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THEFOURTHC

A monthly publication of the compliance department of WFG National Title Insurance Company

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Welcome to TheFourthC WFG's Monthly Compliance Newsletter

Security controls are safeguards, sometimes referred to as counter-measures designed to avoid, counteract or minimize security risks relating to the theft or unauthorized use of personal property. Information security controls protect the confidentiality, integrity and/or availability of information.

In past issues of *TheFourthC* we have reviewed information security controls. This month we turn to the topic of physical security controls in WFG facilities. Lee Ann Fenske has written an article entitled "Understanding WFG Security Controls," in which she describes the protocols we need to follow in order to be compliant with federal and state regulations designed to protect the NPPI of WFG consumers and employees. We often think of an intruder as one who gains access to our facilities after normal working hours. However, there are other intruders – both brazen and clandestine that seek to do us harm during normal working hours and after by taking and/or viewing NPPI for identity theft purposes. Lee Ann talks about protecting the "landscape within our offices" in her article. As we relocate, remodel and renovate WFG facilities, we need to be mindful of stricter security requirements imposed on all settlement services agents, title underwriters and appraisal management companies.

In this month's issue, we announce the winner of WFG's contest asking employees "What is the Importance of an Owner's Title Insurance Policy?" Take a look inside to see who was named creative winner and honorable mention, along with their innovative approaches to products to help everyone sell the importance of an Owner's Title Insurance Policy.

Also in this month's issue, you will learn "What's NEW in WFG Scholar," and what new and revised corporate-wide policies and procedures were approved in February.

Stay tuned . . . coming in the April issue of *TheFourthC*, we will feature an article on *How to Deal with Consumer Complaints*.

Interested in a particular compliance or audit topic? Or, writing an article for *TheFourthC*? We are always looking for ideas for new articles and new contributors. If you have an idea for a future article or want to write an article, please contact us at compliance@wfgnationaltitle.com.

August 1st is less than five months away. How is your team preparing for the new Integrated Mortgage Disclosures and the changes in the closing process? Reach out and let us know if you have any innovative ideas that we can share with others.

Donald A. O'Neill
Executive Vice President & Chief Compliance Officer
WFG National Title Insurance Company



Understanding WFG Security Controls

The expectation of the marketplace is for finance companies and their service providers that ask for and handle non-public private information (NPPI) of their consumers, to understand the value of the information and will protect that information from unauthorized disclosure and use from both internal and external threats.

We've discussed at length how we must protect consumers and employees NPPI data that is stored on our computers and transmitted electronically. However, we felt that we should have additional security conversations on the landscape of our facilities.

The Safeguard Rule, enacted by the FTC, says that "you have to take reasonable measures to provide security and privacy of the information you receive." In order to facilitate these responsibilities, we have established some guidelines as follows:

- 1) Do not prop open exterior doors to office facilities, and only allow front entrance doors to remain unlocked during normal working hours while the front reception area is monitored. All other exterior doors must remain locked at all times.
- 2) In addition to locked doors into buildings and office suites, the reception areas and conference/signing rooms should be separated from production areas by a locked door. WFG has an exclusive relationship with Michael Stone of The Stone Group, and they are

aware of our security requirements when negotiating new or existing office leases.

