

Twenty New Ways to Make Money with Your Title Company

The title company of the future is not your father's or your grandfather's company. As the title industry becomes more and more scrutinized and regulated, all title companies will have to broaden their revenue base to survive. Here are some ideas to take your company to the next level.

The world of title is changing yet again. Historically this has happened several times. In the late 19th century, title insurance began to take the place of other forms of title assurance such as abstracts and certificates of title. In the 20th century the secondary loan markets were established, and title insurance became a key component of the transfer of mortgages to that market. In 1974 RESPA created the regulatory environment for the escrow closing. This resulted in title companies becoming clearinghouses for RESPA-compliant closings. In recent years, the increased use of the Internet and increases in technology have also changed the industry.

Today, the average title company does many different things. It sells title insurance, and most provide escrow closing services. Many also

specialize in 1031 exchanges. Several provide abstracting work for other title companies. Lastly some disburse construction loans for a fee, or service loans for lenders. Although these lines of business have evolved over many years, most have a cap on earnings and profitability.

I suggest the title company of the future is not your father's or your grandfather's company. As the title industry becomes more and more scrutinized and regulated all title companies will have to broaden their revenue base to survive. Some companies have begun this process. Using Affiliated Business Arrangements, marketing new products, and negotiating for better underwriting splits and interest on escrow accounts are just a few of the tactics companies have used to accomplish revenue growth.

Additional Lines of Revenue

There are several adjunct lines of revenue that title companies can take advantage of. They are described below. While my companies have tried about half of the 20 or so ideas with varying degrees of success, all of them can be potential new revenue streams for companies that deploy them well.

#1: Property and Casualty Insurance.

The residential resale closings you conduct every day often have one overlooked thing in common. Each customer must have a new homeowner's insurance policy. This can put you in the driver's seat to sell that homeowner's insurance to the customer. In my experience, the best way to accomplish this is through a stand-alone insurance agency that utilizes your title company to generate leads. But if you do not have the capital to start your own stand-alone insurance agency, several underwriters have programs to issue property and casualty insurance. Check with your underwriter; their in-house program may be just what you need to start your own insurance agency.

#2 Home Inspections.

The home inspection business is an easy additional business to get into because you would market home inspection services to the same group of clients that you market title insurance to. A simple Internet search reveals ten or more franchise companies that specialize in home inspection busi-

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nesses. If you do not have construction or engineering experience, I highly recommend that you consider a franchise for the training it provides and the access to promotion materials. If you do have this experience, the Web site www.hometechonline.com/bar-maint2/index.htm is a great resource. This company sells the most widely used home inspection form used in the United States and also sells a great book titled: "How to Make Money in the Home Inspection Business."

#3 Homeowner's Association Escrows/Management.

If you have clientele that are builders and developers, this is a good sideline business to be in. New subdivisions are being set up with built-

in homeowner's associations. These associations collect monthly dues from homeowners just like a condominium association or Planned Unit Development. Specialty realty management companies have popped up all over the U.S. to manage the escrow accounts for these associations. And if you have a block of builder business, you can easily leverage your title services with your homeowner's association management service. Please check with your individual state since many states require a real estate broker's license to do this type of work.

#4 REALTOR Ad Books.

Another avenue of additional revenue is owning a home magazine publication franchise. Again, do an

Internet search and you will find several turnkey franchise opportunities to own your own publication. Most of these franchises are desktop publishing systems where you upload pictures to the franchise company Web site, and they print the books and send them to you. All you are required to do is sell the ads and send in the photos of the houses. Some franchise sites include: www.realestatebook.com and www.homesandland.com.

#5 Loan Servicing and Tax Payments.

