



OLD REPUBLIC

National Title Insurance Company



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Good afternoon,

Happy St. Patrick's Day!

Today is the one day a year when the **color green** is celebrated by everyone - **whether you are Irish or not.**

Did you know that **the specific date for Spring to begin** each year is selected by when the **sun is set** to be directly over the equator? Spring begins this year on Friday, March 20th.

Here's what I have for you in this month's issue of **ORT News!**:

- **Who's new** to the **ORT Central Title Group**;
- What **thirty years** and **Gary Griffith** have in common;
- **FAQ's** for the title industry;
- Information on the recent **IRS Vacation Home Ruling**, **HUD's Proposed RESPA Rule Change**, and the **Federal Trade Commission crack down** on Mortgage Foreclosure "Rescuers";
- How **customer service is like High Def** television;
- **and more.....**

Regards,
Shannon Skurner

Inside ORT

What's new, announcements and quick tips.

Welcome!

ORT Central Title Group is pleased to announce the **acquisition** of **American-First Abstract Company** located in Norman, Oklahoma. To learn more about American-First, please visit their website at: www.americanfirst.com.



Thirty Years?

Gary Griffith will **celebrate his 30 year anniversary** with the **Old Republic** family on March 28th. Gary is currently the **president** of **Old Republic Title Company of Conroe**.

Congratulations, Gary!

Helpful Tips

How many times have you been asked

"What all do I need to bring with me to the Closing?"

To **see a listing** of the most **commonly asked questions** - along with **the answers**, please visit: www.oldrepublictitle.com/newnational/Resources/Primer/faq.asp. While you're there, you might consider printing out copies of the **Closing Checklist** and providing it to **customers** to help them **better prepare** for their closing.

Title Business News

IRS Issues Vacation Home Ruling

Released as a Revenue Procedure, the IRS has just issued a new ruling that sets forth the guidelines for those taxpayers wishing to do a 1031 exchange involving a vacation home.

Up until last year there was no guidance from the IRS indicating if vacation homes were investment or personal property.



Here are the guidelines of what has to be done to qualify a vacation home for a 1031 exchange:

- A **24 month holding period** is imposed for the **old property that is the vacation home**, or the **new property if a buyer intends** to buy the vacation home, or **for both** if a person is moving from one vacation home to another.
- For **each 12 month block** of the holding period, the **vacation home must have been rented** for at least 14 days at a fair market rent.
- Also **during each 12 month block**, the **owner of the vacation home is only allowed** to use the property for the greater of 14 days or 10% of the days rented. Days that relatives use the vacation home - presumably for free, count against the owner.
- The vacation home owner is **allowed a reasonable number of "maintenance days"** to care for the property. What is **meant by reasonable**? Even the IRS knows it does not take a week to shampoo the carpets.

What happens if **the guidelines aren't met**? It **does not mean** an automatic IRS audit - **nor does it mean that the exchange is invalid**.

For more information, contact **Alan Hall** with **ORT's 1031 Exchange Division, OREXCO**, via email at: ahall@orexco1031.com, or by calling 866-622-1031.

HUD Proposes Changing RESPA Rule

To **protect consumers** from unnecessarily high settlement costs, **HUD is proposing to simplify and improve** the disclosure requirements for mortgage settlement costs under the Real Estate Settlement Procedures Act of 1974 ("RESPA").

This **proposed rule takes into consideration: discussions** during HUD's RESPA Reform Roundtables held in July and August 2005; **public comments** in response to HUD's July 29, 2002, proposed rule that addressed RESPA reform; and comments received and views expressed through **congressional hearings; meetings** with affected parties; and **consultation with other federal agencies**, including the Small Business Administration Office of Advocacy.

You may read the **HUD RESPA Proposed Rule** at:
[http:// www.alta.org](http://www.alta.org)

ALTA has **issued a statement** regarding the Proposed Rule which may be viewed by [clicking here](#).

Federal Trade Commission Charges Mortgage Foreclosure "Rescuers"

The FTC is **cracking down on businesses that entice homeowners** into high-cost, short-term loans secured by an additional mortgage. You may read the full report by visiting: <http://www.ftc.gov/opa/2008/02/rescue.shtm>.

Ask Ann...



*ORT's Chief Audit Officer
answers your troublesome
title questions.*



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Situation: A couple is borrowing money to construct a home on the identical property they purchased for \$50,000 in March 2006. They received an Owner Title Policy in the amount of the sales price when they purchased the land. The new construction loan amount is \$180,000. The construction lender has an appraisal that reflects the value of the land and new home - when completed, at \$250,000.

The borrower is eligible for a surrender credit for the existing Owner Title Policy under R-5(A) since (i) the property previously insured is identical to the land to be insured in connection with the contemplated improvements; (ii) the existing Owner Title Policy was issued within the last four years; (iii) there has been no change in ownership; and, (iv) the new Residential Owner Policy issued in connection with this closing will contain P-8 language.

Question: (1.) How much should the liability of the Owner Policy be - the construction loan amount of \$180,000 or the appraised value of \$250,000?

Question: (2.) How much credit for the previous Owner Title Policy?

Answer: (1.) Under R-3, the Owner Policies shall be issued for an amount equal to the value of the land and - at the option of the insured, the cost of the improvements immediately contemplated to be erected thereupon. So, the liability of the new Residential Owner Policy should be the value of the land and contemplated improvements which would be the appraised value of \$250,000. Remember, if the issued policy was only for the cost of the contemplated improvements (\$180,000), the owner would be underinsured as no value would be given to the land upon which the improvements were constructed.

Answer: (2.) Rate Rule R-5 states the "*credit shall be given against the premium of the Owner Policy to be issued for the amount of the premium paid by any party for said previously issued Owner Policy.*"

Using R-5 of the Basic Manual, the premiums should be calculated as follows:

- Premium for \$250,000 Residential Owner Policy - \$1,644.00 (new rate)
- Credit for \$50,000 Surrendered Owner Policy - less \$520.00 (old rate)
- Premium for new \$250,000 Residential Owner Policy - \$1,124.00 (TDI code 1230)

Simultaneous issuance would apply for the Mortgage Policy - therefore, the premium would be \$100 plus premium for all requested endorsements.

Business Partnership Corner

Crisp and Vivid High Def Customer Service

High Definition ("HD") television **produces a great picture**, doesn't it? The images are **sharp and crisp and the colors are so vivid**. When you watch HD television you feel as if you are in the scene.

Most of us **give no thought to the parts** responsible for that beautiful TV image **until something goes wrong**. Only then do **disbelief and disappointment set in** and suddenly we're thrown in to learning about such things as resolution and pixels.



Customer Service can fail in the same way. Business seems to be going smoothly. Everyone agrees that **providing excellent customer service is the number one goal.** Complaints are non-existent. No news is good news, *right?* **Wrong.**

To read the rest of the article, which includes tips on developing a framework for customer service, [click here.](#)

Just For Fun...

Bizarre & Unique Days of the Month

The **month of March isn't just about** the end of Winter, the beginning of **Spring**, and **St. Patrick's Day.** Here are some **bizarre & unique special days** for the rest of the month:

- March 19 - *Poultry Day*
- March 20 - *Extraterrestrial Abductions Day*
- March 22 - *National Goof Off Day*
- March 23 - *National Chip & Dip Day*
- March 25 - *Waffle Day*
- March 29 - *National Mom & Pop Business Owners Day*



Want to see more?

Visit: <http://holidayinsights.com/moreholidays/march.htm>