

Outsourcing Your Title Plant

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Preface

The decision to outsource any portion of the maintenance of your title plant to another company can be a difficult one. By reducing information to simple business terms, it becomes an informed business decision based on adequate facts. This White Paper discusses the different parts of a full title plant, what can be outsourced, and how to do it.

The Title Plant

Title companies consider the title plant to be a central repository of land record information for the county where they do business. It can be a combination of index cards, databases, microfilm, microfiche, paper copies of documents, tract books, and digital images. In actuality, a complete title plant should include probate information, marriages/divorces and other district court information, bankruptcies, plats, maps, closed files, and abstracts. Your county or state may have other types of data that improve your ability to provide title policies that are clean and free of liability. The goal is to automate and digitize all of these sources of information so the examiner can access them from the computer console, see both index and image information, and produce reports that consolidate the information into a usable format. As a title company owner, you should carefully consider each of these sources of information and their impact on your examination process and level of liability.

How much does my title plant cost?

The first step in making a decision on what can be outsourced is to evaluate what you have, and what it is costing you to maintain. Here is how you do it.

1. Break your title plant into the main types of information, i.e., land records from the County Clerk, probate/docket from the District Clerk, Bankruptcy from the Circuit Court, Plats and Maps (may be internal or may be from the county) , prior or closed files (internal), Abstracts (internal).
2. Compile a spreadsheet of associated costs for each type of records for the previous 12 months. Cost should include:

- a. Cost to obtain information (i.e. most counties charge a monthly subscription fee to obtain indexes and images)

Example:

John pays his County Clerk \$150 per month to receive a CD each week with the previous week's daily takeoffs – images only.

- b. Indexing cost (you will need to measure how many records your indexer completes per hour, and multiply that by the total employee cost per hour and number of records per month. Be sure to add hidden employee costs such as employee taxes and benefits when measuring costs)

Example:

Betty can index an average of 200 County Clerk records per day (7 hours). Joan can verify those 200 records in 4 hours. You receive approximately 2,300 records per month. Betty's labor costs are \$23.00/hour. Joan's labor costs are \$27/hour. Your land record indexing costs are:

Betty & Joan Labor Costs (per record) X records per month = Total Costs

$$[200/(23 \times 7) + 200/(27 \times 4)] \times 2,300 = \text{Total Costs}$$

$$(1.2 + 1.85) \times 2,300 = \text{Total Costs}$$

$$3.05 \times 2,300 = \$7,015.00$$

- c. Storage/maintenance costs.
 - i. If the records are paper or microfilm , you must measure the square footage of storage area, and then multiply that by the square footage cost of maintaining your building – lights, A/C and heating, cleaning services, taxes, rent/mortgage payments, etc.
 - ii. If the records are electronic, then measure the amount of time all users are using the title plant per month, then calculate the automation cost for the plant as follows:

$$\text{Cost} = (\text{TP}/\text{TT}) \times \text{TC}$$

Where

Cost = Cost of Title Plant automation

TP = Title Plant time per month (in hours)

TT = Total Time automation is used per month (to find this number, multiply the number of employees that use the company network by the number of hours worked for the month)

TC = Total Monthly IT Costs

Example: John has a digital plant with land records only. He has one indexer/abstractor, and one examiner. Additionally, his closers access the plant to view documents from time to time. John used an admin report to tell him the total time users were accessing his title plant for the previous month was 187.7 hours. He has a total of seven employees that use his computer network. He calculated that seven employees using the network for approximately eight hours per day equals 1120 hours per month. His total IT costs per month (see "How To Manage IT in a Title Company" for instructions on how to calculate true IT costs) are about \$2,700. Using the formula, John's Title Plant Automation Costs are:

$$\text{Cost} = (187.7/1120) \times 2,700 = \$450/\text{month}$$

What Should I Outsource

There are options available today to outsource your entire title plant, including the actual data storage and access. Additionally, you can outsource your search, examination, commitment, and policy typing functions. The level to which you want to outsource is dependent on these factors:

1. Cost savings. Measure the cost of the outsourced item and compare that to what you are paying to do it internally.

Example:

John has decided he wants to outsource his indexing costs only. He has found a vendor that will charge \$0.35 per document to paginate and double verify index each document with 99.7% guaranteed accuracy. His projected indexing costs will be:

$(.35 \times 2300) + \text{mailing costs } (\$60/\text{month}) = \text{Total Index Cost}$

$$805 + 60 = \$865/\text{month Total Index Cost}$$

John's outsource vendor will charge a one-time fee of \$2,500 to assist him with cleaning up his title plant instrument, abstract, and subdivision tables; write a script to import the data from the outsource vendor into his database; and merge with the images from the courthouse.

