VIA UPS OVERNIGHT SERVICE

September 28, 2012

Michelle L. Korsmo, Chief Executive Officer
American Land Title Association
1828 L Street, NW, Suite 705
Washington, DC 20036-5104

Dear Ms. Korsmo,

As a proud member and supporter of ALTA and its members, I wanted to take the time to write to you to discuss our company and its business. I realize you have been very busy and my efforts to date to try and arrange a meeting with your Board and speak at your convention have not been possible.

I believe that you and your members may be under some misimpressions about how and why we formed our business, who our clients are, and how we conduct our business. Please allow me to explain briefly.

I have personally advocated for greater risk management with respect to closing transactions since 2002, and have written numerous articles on the subject going back to at least 2007. I formed Secure Settlements in April 2009, well before Dodd-Frank and the CFPB were even created. Having been a closing attorney and later a mortgage industry consultant and attorney, I was concerned about the lack of risk management taken by lenders with respect to the closing process, where their money and critical collateral security documents are at stake, and where consumers can be harmed by errors and omissions. Given the fact that there is no "closing professional" license, that the universe of closing professionals can include attorneys, notaries, realtors, escrow agents, title agent employees and independent contractors, it appeared to me then, and now, that there was an unacceptable risk taken by banks and imposed upon borrowers.

In 2006 I met with warehouse lenders and suggested vetting and the establishment of a uniform database of closing agent data for access by industry players and consumers, as a

method of obtaining more information and making better choices with respect to closing professionals, to act as a deterrent to fraudsters, and to potentially establish an underwriting basis for the creation and implementation of a real insurance product to replace the closing letter issued by title underwriters which offers limited coverage for losses to banks and consumers.

At that time the industry was not prepared to adopt a new process. I then proceeded to reach out to the major title underwriters, with whom I had extensive conversations between 2008-2010 about adopting my concept for a vetting process and the possibility for new insurance. I met with the senior management of First American, Fidelity, Old Republic, Stewart and the now defunct NJ Title. These entities expressed support for my idea and the possibility of the insurance product and encouraged me to bring the concept to the warehouse community as they have set the requirements for a CPL/CIL in residential mortgage transactions.

In the past 18 months or more I have had extensive discussions with the warehouse banks, who expressed serious concern over what they felt was a non-uniform approach to risk management and the rising cost of fraud affecting them and their lender clients. Thereafter in January 2012, well before CFPN Bulletin 2012-3, we were already beta testing our systems with data from warehouse banks, using their approved agent lists, and negotiating the terms of agreements with them to act as a third party risk management service replacing or enhancing their internal risk management staff. As you know, many warehouse banks already have had for some time a process by which closing agents would have to be approved by them before they would wire proceeds to their trust accounts.

When the April CFPB Bulletin was released, having studied the issue for almost a decade, it was my belief which has been confirmed with a discussion with the author of the Bulletin, that the CFPB was merely giving teeth to guidelines and recommendations for non-bank lender risk management in this area dating back as far as 2001. The OCC has had requirements for supervised institutions since November 2001, FNMA has offered guidance to non-banks since 2005, and even the NCUA has recommended that credit unions adopted stricter standards for closing agent vetting since 2007. Therefore no one in the industry should be surprised by the CFPB bulletin or a call for greater management of closing agent risk.

Thus to summarize, SSI is not a creature of the CFPB or the April 2012 Bulletin, although we believe that our process meets the expectations of the CFPB with respect to addressing closing

agent risk management, as part of the overall concern of third party service provider risk. We are acting instead under contracts to warehouse banks who are advising their lender clients to have agents vetted or they will not wire funds to them after a set date. The motivation is greater risk management, not CFPB.

With respect to some of the questions ALTA and/or its members have expressed through various public forums about our company and our process, please note the following:

- We recognize that we are collecting personal data, which is necessary to verify identity and properly complete background searches. Similar searches have been conducted by lenders and warehouse banks for years, although the process has not been uniform. We have employed technology and data management experts who formerly worked at Wells Fargo, the United Nations, the CIA and other major institutions who have designed our systems to meet or exceed the data privacy protections expected when handling such information. Our data privacy and management supervisor, an Oxford University graduate and world-recognized expert in the field, reviews and advises us on all policy matters. In addition each of our employees must pass a comprehensive vetting process and ongoing monitoring. Finally we maintain E&O, Cyber Security, Crimes and D&O Insurance in the unlikely event of a breach.

