Efforts by HUD to reform RESPA

■ *Scott Pierce, Sr. Vice President*

We are all following with great interest the ongoing efforts by HUD to reform RESPA. As you may know, HUD has recently withdrawn its "final " rule from further review by the Office of Management and Budget (OMB). HUD stated that its intent is to provide industry groups, Congress and consumers a chance to comment on a new proposal to be submitted at a later date. HUD's reform lost many of its major supporters along the way and faced serious questions from Congress regarding the reform's impact on small business. In addition, many opponents of the proposed rule questioned HUD's statutory authority for some of the proposals. However, the reform itself and associated discussions have stimulated efforts by residential lenders to bring bundled settlement services and "one fee" pricing to the consumer. Regardless of what eventually happens with HUD's RESPA reform plans, the efforts by lenders to bundle settlement services and pricing has already begun in earnest and is anticipated to continue.

Department of Financial Services Steps up Enforcement

■ *Scott Pierce, Sr. Vice President*

A recent investigation by the Office of Insurance Regulation of the DFS into the business practices of a title agent has resulted in a settlement agreement, dated March 23, 2004, for alleged violations of the State's anti rebate statute. The agency, which was an affiliated business, was fined more than $40,000 for engaging in business practices that were "contrary to statute and Department's rules governing the relationship between title insurance agencies and real estate brokers."

Although the practices of the agency were not completely clear, it appears that multiple agencies were operating out of a single location using the same personnel. Additionally, it would appear that there was an issue regarding the proper capitalization of the businesses. The Settlement Agreement requires the agency to maintain a completely separate office from any other title agency, to be staffed by employees that work only for that agency, without sharing expenses for employees and services with another title agency. Furthermore, the Department required that the agency maintain sufficient operating capital and net worth to conduct its business, and provide a return on ownership interest proportional to each owner's capital contribution.

This has the look and feel of RESPA enforcement. The Department has clearly focused on the issues HUD has stated are critical to determining whether or not a particular affiliated business is legitimate or merely a sham. In addition to this investigation and settlement agreement, it is rumored that there may be dozens more investigations underway focusing on sham affiliated business operations.

These are complicated issues with serious ramifications. Any agent contemplating the formation of an affiliated entity is encouraged to contact Old Republic Title's Underwriting Department for assistance.

Old Republic Joins Fortune 500

■ *Scott Pierce, Sr. Vice President*

In the annual compendium published by Fortune Magazine for the past 50 years, Old Republic has been listed in the latest issue as number 491 in terms of revenues. Revenue achievements aside, Old Republic ranked even higher in terms of other important performance benchmarks among the Fortune 500 group:

- Our net profit placed us in the 223rd position among the 500;
- Our shareholders' equity ranked us in 235th place;
- Our profit margin of 14.0% placed us in the 65th position; and
- Our ten year (1993-2003) annual growth rate per share (11.0%) and total annual return to shareholders (17.0%) took us to 135th and 94th places, respectively.

It is gratifying that this recognition of Old Republic's long-term performance should come on the strength of its best-ever year and its 80th anniversary. This recognition belongs to everyone associated with Old Republic, including you, our customers. Thank you for your continued support.