



TITLE TALK

Old Republic National Title Insurance Company

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A Holiday Message from our President

Dear Friends:

It is that time again, when along with holiday cheer, time with friends and family, and bedecked trees and lamp-lights, I find myself contemplating the year that has passed and the one yet to come. There can be no doubt that these past several years have been difficult ones in many regards. Economic hardships have challenged families and businesses, forcing many to confront the loss of stability, work and even their homes. Worries of the unknown have had an astonishing effect upon even the most confident of persons, leaving many to wonder what they can rely on.

As a firm believer in the power of positive thinking, I cannot discount the fact that often good is born of hardship. The recent recession is no exception. We have watched in the papers, on television and in the lives of friends, as individuals have learned to live with less; as the entrepreneurial spirit has soared with new passions and careers being explored; as individuals wanting to give back to their communities have created a surge in volunteerism; and as families have become even more closely knit, renewing ties and the faith that collectively we are stronger than alone. What does this mean? That maybe the newest model car or gadget isn't necessary to our happiness. That to live in pursuit of our dreams is perhaps better than to live with too many "what ifs." That there is much to be learned from the age-old sayings that to give means to receive and that family *is* truly where the heart is.

In looking toward 2011, I am confident in our ability to persevere despite economic uncertainties. By utilizing a conservative business approach, Old Republic Title has been able to weather economic hardships in the past and will continue to do so in the future. We pass this unwav-

ering strength and stability on to our customers through our century-plus commitment to doing business with integrity, by always standing behind our claims, and through unparalleled support to our agents and operations. It is no small wonder that since 1992, we have held the distinction of being the highest rated title insurer in the nation.

On behalf of the directors and executives at Old Republic Title, I'd like to thank you, our hardworking and loyal employees and agents, for your continuing dedication to the Company. Without your commitment and enthusiasm, Old Republic Title would not be the industry leader that it is.

Thank you for another great year! May your holidays be rich with family, friends and cheer, and may the New Year bring you health, happiness and continued success in all your endeavors.

Sincerely Yours,

Mark Bilbrey
President, Old Republic Title Insurance Group



Mark Bilbrey, President, Old Republic Title Insurance Group

Three Glenhardie Corporate Center • 1265 Drummers Lane, Suite 220 • Wayne, Pennsylvania 19087 • 610-687-8020
800-842-2080 • FAX 610-687-6056

Calder Square • PO Box 10326 • State College, Pennsylvania • 16805 • 814-238-3600 • FAX 814-238-3604

790 Holiday Drive, Pittsburgh, Pennsylvania 15220 • 877-596-1260 • FAX 412-921-6417

What is it? CPL? CSL? ICL?

Okay: Closing Protection Letter, Closing Service Letter, Insured Closing Letter. It's all the same thing. Our Rate Manual calls it a Closing Service Letter, and it costs \$75. But really -- what *is* it? Why does it exist, and what does it do?

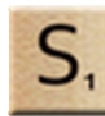
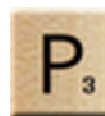
To understand that, you first have to remember that agents are more than just title agents. They're settlement agents, too. As *title* agents, your underwriter is ultimately responsible for everything you do, since you're acting on their behalf when you issue commitments and policies. But as *settlement* agents, closing and disbursing transactions, you're on your own. What if you do something wrong and parties lose money because of it? That's where the CSL comes in.

Consider the following scenario, *without* a CSL: the owner of Evil Settlements can no longer avoid his gambling debts and would like to keep his kneecaps intact. He's just received an order for a \$5 million dollar purchase. The buyer will be getting a \$4 million dollar mortgage. The seller has a \$4.5 million dollar balance on her mortgage. Mr. Evil collects \$4m from the new lender, \$1m from the buyer, closes the deal, and gives the seller a \$500,000 proceeds check. Mr. Evil then cleans out his escrow account and hops on the next bus for Tijuana. He didn't record the deed or mortgage, didn't pay off the seller's mortgage and didn't pay his underwriter their split for the policies. Whether the proceeds check clears or not, the seller is still the record owner, and the seller's lender still has a valid first mortgage on the property. But, now the new lender is out \$4m with no mortgage, and the buyer is out \$1m with no deed. To whom can they turn for redress? The underwriter hasn't been paid, so there's no claim under any policy. What can they do?

For these unfortunate imaginary people, not much more than cry in their beer. But had the lender required the borrower to pay an additional \$75 for a CSL, they'd have a happier ending. Basically, a CSL is an undertaking by the underwriter to protect certain parties from financial harm resulting from the agent's failure to follow closing instructions. In Pennsylvania, a CSL can be issued to a lender,

the lender's assignee, the lender's warehouse lender (who lends the lender the money to fund the mortgage), a buyer, or a lessee (the "beneficiaries"). The charge is a flat \$75 per transaction, no matter how many letters may be issued.

As with title policies, there are Conditions and Exclusions. The liability amount is limited to the amount of the title policy. Coverage under the letter is only good for one year from the date of settlement. The letter is only good for one



transaction (some states permit the issuance of "blanket" letters, covering all transactions settled by a particular agent). Either the claimant or the underwriter can demand arbitration if the policy amount is less than two million dollars. The letter doesn't cover losses as a result of bank failure, fraud by the beneficiary of the letter, matters which would be covered under the title policy, losses the beneficiary caused or agreed to, or losses

which the beneficiary suffered by settling a claim without the underwriter's prior approval. In a nutshell, the CSL protects the beneficiary from losses incurred as a result of the agent's failure to follow closing instructions, fraud, or misapplication of money, and nothing else.