Several title companies already take advantage of the additional revenue of servicing loans and making automated payments. As a title company you are a unique user of

bank services -- you have unique banking relationships and know how escrow accounts and disclosures work. Many small community banks have the need for escrow services for tax payments. Few have the staff or the willingness to take on that responsibility. One office of mine gets \$5 per month per loan escrow. Now \$60 per year may not seem like a great deal of money, but if you consider we currently have 400 escrow accounts, you'll agree it's a good source of revenue. A yearly escrow disclosure is required, and the format is available on www.hud.gov. We use a simple \$39 software program to prepare annual escrow account disclosure statements. It is available at: www.nationallawforms.com/real-estate/software-escrow.htm.

the local register of deeds has automated and made records available over the Internet. There are many entities that may want to use your title plant -- surveyors, lawyers, other title companies, national search companies, national title agents, Realtors®, and banks. The main thing to remember is that if another title company wants to use your title

loved it because they were not getting a preliminary title report with the mortgage guarantee product. Now they get one with my product and do not mind paying a little extra for it.

#8 E-Recording Fees.

If you have not yet had your registrar of deeds start accepting E-re-

Many small community banks have the need for escrow services for tax payments. Few have the staff or the willingness to take on that responsibility.

#6 Selling Use of Your Title Plant.

Many companies do not take advantage of this potential revenue source. Some have had the value of their title plants significantly reduced as

plant, it has a title order you are never going to get. Denying another title company use of your plant will not prevent competition from doing title work in your area. Competition will enter your area whether you sell them use of your plant or not. The only thing you can do is earn some additional fees from their use of your plant.

#7 New Policies or Products.

Our companies have had great success collecting extra charges for the new ALTA 2006 Owner's Policy, or the ALTA 1998 Expanded Coverage Policy. I have been combating mortgage guarantee-type products in my area for a while. A local mortgage guarantee company sells mortgage guarantee products for \$37. I negotiated a special rate with my underwriter to sell Short Form Loan Policies for a rate comparable to the rate charged by the mortgage guarantee company. The banks


ording, look into Maricopa County in Phoenix, AZ. They have been recording electronically for ten years. Title companies have gotten so used to it that the paradigm has shifted, so they charge an extra fee if a client won't record electronically. These fees are out there for the taking, and in some states they are statutorily mandated.

#9 Prepare Real Estate Contracts.

If you are willing to go through the process to obtain your real estate brokers license, a whole myriad of services open up to you. First and foremost is preparing real estate contracts for a fee. You can do so under the brokerage rules as a transaction broker. This type of brokerage representation can be thought of as "representing the transaction" fees charged. These fees can range from \$250 to 1% of the transaction.



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#10 Life Insurance

Instead of Mortgage Life Insurance.

Has anyone ever explained the difference between mortgage life and term life insurance to you? Most likely, the buyers in your closings have never had it explained to them either. Here is the difference—mortgage life insurance protects the lender. You pay a premium every month, but the coverage grows less and less over the life of the loan. When the loan is paid off, the life insurance under a mortgage life policy ends. Term life is “life insurance for a flat rate and term.” You pay the same rate for a number of years, and if death occurs, you receive the same life benefit. Let’s look at a quick example—a \$250,000 loan taken out by a borrower who dies in year 17 of the mortgage. Premiums for both mortgage life and term life are usually close to equal for equal dollar amounts. Under mortgage life, the remaining balance after 17 years is paid off – about \$150,000. If he had term life, the loan would get paid off plus the beneficiary under the policy would get the difference—\$100,000. Consider having your closers licensed to sell life insurance and present a brief description like this at closing and you will get sales.

#11 New Homeowner Lists.

This idea starts with creating a list of all the individuals who bought a home in the current month and then making it available to companies and individuals who would want it. Your company’s access to real estate records makes this a natural fit. Companies who would be interested in such a list include insurance agents, home improvement companies, remodeling contractors, interior decorators, furniture companies, tax

advisers, accountants, investment professionals, and the list goes on and on.

#12 Foreclosure Packages and Comparative Market Analysis.

How much do you know about the foreclosure process? When a bank starts to foreclose, often the first step is to order a Comparative Market Analysis. This is a comparison of the sales prices in the area and is usually less expensive than an appraisal. Offer this service to your banks when they order foreclosure title work. A second option is to sell foreclosure reports to prospective third-party purchasers at the actual foreclosure sales. Include the title commitment, plat, restrictions, assessors info, property tax info, etc. Advertise these packages in the local paper under foreclosures or legal notices.