Using the examples above John has measured the total cost to operate his title plant and the cost savings to outsource his indexing:

Current Title Plant Maintenance Costs

Item	Monthly Cost
County Clerk Images	\$150.00
Indexing	\$7,015.00
Storage	\$450.00
Total	\$7,615.00

Projected Title Plant Maintenance Costs

Item	Monthly Cost
County Clerk Images	\$150.00
Indexing	\$865.00
Storage	\$450.00
Total	\$1,365.00

Using this scenario, John can potentially save \$6,250 per month in Title Plant Maintenance costs. His Return On Invested Capital (ROIC) will be less than one month. Additionally, if John redirects the activities of Betty

and Joan, he can now process twice as many commitments which adds additional profit to his bottom line without adding any labor.

2. Find out how fast the outsource vendor can turn around your work. Most vendors can complete several thousand records in a 24-hour turn around without much trouble.
3. Make sure you have a fail-over plan available if you can't get your data from your vendor for whatever reason.

Example:

John knows that if he can't get a week's data from his vendor for whatever reason, he has trained individuals on staff that can index the records for several weeks before he has to consider alternative solutions.

4. Decide how comfortable you are with outside vendors providing data indexing services. Some Title Company owners are not able to overcome the fear of errors or of the outsource vendor selling their data without their knowledge. Although these are always valid concerns – consider the following as resolutions:
 - a. Use a consultant to help you ensure your contract with the outsource vendor includes methods of data checks, accuracy level guarantees, table standardization, indexing rules, delivery expectations, data format requirements, etc.
 - b. Use an attorney to help you review the contract to protect your data.
 - c. Be sure to ask for and contact references.

Outsourcing Opportunities

There are many aspects of your title plant operations that can be outsourced. There are also many vendors, both foreign and domestic, that can do a better job at these repetitive operations than local employees. Here are some examples:

1. Indexing.

Indexing outsource opportunities are currently available all over the world. The cost for this service varies greatly from vendor to vendor. The majority of vendors with actual title plant experience are located in India and the Philippines. Their services include the following:

- Paginating images into documents
- Indexing some or all of the document. Sometimes you may only need the legal indexed if you receive all the other information from the Courthouse with your weekly or daily takeoffs.
- Double Verify. Considered a must for title plant operations.
- 99%+ level of accuracy. Also considered a must for title plant operations.
- Various methods to import the data into your plant. You should consider hiring a consultant to help you find the best way to do this. Current technology has enabled us to do a lot more things with data today, but this is going to rely heavily on what you have within your IT infrastructure, and what the vendor is capable of providing.

2. Abstracting (searching) and Examination.

You may want to outsource your search and examination functions. This type of outsourcing requires some basic underlying functionality, but can often be done for as little as \$15/order. In order to do this type of outsourcing, you will need to hire a consultant to help you find the best way for the vendor to communicate with your plant, how to get the information back and forth, and whether your IT infrastructure will support the process.

3. Commitments.

Typing commitments is a function that is gaining popularity with outsource vendors. This is another place you may want to enlist the services of a consultant to help you identify whether your vendor can interface with your production software. You will also need assistance with the contract to ensure adherence to a solid set of specifications as to format and content. However, the investment in time and resources to get a contract in place can lead to great savings. You can get a full search, examination, and commitment done for as little as \$20/order and usually in a 24-hour turn around. This allows you to focus your personnel resources on production – not your plant and commitment process. Remember that your individual state statutes may restrict what activities you may actually outsource, so make sure you are familiar with what they are and how they impact your outsourcing plans. You may want to enlist the services of a consultant and an attorney for help.

4. Policies.

This is another area that can be done easily by an outsource vendor usually within 24 hours. This can save the title company a lot of resources in labor, while generating a lot of customer satisfaction. Once the outsource vendor is familiar with the underwriter formats required, this is a simple function of typing. A consultant can help you decide if you want the vendor to type policies directly into your application using an RDP or Citrix connection, or provide the finished policy in some other format for you to import. A lot will depend on how your production software works, and how easy it is to connect to your production application.

Conclusion

Remember that technology has made the globe your market place. You no longer have to find qualified labor locally to do simple and repetitive tasks. With some common sense planning and measurement, you can make an informed business decision on whether to outsource some or all of your title plant operations. In today's technology environment, it rarely makes business sense not to outsource at least your indexing. And if you have a complete plant, your opportunities to outsource other functions are greatly increased. Call TDMS today and let us walk you through the steps to see if you are a candidate for outsourcing your title plant functions. 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 outsourcing project with little or no impact on your current operations. Call TDMS today. We truly improve the process of doing business



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