

TTR FEATURE REPORTS

Exclusive Report: Integrated Title Technology ... Counting the numbers of clicks and handoffs for resale transactions (Part 2 of 3)

Transaction management systems (TMS) are not new, but TMS integrated with title production systems are improving customer service, communications, and document management, while reducing duplicative and inefficient work processes.

In our exclusive series of reports on TMSs we're taking a close look at a platform that connects escrow and title officers with customers and service providers. In Part One (*See TTR 9/22/03*), we provided an overview of TMSs, vendors and their products, and some of the barriers to implementing this technology. In this, the second in the series, we drill down to quantify costs and savings TMSs bring to the title and escrow production environment.

Transaction management systems are web-based platforms that allow users to view and transfer documents on-line, track orders, send and receive updates. These systems are designed to improve the efficiency of the real estate closing process and make it more transparent to the various parties to the transaction.

"Our company has found opportunities to utilize a TMS within our operations, specifically, to do tasks leading up to the actual closing," said **Andrew Wert**, an executive at Metropolitan Title Company. "The number of handoffs and mouse clicks per order has been reduced by half."

Efficiencies like these stack up to a heap of savings. Actual savings, however, depend on the system, its ability to integrate with existing title production and other internal processing and accounting systems, and many other considerations that will be covered in the third part of this series.

In this issue of *The Report* we quantify savings associated with two of the dozen or so commercially available transaction management systems: Stewart's SureClose TMS and SettlementRoom's SR Enterprise TMS. These systems were selected for analysis because they represent a cross-section of the TMS population. SureClose is the product of a large national title insurance company and Settlement Room is an independent TMS developer. While they share functional attributes, each is geared toward a different segment of the industry.

SureClose is a collaboration between Stewart Title and RealtyAssist that enables Stewart affiliates or independent title agents to set up the closing file and levels of Web access to a centralized channel for all parties in a real estate transaction. Buyers, sellers, real estate agents, brokers, builders, lenders, title agents and other service providers such as surveyors and pest inspectors can access the transaction via a secure, password-protected Web site. SureClose integrates with Stewart's AIM for Windows and VAX AIM title production systems.

SR Enterprise is a straightforward and adaptable system designed for a variety of users including title agents and Realtors. The system allows various parties to schedule tasks, order services and update files. The developer focuses on simplicity and adaptability to the needs of user groups and SettlementRoom relies on the client to facilitate the integration of SR Enterprise with its own legacy production platform.

Before turning to the subject at hand, we first offer a few words about the methodology used in the analysis.

Study methodology

October Research Corporation, publisher of *The Title Report* commissioned settlement services industry consultants, to analyze before-and-after work flows, develop activity based cost models, and identify direct cost savings and any increased production capacity gained by using TMSs within title and escrow operations.

The study included on-site and telephone interviews of current users to measure before-and-after TMS implementation work effort and communications within workflow tasks from order receipt through closing and post-

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closing. The analysis focused exclusively on residential resale transactions where both title and escrow were processed in-house. Refinance and other non-resale transactions were not analyzed, although TMSs are applicable to these transaction types as well.

October research interviewed over a dozen processors, IT managers and executives at four companies that use these systems: Metropolitan Title (South Bend, IN), Home Abstract and Title (Woodway, TX), Prudential One Realty (South Bend, IN), and Colonial Guaranty & Title (Hialeah, FL). Although individual work tasks were not rigorously timed, the company is confident in the methodology, the credibility of the participants, and the final results.

Here are some select results on TMS cost savings:

Telephone calls

Much of the savings that can be squeezed out of the settlement process results from reduction in phone calls for status updates fielded by escrow and closing officers and staffs. Escrow officers at Metropolitan Title and Home Abstract and Title say telephone calls dropped from 30 per transaction before implementing SureClose to about 20 today. It is notable that this 33 percent reduction coincides with an unprecedented rise in industry order volume.

“We anticipate that 70 percent of the time currently spent fielding status update calls will go away,” said **Brian Housand**, an account executive at Metropolitan Title Company in South Bend, IN. “This will free up our people to concentrate on delivering the service and let our Realtor clients develop their business rather than following up on statuses.” (Less telephone savings are realized in the title search and examination phase, as there is relatively little phone interaction between title examiners and others involved in the transaction.)

Fax correspondence

Research has shown that in addition to paper and toner, time and money are wasted feeding and collating documents delivered via often jammed fax machines. TMSs alleviate much of this waste. Escrow personnel report that TMS implementation reduced faxes by 35 percent, on average. Title examiners say TMSs virtually eliminate faxing altogether. Not only does this cut out fax expense, it affects customer service as well. “We recently started using Settlement Room and found it to be a great feature to our existing company platform,” said **Maria Milana**, the president of Colonial Guaranty & Title Inc. “We are able to post documents on line within 24 hours of a title order request. Customers are happy with the system and the fact that it reduces the number of faxes and lost fax documents.”

