available to TDMS subscribers. Some title plant applications record the number of pages in an instrument. Some do not. For those that do not, the report has to do some fairly complex looking and counting tasks to let you know if any pages are missing. This report can take a long time to run if you are doing it for your whole plant. After you have checked your whole plant, you should run this report every time you import records. It will work whether you have archived records or not. NOTE: This report will also find instruments that have extra pages in them. It is a handy report.

10. Run a 'MISSING LEGAL' report.

There are certain instrument types that you know should always have some kind of legal entry. By running this report, you can find records that match your instrument type criteria that have NO ENTRIES in any of the legal fields. You can also configure it to check the prior reference fields for releases, Deeds of Trust, Warranty Deeds, Liens, etc. where you know a book and page reference should have been indexed. It can also be configured to test for erroneous blanks in other index fields such as grantor or grantee, file date, clerk number, etc. This report is available to TDMS subscribers.

Conclusion

Always remember that your goal is a title plant higher than 99% accurate – preferably 99.9%. By using the techniques I have described, you can feel comfortable writing title policies based on your title plant. You can also feel comfortable sharing your data with outside users for revenue and can offer them a truly certified product. Follow the guidelines and keep good records of each certification step, when you did it, and what the results were. One day you may want to sell your title company. A title plant that can be shown to be certified 99.9%+ accurate with written records can be worth a lot more than one that isn't certified at all. Call TDMS today and let us add you to our group of subscribers. We will provide you with the custom reporting tools you need to keep your data

accurate, and improve all your title company processes. Our qualified consultants are familiar with most standard title plant software and technology. We can also help answer any other title company business practice and process improvement questions. 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

www.tdmsinc.net