- 3) Regular and routine entry into non-public offices, cubicles, production areas and other work spaces should be restricted to only those employees or other authorized individuals who have been assigned a keyless pass card, fob or other device authorizing them to enter those areas. Third party service providers such as janitors, building maintenance personnel, construction firm employees, document shredding personnel, couriers and the like will be issued access cards only after a thorough check and approval of their credentials, references and background.
- 4) Video cameras should be installed in every office or suite entry/exit door to monitor the entry and exit of those coming into WFG facilities. Additional video cameras should be installed at doors between public areas such as building hallways, reception areas and closing/signing rooms accessible directly from receptionist areas and non-public areas such as general offices, cubicles and production areas. Additional cameras should be installed to monitor access to all data closets, and offices with NPPI. Video systems should have the ability to record and retain a minimum of thirty days of continuous video monitoring including date, time and location information. It is recommended that still frames of each video camera be taken not less frequently than once a month and stored for long term reference and audit.
- 5) Guests intending to access non-public areas of WFG facilities should be asked to provide photo identification, sign a guest/customer register/log and declare the area or person they intend to visit.
- 6) Guests should be given a "guest" name tag or badge to be worn during any time they remain in any non-public areas then returned at the time they leave the office. Guest check-in and exit times should be logged into the guest register/log either by the guest or receptionist.
- 7) Guests accessing non-public areas of the office should be escorted during the time they remain in the non-public areas with the escort responsible for (i) greeting the guest in the public/receptionist area, (ii) making sure the guest is escorted by authorized personnel during their time in non-public areas and then (iii) escorting the guest out of the non-public areas when their business is completed.
- 8) Any observed or reported incident of unauthorized access must be reported immediately to Management. All employees, third party consultants, contractors and vendors are required to challenge and report individuals not displaying a correct access badge or who are otherwise unknown.
- 9) Access rights to all facilities must be reviewed quarterly and evidence of the review maintained for the appropriate retention period of 24 months.
- 10) Local management must ensure that visitors to secure areas (such as: computer processing, server room, locked storage areas that contain NPPI, etc.) must be escorted by an appropriate employee during the entirety of the visit.
- 11) Local facility management must ensure that keys, tokens and cards are managed, accounted for, and controls updated when access requirements change.
- 12) Critical facilities must have firefighting/suppression systems installed and monitored. Testing records for such systems must be maintained for a retention period of 24 months.