- We are not selling insurance, and therefore are not required to be licensed. We are advocating however for lower insurance premiums for agents who are vetted, and have established strategic partnerships with major agencies to offer discounted E&O/PLI as a tangible benefit for registration and vetting. We earn no commission income from this relationship.

- Since we are not a bank and do not retain agents to work for us, the concept floated that we are seeking “pay to play” is not one I understand, although I do agree with the proposition that agents do not have a right to handle closing funds and documents as a fiduciary of a bank, but rather it is a privilege. Accordingly banks have the right, in my opinion, to establish reasonable business rules and conditions before wiring hundreds of thousands of dollars to agents, and allowing them to act as their de facto representative at the closing table.

- Our vetting process was designed to avoid subjectivity. It applies the same 17 point data evaluation standard to everyone, which in fact eliminates the subjective and non-uniform approaches applied to day bank by bank, state by state. The risk factors we evaluate are logical, where risk is discovered it is subject to appeal and explanation, and ultimately we do not "approve" or "certify" anyone, but merely provide the data to lenders so that they can make their own decisions about who they wish to act as their representatives at a closing.

- We have not exempted anyone from the vetting process, however some of our warehouse clients have determined that due to longstanding relationships, and in some cases indemnity agreements with certain underwriters, they feel comfortable excluding them at this time. It is my position that everyone who disburses funds or interacts with consumers at the closing table must be vetted. Entity vetting is not enough; lenders and consumers need to know who the individuals are to act on their behalf in such an important financial transaction.

- Secure Settlements is not a licensing agency. We do not measure competency and skill. Our services do not take the place of those licensing authorities which establish criteria for attorneys, notaries, realtors and title producers who position themselves as experts in their fields. Secure Settlements requires proof of proper licensing as a part of its risk management program. Secure Settlements is also not a trade association. Trade associations such as the ABA, ALTA, NAR, and National Association of Notaries provide member benefits, lobbying and other valuable resources to assist their membership. We recommend them and intend to work collaboratively with them for the benefit of consumers and the mortgage industry as a whole. Finally, we are not a government entity, nor are we endorsed by any government entity; however we strongly support government efforts to protect consumers and establish reasonable risk management processes and procedures to reduce the risk of financial harm to all parties to mortgage and real estate transactions. We are particularly supportive of the efforts of HUD and the CFPB to protect consumers from harm caused by parties who engage in negligence and fraud in connection with mortgage transactions. Furthermore, we have never asserted we are a regulator nor is that our intention. We offer best practice suggestions and establish risk management rules which meet consumer and banking industry needs for transparency and risk management. These standards have been developed after studying years of claims of loss attributable to escrow and closing agent defalcations and negligence. We cannot enforce them, we can only suggest them.

- Neither Secure Settlements nor its clients dictate who may represent a consumer in connection with a real estate transaction. However, Secure Settlements' bank clients do have the right to establish reasonable, non-discriminatory procedures to safeguard their money and documents, including a process to verify identity, credentials and risk status of anyone who acts on their behalf at a closing. In the event a consumer insists on using an agent or attorney who is not vetted, refuses to be vetted, or is determined to be a risk, that individual can represent the consumer in all contract negotiations, loan approval issues, and related matters – including attending the closing. They will not, however, be permitted to disburse funds or handle the closing documents that must be recorded and/or returned to the lender to meet regulatory, compliance, legal and risk issues important to the bank and subsequent investors.

- With respect to the level of risk to your members personal information, although I have already addressed that above, allow me to state further. The information we request is necessary to conduct a meaningful and accurate identity verification and background check. Our website uses the latest technology for the secure transmission of data. Once the data reaches us, we adhere to strict data privacy rules, with limited staff access and no distribution or sharing of personal data with any third party. We also have cyber security and errors and omissions insurance to cover any losses, although we have not experienced nor do we expect to experience any event that would put your members' personal data at risk. We continue to enhance our systems and always respect your right to privacy and the expectation of the utmost care being taken with your members' information.

- Licensing bodies, even those for lawyers, do not actively supervise attorney activity, they only discipline attorneys when and if they fail to meet ethics rules or engage in fraud. While it is true that state courts do establish trust account guidelines, the courts cannot "supervise" trust accounts in the sense of verifying their use, they only establish rules for their use and "supervise" in the sense that they have the power to regulate and discipline failures to meet their requirements. When a misuse of trust funds is reported, by then it is too late.

