OLD REPUBLIC
National Title Insurance Company

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Memorandum

To: All Agents & Attorneys in the State of New Mexico

From: David W. Rhodes

Date: April 28, 2006

Re: Annual Escrow Compliance Procedures

Last year many of the New Mexico Escrow Accounting Procedures were amended or changed. This is a reminder that now for the first time, title agents are required to have their escrow accounts reviewed by an independent certified public accountant. 13.14.4.11 NMSA, 1978 requires the C.P.A. conducting your audit to determine that available funds are received and deposited before any disbursements are made. The C.P.A. is also to closely scrutinize dormant escrow funds and to check all credit balances open for 3 years or longer as of December 31.

The C.P.A. must also examine checks written from an escrow account to an operating account or transferred to another escrow account. Checks must be audited to determine proper signatures, payees and endorsements. All escrow receivables in excess of $200.00 are required to be set out on a separate schedule and bank overdrafts must be explained. The C.P.A. will review disbursements and that any charges for overnight mail service, messenger services, copies, recording fee or tax certificates are actual charges or reasonable estimates. All payoffs of prior liens must be reviewed and monthly bank reconciliations will be checked.

Copies of the four schedules the C.P.A. is required to attach to his audit are attached to this bulletin.

The C.P.A will provide copies of his report to the title agent. The Agent must then mail a copy to the New Mexico insurance division by certified mail within <u>180</u> days of the fiscal year end. You are also required to send a copy of the C.P.A. report to each underwriter you represent.