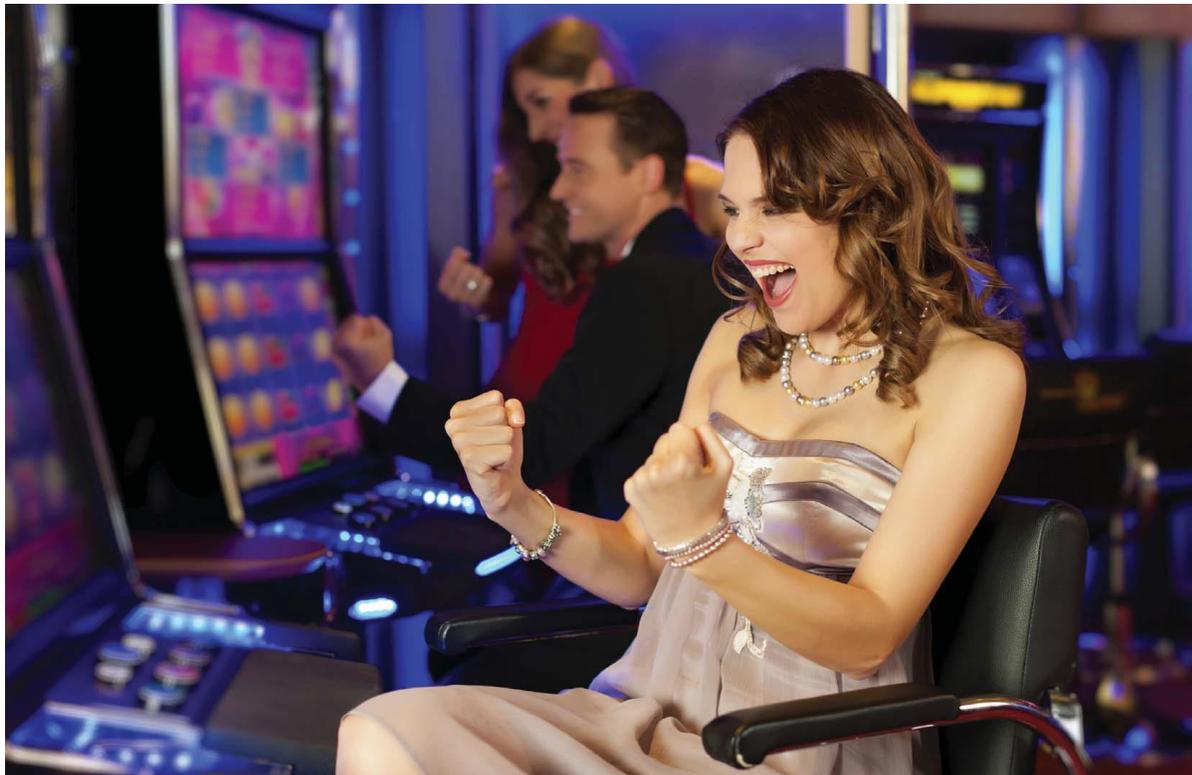
- 13) Access points such as delivery areas (reception areas and work areas) and other points where unauthorized persons may enter the premises shall be controlled or shall not have unprotected NPPI.
- 14) All critical devices and NPPI should be located in a physically secure room with appropriate access controls maintained to limit who can enter for authorized purposes.
- 15) Critical devices and NPPI that cannot be physically located in a separate room (as an example: work in process files) must have an appropriate locking cage, room, or cabinet to prevent unauthorized access. Any files that personnel are not working on must be locked in the event the employee leaves their desk.
- 16) User IDs are not to be utilized by anyone except the individual to whom the IDs have been issued. If the user ID has been lost or damaged, it is to be reported at once to local management.
- 17) All NPPI (including copies of recorded documents) that are intended to be shredded must be placed in locked shredding devices.
- 18) Collection, copying and dissemination (including internal) of Private or Confidential data shall be limited to that which is necessary to conduct company business.
- 19) Offices that are on ground level with exterior windows need to take extra precautions so that NPPI or other sensitive information cannot be viewed from outside. This includes computer monitors and any paper copies located on the furniture.
- 20) Computer monitors must contain a filter screen or be turned in such a manner that sensitive NPPI information cannot be seen from hallways and/or entryways that may have visitor traffic.
- 21) CFPB, lender customers, and internal auditors may request management audit logs where inspections have been conducted by local managers of their areas they supervise. These spot audits should include the date/time and the supervisor that conducted the inspection, together with their findings on:
 - a) Cabinets, cages, file rooms and furniture that contain NPPI are locked.
 - b) No evidence of NPPI in paper form or on computer monitors can be seen from hallways, first floor exterior windows and/or interior windows.
 - c) Recycle bins are locked, and no recycle bins are under desks.
 - d) No closing packages/files that contain NPPI are left unattended or in view in the reception area and/or work areas.
- 22) Never leave closing files, documents, portable devices, or electronic media containing NPPI in an unlocked vehicle or where they are visible from outside the vehicle.
- 23) Never leave any item containing NPPI in a hotel room, conference room, reception area, restroom or any other location that can be accessed by others.
- 24) Always used sealed envelopes to send NPPI via inter-office mail.

Title personnel often ask us if they can throw away copies of recorded documents (not shred), since anyone can obtain them from the county courthouse. In addition, they have asked if they are required to lock up their files in process since the only NPPI they have in their files are copies of recorded documents. Title files and unused documents (even copies of recorded documents) must be secure and disposed of in the same manner that we would expect that of our escrow personnel. Yes, we understand that anyone could walk into a courthouse and obtain this

information, however, we (i) are required by federal regulation to protect our consumers NPPI, (ii) the reputational harm it could cause us if found in the dumpster behind our office would be staggering, and (iii) it is the right thing to do.

For additional information containing security and privacy, please refer to our [WFG Information Security Policy](#), [WFG Records Retention and Management Policy and Procedures](#), [WFG Mobile Device Usage Policy and Procedures](#), [WFG Employee Handbook for California employees](#) and [WFG Employee Handbook for all other states](#) .

