



## Direct Operations vs. Bar-Related™

It's been a while since we've discussed Direct Operations. For readers who are new to the subject, Direct Operations is the practice of national title insurance underwriters going directly to lenders (typically through their settlement services divisions) to cut attorneys out of real estate transactions. Think notary/witness closings. What does this mean to you? It means loss of title insurance revenue. Generally, it also means loss of a title search order and/or loss of the closing.

**Do Direct Operations occur in Vermont and New England?** Yes, Direct Operations absolutely and positively occur here.

**Why do lenders engage in Direct Operations?** There are a few reasons why underwriters choose to engage in Direct Operations:

1. *Money.* The current agency model is not very profitable or sustainable for many underwriters. In Vermont 70% of the title premium remains with the attorney/agent. In many states, upwards of 80, 90 or even 95% remains with the attorney agent. When 30% (or often as little as 5%) of the insurance premium is going to the underwriter, the bottom line might not be pretty. By utilizing Direct Operations (eliminating the attorney and the by keeping all of the title insurance premium), the underwriter offers a reduced title insurance premium to the lender. Though the premium is smaller, the underwriter is profitable because it keeps 100% of the premium.

2. *Money.* Attorney agents are entrusted with a LOT of money. Thankfully, while it does not happen in Vermont very often, attorney theft (defalcation) is a major problem for underwriters. In those situations, the underwriter is typically liable for its settlement agent's theft. Losses are often in the multi-million dollar range. By eliminating attorneys from the transaction, the underwriter eliminates or substantially reduces its risk of a defalcation loss.

3. *Money.* How much money is lost by Vermont attorney/agents in a year? In title insurance premium alone, the loss is in the \$10's of thousands. In addition, lost title searching and lost closing opportunities also result in the loss of \$10's of thousands. National underwriters are driven by the need to satisfy their shareholders and Direct Operations is a source of major profit for these companies.

**What types of transactions are affected by Direct Operations?** The lost transaction might be a refinance; it might be a residential purchase; OR increasingly it's occurring with large commercial transactions. The underwriters' position is: why share premium with an attorney/agent when you don't have to!

**What about CATIC? Does it engage in Direct Operations?** No, CATIC is bar-related™. CATIC does not engage in Direct Operations. In fact, CATIC has pledged NOT to engage in Direct Operations and not to compete against its agents.

Your success is CATIC's success. Some lenders ask CATIC to assist them in finding a settlement agent. In those situations, CATIC refers all of the work directly to a local attorney/agent to: perform the search; perform the closing; issue title insurance.

THANK YOU for being a VATC/CATIC agent and for supporting us so that we can continue to support your real estate practice.

## Vermont Legislative Bulletin

The second biennium of the 2015-2016 session of the Vermont General Assembly has adjourned. This [Legislative Bulletin](#) sets forth a number of new acts of interest to real property practitioners, including Act 65 (education tax rates), Act 73 (pretransition stormwater permits), and Act 84 (conservation easements). If you have any questions or need assistance, please contact Andy Mikell at (800) 649-3366, or at [amikell@catic.com](mailto:amikell@catic.com).

## PrepExpress® Update

A PrepExpress software update was launched on August 16. In this update, you find the following more notable changes:

- **Phrase Codes**, an immensely helpful feature in the policy schedules that allows you to select common policy exception language and fill in the blanks with information specific that the subject property.
- **Projected Payments**: The decimal point was eliminated in the loan amount of the CD's Projected Payments table. This was changed for CFPB compliance.
- **Lender Maintenance**: State and NMLS identification numbers may now be added for each lender and stored in Lender Maintenance. This information will carry over to the CD.

Many of these changes seem small, but for CD preparers, they add up to a lot of saved time. We will continue to take your comments and suggestions that make our software, PrepExpress, the best available tool for your real estate transactions.

## VATC Website

The VATC website recently went through a redesign. When you have a moment, please visit the the site to explore some of the new features that are designed to help you do your job more easily. Some of the new or enhanced sections include:

[Underwriting Guidance](#)

[Online Training Archive](#)

[Underwriting Bulletins](#)

Vermont Attorneys Title Corporation, P.O. Box 1101, Burlington, VT 05402

[SafeUnsubscribe™ {recipient's email}](#)

[Forward this email](#) | [About our service provider](#)

Sent by [jblomback@catic.com](mailto:jblomback@catic.com) in collaboration with

**Constant Contact** 

Try it free today