We've all had closings where the borrower insists on reading every document and having all charges thoroughly explained (I didn't say "engineers"). Must you tell them that the CSL protects them or their lender in case *you* do something wrong? You certainly don't have to put it that way. You can simply tell them the letter affords additional financial protection not provided in the title policy (in the event there's some confusion or misunderstanding about the closing instructions). If the buyer asks to be issued a CSL, you of course must provide one. It will be identical to the lender's, but addressed to the buyer. There is no additional charge. Please note that I said "buyer" and not "borrower." The letter is not available to the borrower on a refinance.

There have been no reported cases of agents losing sleep because they didn't quite know what a closing service letter does. However, it's a product you sell to customers, and you look good if you're able to explain what it is. I hope this little articles helps.

Credit Corner

Need credits? Take a look at these quick online resources:
www.plti.org

UPCOMING SEMINARS:

January 12, 2011

PLTA Mid-Year Meeting

3 CE/CLE Credits

Dolce Hotel, King of Prussia

Register at www.plti.org

May 16, 2011

Old Republic Seminar

6 CE/CLE Credits

Crowne Plaza Hotel, King of Prussia

Registration and Details to Follow

Congratulations Anne Anastasi, CLTP

During the Annual ALTA Convention at the Manchester Grand Hyatt in San Diego, CA the week of October 10, Anne Anastasi was named president of the Association. Anne provided a moving inaugural speech, as well as setting out her vision and direction for the Association in the upcoming year. The speech ended in a standing ovation. The association will be well served by her passion for the industry, her keen insight, and her dedication to continue the many fine initiatives already underway.

Congratulations and best wishes, Anne!

Use IRA Funds to Purchase a Home or Investment Property

Can your clients purchase a home with IRA money?

Yes! Do you have clients that want to invest in Real Estate and are having trouble finding the assets? Perhaps these clients have IRA assets that they can use. Most people have no idea they can purchase real estate using their retirement money.

- You can purchase single family homes, multi-unit home, condos, apartments, commercial properties, etc.
- Your IRA can be a partial owner in the deal. You can partner up with your non qualified money, another person, or another person's IRA.
- There is no time limit to how long you can own this property

It can be used as an investment property, a rehab property, or used to simply appreciate in value

What type of investment product is this?

This is not an investment product at all. Many people think an IRA is an actual investment vehicle or product. It is not. When assets are given "IRA" status, it simply means that these assets have a different tax treatment. As long, as you are able to properly account for these assets (which is no easy task) you actually have a large universe of investment vehicles to utilize. They include stocks, bonds, real estate, even art work.

How do I buy a property using 401K plan or IRA money?

If you currently have assets in an IRA, in most cases, you can sell your mutual funds, bank cd's, stocks, or whatever else you are holding in your IRA account. The assets are then transferred in cash to pay for the transaction. Depending on the investment inside your IRA or 401K there are usually no penalties for this type of transaction and it is usually a tax free transaction. It is considered an IRA transfer, not a distribution from your IRA.

For example:

- Client has \$200,000 in 401K from a previous employer
- Client wants to purchase a house for \$300,000.

- Client sells the mutual funds in the 401K plan.
- Client taps a home equity line on his primary home for \$100,000. (this is called non-qualified money, which basically means it is not retirement money)
- The seller gets \$300,000
- Client now has \$200,000 in equity in the house which is IRA money.

What is the catch? Sounds too simple....

It does sound too simple. And it is not that simple! It is imperative to use an accounting expert that specializes in these transactions. This is where things become complicated. There are many rules about this type of transaction. For instance, the property may not be used as a vacation home for the IRA owner. How are the expenses for the home applied to the IRA money? The IRA owner cannot have a close family member do repair work on the home. IRS guidelines must be understood and followed closely with these transactions.

Is this a smart investment for you or your clients?

That all depends on your individual investment goals. You should work with an expert to review your investment options. You might like the idea of owning real estate however you may not be used to working so hard for your IRA investment. You never have to repair the roof on your mutual fund portfolio!

It is a very personal decision and should be thought out clearly while reviewing all of your options. If you proceed with a transaction like this, as mentioned above, you must work with an expert in this specific arena.

Tim Powers, Powers Capital Management, is a local financial advisor that advises clients on their IRA/401K investments. Tim also works with a company that specializes in the accounting for these types of real estate transactions.

Tim Powers

Powers Capital Management

610-397-8624

Ask the Underwriter

Question: We have a lender who wants just the husband to sign the mortgage on a refinance of property owned by husband and wife. Since the lender is instructing us to have just the husband sign is this alright?



Answer: **Absolutely not.** In order for us to insure the new mortgage it must be executed by both spouses or a deed must be executed and recorded conveying the property from the husband and wife to the husband alone. Under Pennsylvania law both spouses must execute the mortgage or it is not a lien on the property.

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Old Republic National Title Insurance Company

Three Glenhardie Corporate Center
1265 Drummers Lane, Suite 220
Wayne, PA 19087