*Lee Ann Fenske
Senior Vice-President, National Training Manager
WFG National Title Insurance Company*



We are Pleased to Announce the Winner of the WFG's Contest Regarding The Importance of an Owner's Policy!

WFG would like to thank all of you for your video/written contest entries regarding the importance of an owner's policy. At this time, we are pleased to announce the winner of our contest, **Jacqueline Brink**, from WFG Agency of Linwood, MI.

Jacqueline's winning entry was a video, entitled "The Importance of An Owner's Policy - Crystal Ball." Jacqueline will have the pleasure of attending the WFG Sales Rally in Las Vegas and will enjoy free airfare and hotel accommodations. In addition, her video will be shown on the big screen at the Sales Rally! Congratulations, Jacqueline! Here is her winning video describing the importance of an owner's policy:



We would also like to announce an Honorable Mention and Runner's Up Award to **Karen Fenn**, of Bedford, TX, for her written entry entitled, **"Priceless."**

Other Costs

Snapshot of an actual Example of the New Closing Disclosure provided to Consumers on the CFPB website
http://files.consumerfinance.gov/f/201311_cfpb_xbvo_closing-disclosure.pdf

E. Taxes and Other Government Fees					
01	Recording Fees	Deed: \$40.00 Mortgage: \$45.00	\$85.00		
02	Transfer Tax	to Any State		\$950.00	
			\$2,120.80		
F. Prepaids					
01	Homeowner's Insurance Premium (12 mo.)	to Insurance Co.	\$1,209.96		
02	Mortgage Insurance Premium (mo.)				
03	Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13)		\$279.04		
04	Property Taxes (6 mo.)	to Any County USA	\$631.80		
05					
G. Initial Escrow Payment at Closing					
01	Homeowner's Insurance \$100.83	per month for 2 mo.	\$201.66		
02	Mortgage Insurance	per month for mo.			
03	Property Taxes \$105.30	per month for 2 mo.	\$210.60		
04					
05					
06					
07					
08	Aggregate Adjustment		-.01		
H. Other					
			\$2,400.00		
01	HOA Capital Contribution	to HOA Acre Inc	\$500.00		
02	HOA Processing Fee	to HOA Acre Inc	\$150.00		
03	Home Inspection Fee	to Engineering Inc.	\$750.00		\$750.00
04	Home Warranty Fee	to XYZ Warranty Inc.		\$450.00	
05	Real Estate Commission	to Alpha Realty Estate Broker		\$5,700.00	
06	Real Estate Commission	to Omega Realty Estate Broker		\$5,700.00	
07	Title - Owner's Title Insurance (optional)	to Epsilon Title Co.	\$1,000.00		
I. TOTAL OTHER COSTS (Borrower-Paid)					
			\$5,018.05		
Other Costs Subtotals (E + F + G + H)			\$5,018.05		
J. TOTAL CLOSING COSTS (Borrower-Paid)					
			\$9,712.10		

(optional) should really be shown as (optional)*

* = you, the consumer have the "optional" choice to risk a claim and a worst case scenario outcome of losing your real estate purchase for simply doing nothing wrong, and possibly face bankruptcy to pay for your legal battle to retain your interest.

After considering your "option" wouldn't you say the **Owner's Title Insurance (priceless)?**

Choose WFG National Title to be in your corner should your real property interest or title be at risk!

"Mortgages are complex transactions that may include risky features, so we've issued a rule that will simplify and improve disclosure forms for mortgage transactions." - CFPB publication regarding mortgage disclosures and what the new forms mean for consumers
http://files.consumerfinance.gov/f/201311_cfpb_tila-respa_what-it-means-for-consumers.pdf

A big thank you from WFG for your participation and interest!



