



Welcome to TheFourthC WFG's Monthly Compliance Newsletter

Indemnities are one of the many underwriting issues we deal with when insuring title to real property transactions. As a title insurance underwriter, WFG is routinely asked to accept an indemnity agreement seeking to "write over" an exception noted in the preliminary title commitment. Indemnities are commonly sought for such things as an unreleased Deed of Trust – a debt that has been paid off but the security interest never reconveyed or an indemnity for an outdated probate or domestic relations issue.

WFG's Director of Underwriting Services, Alan Fields, brings us insight into what we should look for in Indemnity Agreements in this month's feature article entitled, "*Why Can't You Insure It? They Did.*" WFG's Underwriters are an invaluable resource and should be consulted when dealing with matters that we are asked to insure over.

This month's issue of *TheFourthC* also brings you a summary of "*WFG and TRID (TILA-RESPA Integrated Disclosures) Readiness.*" August 1 is the effective date for use of the new integrated mortgage disclosure forms (commonly referred to as TRID) which will be required for most residential loans originated August 1, and after. Stay tuned for additional information and training seminars describing WFG's preparation for the implementation of the new forms and processes. How is your team preparing for the new TRID forms and the impact they will have on the closing process? Reach out and let us know if you have any innovative ideas that we can share with others.

In this month's issue, the WFG Compliance Team

discusses the process they undertook in “*WFG Becomes Self-Certified in ALTA’s Seven Pillars Best Practices Assessment.*”

Also in this month’s issue, you will learn what new and revised corporate-wide policies and procedures were approved in April.

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.

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



Why Can't You Insure It? They Did!

How often have we heard that one? We finish our thorough examination, find a title defect in the past chain, and call for its correction. And the Seller's response is: "Why didn't XYZ Title tell me that?" It's only then that they give you their prior title policy.

Several thoughts run through your mind. "First, why didn't you give me the policy up front when it would have saved me a ton of work." And about half the time, you wind up blurting out "That's why you should have come to WFG last time. Then you wouldn't have this problem."

But, business must go on. And both parties want to close the current transaction. So what can be done?

1. First, you can fix it. This is always the best answer for our insured buyer. If you fix it, they will never have a problem in the future. But sometimes it just isn't practical -- You can't find the right people to sign (and you've really tried) and other solutions will take more time than is permitted under the contract.

If it can't be fixed, it must be disclosed to your buyer, and then the question becomes "can we insure over it somehow?" There are three ways that we might be able to do that.

2. A Mutual Indemnification Agreement. In a number of states, there are agreements among the title insurers in which each agrees to indemnify the others if one of their prior policies missed any of a number of fairly common problems. These agreements are referred to as a "Treaty" or a "Mutual Indemnification Agreement." If your state has a Treaty to which WFG and the other title company are both parties¹ and the problem you found is something covered by the Treaty, we don't even need to ask the other title company. We do still need to tell our customer that we are doing this – and should claim it proudly! You've gone above and beyond to give them an alternative to delaying their closing.

One word of caution: Treaties are highly technical, with lots of provisos and conditions. If you read it wrong or don't fully understand it – you as an agent may be taking on significant liability. In relying on a Treaty, you are insuring over a known title defect, and if the treaty doesn't apply, you may be doing so without any protection from the prior insurer (and perhaps even releasing the prior insurer from liability). So if you have questions about whether there is a Treaty in a state, its terms, or the applicability of a Treaty to a specific transaction, please contact the WFG underwriter in that state.

3. Talk To Your Underwriter. Sometimes, occasionally, reluctantly, once in a while, even foolishly, we will make the business decision to insure over a known risk. This

is always a carefully evaluated process. It's less likely that we will insure over something if another title insurer is already on the hook for the particular issue, but it's worth the discussion.

4. Seek an Indemnity Letter. The fourth solution is to seek an indemnity letter from the prior insurer². That's a letter agreement in which the other insurer (not their agent) promises to make WFG whole for any claims or losses if we insure over their past error in our current transaction.

An indemnity letter is not something that is issued routinely or without careful thought. The other title company makes a deliberate choice whether or not to issue an indemnity letter – because they are taking on additional liability. They have no obligation under their outstanding policy or under the law to give us one. They are doing us (and their insured) a favor if they choose to issue the letter, and we should never expect to receive one just because we asked for it.

Nor should we expect it immediately. These are liability documents, and the underwriters for the other title insurer will be carefully evaluating their liability under the existing policy, just as if it is a claim, before taking on this liability.

Don't close until you have received and carefully reviewed the indemnification letter. You asked because the title defect was serious enough that we would normally postpone or cancel a closing until the defect was resolved. You may be left scrambling when the other insurer explains -- after you have closed -- that they have declined the request for an indemnity letter.