  Depository banks are required to and do report "suspicious activity" under AML rules, such as large cash deposits, but they have no mechanism to identify whether funds

merely removed from an account are done improperly as they are not privy to the closing details.

The CPL covers theft of funds, after the fact. It is not preventative, it is reactive. It is also not insurance and is not a guarantee that banks and consumers will be made whole. Its scope is limited and does not cover all bad acts an attorney might engage in, such as conspiracy, willful blindness and also negligence that does not cause title to be impaired.

Malpractice insurance is also reactive, it is not risk management. It comes into play after an event. It is also claims made, and no lender monitors policies today, which means that if an attorney fails to pay a premium or cancels the policy, even after an event, but before a claim is made, there is no coverage. Finally, malpractice coverage also does not cover intentional acts.

In polls commissioned by SSI, consumers have indicated support for programs that would manage settlement agent and closing attorney risk, and also have indicated that they believe agents and attorneys are not sufficiently regulated for the potential harm they can cause at a closing.

The cost of mortgage fraud in the last several years has been unacceptable to banks and to consumers. Estimated Mortgage Fraud Losses in 2011 and 2012 (FBI Records and Estimates) were $11 Billion - $13 Billion. Estimated mortgage fraud losses attributable to escrow and closing agents (FBI Records): 15% - or $1.65-1.95 Billion Annually. The segment with the highest growth rate in fraud (FinCEN Report, July 2012) has been escrow and closing agents, with an estimated 20% growth in 2011. Clearly, mortgage fraud, including fraud related to escrow and closing agents, has increased not decreased in the past 5 years despite efforts to address the risk, and I have seen no demonstrable evidence of reduction in fraud that can be related to enhancements in licensing, association membership or even bond and insurance requirements (where they exist).

The mortgage industry spends upwards of $1 Billion annually to fight mortgage fraud on the front end of the process (origination, processing and underwriting)(MBA Figures 2011). There is no uniform approach to addressing risk at the back end of the process (closing) other than reliance on the Closing Insurance Letter/Closing Protection Letter (in those states where it is permitted). The CIL/CPL is not risk management, is not insurance, does not adequately cover the consumer and lender from all losses, and is reactive not proactive.

In the absence of greater risk management, lenders remain at risk from fake title agencies and settlement companies, theft of mortgage proceeds, improper disbursements of mortgage proceeds, failure to follow closing instructions and properly document closing details, failure to disclose cash outside of closing, failure to disclose true source of funds brought to closing, conspiracies to commit fraud: short sale fraud, foreclosure rescue scams, undisclosed intervening transaction flips, straw buyers and identity thefts, negligent document handling, failure to properly record instruments and failure to return closing packages. The result? repurchases, audit issues, litigation and billions in losses.

In the absence of greater risk management, consumers remain at risk from fake title agencies and settlement companies, theft of mortgage proceeds, theft of consumer contributions to closing, improper disbursements of mortgage proceeds, failure to pay off prior liens and judgments after closing, failure to follow closing instructions and properly document closing details, negligent document handling, failure to properly record instruments and failure to return closing packages. The result? Clouds on title, litigation costs, and untold losses.

The objections we have heard from your members and other agents can be summarized as follows:

- “We don’t need more risk management”
- “We are already vetted”
- “We are licensed”
- “We belong to an association”
- “Our personal data is private”
- “We don’t cause fraud, mortgage brokers do”
- “Vetting costs too much ($199/$99 for a year)”

Meanwhile, every day lenders wire Millions of Dollars into the trust accounts of escrow and closing agents with whom they have little or no relationship, and every day thousands of consumers arrive at mortgage closing ceremonies conducted by individuals who have no uniform standards of care, no uniform best practices, uniform licensing, nor comprehensive identity and credential verification.

We want to work with ALTA to help forge a response to the need for more risk management, and thereby work collaboratively with you in this regard. Towards that end we have recently hired Peter Norden, former Chairman of TIPAC and former President of the New England Land Title Association to be our VP and Title Industry Liaison. We also were pleased to have Stan Friedlander, past President of ALTA, join our Advisory Board of distinguished industry experts.

I welcome a meeting regarding the issue of agent vetting and risk management, and would be happy to participate in a constructive and mutually respectful dialogue in person or by phone to review these matters in further detail. I hope that by doing so we can raise your comfort level regarding who we are and what we are doing.

Respectfully,

Andrew Liput
President & CEO
ALL:pm

cc: SSI Advisory Board
Lowenstein Sandler PC