Williston Financial Group®

Policies & Procedures

Policies and Procedures

A summary of new and revised WFG Policies and Procedures that were issued in February, 2015 are:

New

→ [WFG IT Operations Management Policy v 1.0](#)

Revised

→ [WFG Information Security Policy and Procedure v2.0](#)

CFPB
Final Rule
[click](#)

FAST FACTS

Closing
Disclosure
Form
[click](#)

Turn to **The FourthC Fast Facts** each month for continued information from **The Dodd-Frank Wall Street Reform and Consumer Protection Act, the final CFPB rule on the Integrated Mortgage Disclosures, and updated information from CFPB.**

What is UDAAP?

More than half of all CFPB enforcement actions have alleged violations of the “unfair, deceptive and abusive acts and practices” (UDAAP) provision of the Dodd-Frank Act. The Dodd-Frank Act authorizes the Consumer Financial Protection Bureau to enforce more than a dozen existing statutes to protect consumers.

- Unfair acts are those that cause “injury” to the consumer.
- Deceptive acts are those that make a false representation.
- Abusive acts are those that cause confusion for consumers.

According to the CFPB Supervisory and Examination Manual issued in 2012, an act or practice is abusive when “a term or condition materially interferes with the consumer’s ability to understand the terms and conditions of the financial product or service,” when it “takes unreasonable advantage” of the consumer’s ignorance, or when the consumer is “induced to rely upon the governed entity to act in the consumer’s best interest.”

Dodd-Frank authorizes fines up to \$1 million/day for a knowing violation of the UDAAP language. Six of CFPB’s 2014 UDAAP enforcement actions resulted in penalties greater than \$5 million, with two actions producing penalties greater than \$10 million.

At this time, the consumer’s perception is what triggers the “abusive” content of the violations. Industry groups and Congress has called upon CFPB to clarify the term “abusive,” however, CFPB hasn’t formally defined the term.

Read more in the [WFG’s Unfair, Deceptive, or Abusive Acts and Practices \(UDAAP\) Policy and Procedures v1.1](#).

How does the disclosure of recording fees differ between the Loan Estimate and the Closing Disclosure?

Similar to the LE, the CD requires the sum of all recording fees to be disclosed as one item §1026.37(g)(1)(i). However, the CD also requires the amount paid to record the deed and mortgage be itemized separately. Accordingly, the itemized recording fees for the deed and the mortgage should only include the amounts needed to record each of those documents. Note that recording fees associated with any other documents, except for the deed and the mortgage, are only included as part of the total recording fees and are not separately itemized §1026.38(g)(1)(i).

If the Closing Disclosure is delivered to the buyer/borrower in time to meet the three-day disclosure rule, can they sign the documents and Closing Disclosure prior to the closing day?

The Rule states that the borrower must receive the Closing Disclosure three business days before “consummation”, and consummation is deemed the day the borrower becomes legally obligated under the loan. As an example, in California that day is the date of signing of the loan documents, so that would mean that the borrower would have to wait three business days after receipt of the Closing Disclosure before they can sign the loan documents.



What’s New in WFG Scholar?

Courses:

WFG Course on Bankruptcy – The goal of this course is to raise the overall understanding of the bankruptcy process and to help the learner identify the various scenarios that they may encounter in a real estate transaction that involves a bankruptcy. Bankruptcy issues affect search and exam, underwriting, closing and recording.

Also, coming soon is a WFG course on Probate.

Employees have 30 days in which to complete **courses**, and 14 days to complete **P&P**

Acknowledgements in WFG Scholar. There is a 7-day reminder that goes out before the learner is delinquent on courses and a 3 day reminder on P&P Acknowledgements.

Reminder: We are assigning **NEW** P&P Acknowledgements every two weeks until we are current with all of the policies and procedures. We have been receiving emails where the learners think that they have already acknowledged the P&P's. You may have already acknowledged the first set, but we are continuing to release a new series of six P&P's every other week.



WFG Compliance Program

The WFG Compliance Program incorporates the latest industry best practices, as well as CFPB's most recent guidance for third party settlement services providers.

[Check out all the new information on our website](#)