Just because you have gotten an indemnity letter doesn't mean you are "Clear to Close." WFG must determine if the letter (with any conditions or limitations) is adequate to cover our exposure. The letter may be limited in amount or have unacceptable conditions or qualifications. Title agents are not authorized to sign indemnity letters on behalf of their insurers, so we require that any letter come from and be signed by an officer (underwriter or VP or above) of the prior insurer – not a branch manager and not a title agency. It's best to discuss the problem with your WFG underwriter before requesting the indemnity letter and then review the final signed letter with them before closing.

Insuring over a Known Title Defect is something we never take lightly. WFG is a strong company; we stand behind our policies. But good as we are, every one of our insureds would rather have "clean title" than a covered title claim. But in the right circumstances – after discussing the problem and the options with your customer -- an indemnity letter or reliance on a Treaty may be a good alternative.

Watch for the upcoming webinar and WFG Scholar courses on Mutual Indemnification Agreements and the Treaty.

¹ WFG is currently party to treaties in Arkansas, Florida, Georgia, Indiana, Illinois, Michigan, Mississippi, New Jersey, New York and South Carolina.

² These are not to be confused with an indemnification agreement given by a property owner or other interested party to induce us to insure over a known problem such as construction lien exposure. Those are an entirely different situation and are to be relied on ONLY with the express approval and involvement of a WFG underwriter.

Alan B. Fields

Senior Vice President and Director of Underwriting Services

WFG National Title Insurance Company



WFG and TRID (TILA-RESPA Integrated Disclosures)

Readiness

As you all know, starting August 1, 2015, most real estate loan transactions will be affected by the new TILA-RESPA Integrated Disclosure (TRID) Rule, which will have a significant impact on the way we will be processing our transactions. WFG is committed to meet proactively the challenges of the implementation of the TRID Rule through collaborative engagements with its team members, partners and clients.

WFG established a TRID Readiness Team at the beginning of this year. The TRID Readiness Team members come from all of the different departments and business lines, including:

- Direct Operations
- Lender Services
- IT Department
- Agency
- Legal Department
- Compliance Department
- Valustrust

The TRID Readiness Team actively communicates and collaborates between different departments, partners and clients to ensure that we are meeting the challenges of the TRID implementation requirements, and has identified a number of opportunities presented by the new TRID Rule. WFG is well positioned to enhance and expand its existing client relationships as well as its reputation as an industry leader, through proactive compliance with the new TRID regulations.

As part of the TRID Readiness Team plans, our Lender Outreach Program is in full swing and is headed up by Dan Gaudreau (WFGTRIDReadiness@wfgnationaltitle.com). Our Lender Outreach Program is another way for WFG to stand out and take a proactive approach with our lender clients to take advantage of the new business opportunities presented by TRID.

In the last year, we have provided you with information through different means of communication, such as our monthly newsletter FourthC, WFG Scholar Classes, Weekly Escrow Reporter e-mails and information on our websites. In the next couple of months you will see and hear a lot more information regarding TRID, and will also be asked to participate in training sessions and TRID Certification testing.

Your engagement in this process is vital to our success and I challenge you to make it your personal mission to learn as much as you can about TRID and to assist your team members and clients in making the new processes and workflows as smooth as possible for all involved. Your continuing efforts to be in full compliance with the new procedures and rules, and your commitment to WFG's continued success and prosperity is much appreciated.

*Patrick F. Stone
President & CEO
Williston Financial Group*



Policies & Procedures

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

New

- [WFG Agency Audit v1.0](#)
- [WFG Trusted Partner Vetting v1.1](#)

Revised

- [WFG Escrow Trust Accounting v2.3](#)
- [WFG Consumer Complaint v2.1](#)



FAST FACTS

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.

CFPB Final Rule click

Closing Disclosure Form click

The image is a green speech bubble containing the text 'FAST FACTS' in a large, white, cursive font. Below the title is a line of text: '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.' On the left side of the bubble is a circular button with the text 'CFPB Final Rule click'. On the right side is another circular button with the text 'Closing Disclosure Form click'.

TRID = “TILA-RESPA Integrated Disclosure”

How to find resources to help you comply with the TRID rule implementation?

<http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>

- [Final Rule](#)
- [Small Entity Compliance Guide](#)
- [Guide to Forms](#)
- [Disclosure Timeline Illustration](#)
- [ALTA’s Closing Disclosure Timeline Illustration](#)
- [Sample and Annotated Forms](#)
- [Readiness Guide](#)
- [Links to Webinars](#)
- [Question Index for Webinars](#)
- [Additional Guidance Materials](#)
- [eRegulation Guides](#)
- [American Land Title Association \(ALTA\) Blog](#)
- [CFPB Testing Process](#)
- [NEW ALTA Settlement Statements](#)
- [ALTA Webinars on CFPB](#)
- www.wfgscholar.com
- [ALTA CFPB Articles](#)



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](#)