Courier expense

Our analysis revealed little courier expense savings. Processors agree that using a TMS to issue title commitments may eliminate some courier expense. However, couriers are still needed to deliver signed documents, although this should change as e-closing initiatives heat up.

Labor expense

In addition to reducing hardware and phone line charges, reducing telephone and fax expenses has a significant impact on labor expense. Communications via TMSs can be accomplished at the click of a mouse, and with systems that integrate with title production systems, don't require the operator to log into and out of multiple systems.

“Our agents and clients can log on to Settlement Room and view all the documents involved in the transactions from the purchase agreement, inspections, title work, down to a copy of the signed closing statement,” said **Lauren Hipsher**, a processor and closing coordinator at Prudential One Realty. “Every document is uploaded. The agent and customers are notified as documents arrive. It is a real time saver because we don't have to call all the parties to let them know something is in. We also don't spend time to copy and fax or mail documents.”

COST CATEGORY	OVERALL COST PER TRANSACTION ¹		
	BEFORE TMS INSTALLATION	AFTER TMS INSTALLATION	AVERAGE COST SAVINGS
Telephone	\$35.75	\$18.50	\$17.25
Fax	\$14.24	\$8.51	\$5.73
Courier	\$42.00	\$25.50	\$16.50
Labor	\$170.28	\$116.00	\$54.28
Total	\$262.27	\$168.51	\$93.76

¹ Includes average escrow and title officer/assistant salary/bonus and overhead cost(s), plus fax, phone and courier costs among all participants in this analysis. These are estimates for illustration purposes only. Actual results will vary, perhaps dramatically.

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Before installing SR Enterprise, escrow and title processors spent over 5 and one-half hours to process each residential resale transaction. After installing Settlement Room's TMS, this time frame has shortened by 27 percent, to about 4 hours per deal. SureClose users report similar savings. On average, SureClose users have seen combined processing times drop almost 30 percent.

The bottom line

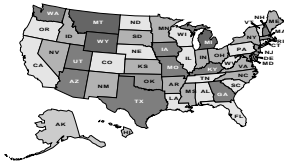
The bottom line is that transaction management systems that integrate with title production systems do save time and money. The table below illustrates the average estimated cost savings among the processors and TMS platforms featured in this article.

In Part One, we noted that TMSs have yet to catch on with third-party settlement service vendors. In fact, none of the TMS users we talked to is electronically ordering and receiving pest inspections, appraisals, home warranties, and other third-party service on a wide scale. This means there is still more room to achieve cost savings through TMSs as service providers get on board. Current SureClose user **Will Fair**, the president of Home Abstract and Title Company agrees. "Over 50 percent of our realtor customers retrieve tax certificates, commitments, HUD, survey, and other documents over the Web," said Fair. "But the biggest savings is not as much now as it will be in the next few years when our suppliers begin to utilize the system to its full potential." For now though Fair said, "People are still picking up the phone."

Up next

Coming up in our continuing coverage of integrated TMS technology, we will look at the experiences of several title agents that have deployed this technology to uncover some of the shortcuts and pitfalls title agents face while integrating transaction management technology with current production systems.

SPOTLIGHT SERIES



RESPA, membership and the independent agent on agenda of incoming ALTA president

The Title Report recently sat down with **Chuck Kovalesski**, president of Orlando-based Attorneys' Title Insurance Fund Inc., and incoming 2004 American Land Title Association (ALTA) president. Kovalesski talked about the challenges lying ahead for the title industry, including RESPA reform, the public's negative perception of the industry, increasing ALTA's membership and the future of the independent agent.

Q: What are your goals as president of ALTA?

A: I think it's unrealistic for a person with a position for one year to have any broad overarching goals because the agenda has already been set by the board and it will be the agenda for the next four to five years. However, if there was a theme as to what I am most interested in achieving in my tenure, it would be ways that ALTA can encourage more agents to become active in the association.

Q: What are some personal challenges you face as well as challenges ALTA faces?

A: For me, finding the energy and time to attend the 12-13 state association meetings will be hard! ALTA's challenges lie in increasing its membership. That's a catch-22 because when the market is good—as it has been lately—no one has time to spend on trade association matters. But when the market is down, there is the economic issue in that no one can afford to join. That may be a challenge next year, who knows. All of us would agree that the economy will not be quite as strong as it was this year and if that's the case, perhaps we'll see membership rise. Numbers are critical.

Another challenge facing the industry is, obviously, RESPA reform. It is on everyone's minds and until we see what HUD has decided to do I don't know that any of us can react to what the impact on the industry will be because we don't know what will be in the final rule. What the proposal does look like will drive the responses from the various parties—whether they choose to accept the rule or challenge it in the courts.

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