#13 Tax Certification Service.

This service checks to make sure real estate taxes are paid yearly by borrowers that banks have on their books. You can provide this service for your local banks. Most of the large underwriters have a tax service company already providing this service. Get help from them to set up your system.

#14 Flood Letter Service.

Again underwriters have found a way to make this service profitable, and have made the service available to agents. Flood maps cost about \$1.50 per panel and can be purchased from the Federal Emergency Management Agency (www.fema.gov). Flood letter services can be profitable, but first and foremost—it is a service. And if you give good service, you can generate a following from your local banks and lenders.

#15 Mortgage Broker Services.

Obviously because this has the potential to be a competitor to your business sources, I only recommend this to title companies with very strong residential resale business referred by real estate agents. A good resource to start is *The Mortgage Originator Success Kit: The Quick Way to a Six-Figure Income*, by Darrin J. Seppinni. The mortgage broker business is highly lucrative. The average fee to a mortgage broker is over \$3,000 per transaction. It does not take very long to see how making just a few loans can be highly profitable. Furthermore, many national lenders (Countrywide, Washington Mutual, Wells Fargo, GMAC, etc.) have complete back-office systems for mortgage brokers. As a mortgage broker you help your borrower fill out the loan application and turn it in to the national lender. They process the loan, do the underwriting, and make the necessary approvals. You get the fee.



#16 Property / Rental Management.

Rental and property management is a fast growing field. In fact, one of the newest franchises available for this business – Real Property Management, Inc. (www.realpropertymgt.com) is one of the nation’s fastest growing franchise corporations. Over 30% of the housing in America is nonowner occupied. This means they are rentals. You as a

title company have the perfect access to apartment owners, buyers of rental property, vacation home buyers, etc. When these properties are bought – and you do the closing – why not refer them to your own property management company?

#17 Web Site Development.

How can you best strengthen your relationship with your independent real estate brokers? Help them develop their Web sites. Few real estate agents take full advantage of web tools or do not have the know-how to do so. You can help them and possibly get some added title business to boot. Remember, it is a RESPA violation to give something of value for the referral of business, so you must charge for your web development services... but if you are good at it, real estate agents will gladly pay for the help.

#18 Environmental Inspections/ Termite Inspections.

Environmental and termite inspections can be a real service to your real estate agent clients. And it can be additional revenue for you. The Environmental Assessment Association (<http://iami.org/EEA/home.cfm>) has information about becoming an environmental inspector. Termite companies are also available through franchising opportunities. Both Orkin and Terminix (America’s #1 and #2 termite companies) offer franchises.

#19 Real Estate Company/Brokerage.

I recommend this to title companies that do not rely heavily on real estate agent referrals for business. Opening a real estate brokerage is easy to do. It requires licensing but provides not only access to ad-

ditional income, but also access to new title orders. The average real estate agent pays over 35% of his/her commission to a broker. Further, part-time agents choose not to keep licenses active due to the cost most brokers charge to have part-time agents on staff. If you can keep costs to part-time agents low to maintain their license, you can be successful in attracting

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agents to your brokerage. Most title companies have the necessary space needed to start a brokerage; all they need is to hire the agents.

#20 Title Insurance Underwriter – Start Your Own.

This is another idea whose time has come. Ever wonder what your underwriter does with all of the premiums you send him? If you are a company that has not had a claim in years, you probably wonder this a lot. A group of agents in several states has banded together to form their own underwriting companies. These companies have low overhead and service the agent/owners as well as other agents. Reinsurance is purchased at a much lower rate from the national underwriters (when compared to agency direct costs), and the savings between

your cost of being an agent to the cost of reinsurance is the income to the new private underwriter. The income of the underwriter can grow as equity or as income depending on your market goals. Plus, the big payday, the five national underwriters are always looking to buy local and regional underwriters to increase their market share.

Go Make Some Money

I hope this list has sparked your interest and given you some new directions and ideas to pursue. This list is not all-inclusive, but it contains some of the best ideas I have heard or tried. Hopefully you can use some of these ideas to grow your income stream, increase the value of your company, and truly bring our industry into the 21st century.



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