AMERICAN LAND TITLE ASSOCIATION

Is It Time to Get Best Practice Certified?

How to Prepare, Understand the Options and What to Expect

Presenters:

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Best Practices

- **Agenda**
  - ALTA tools available
  - Why it's good to be proactive
  - How to get your company ready
  - What's appropriate
  - What to expect
  - Case studies
  - You've passed, now what?
  - Questions

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- **Tools Provided by ALTA**
  - Board recommends self audit by September
  - Assessment Readiness Guides
    - One for each pillar
    - Exclusive to members
  - www.alta.org/bestpractices

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Best Practices

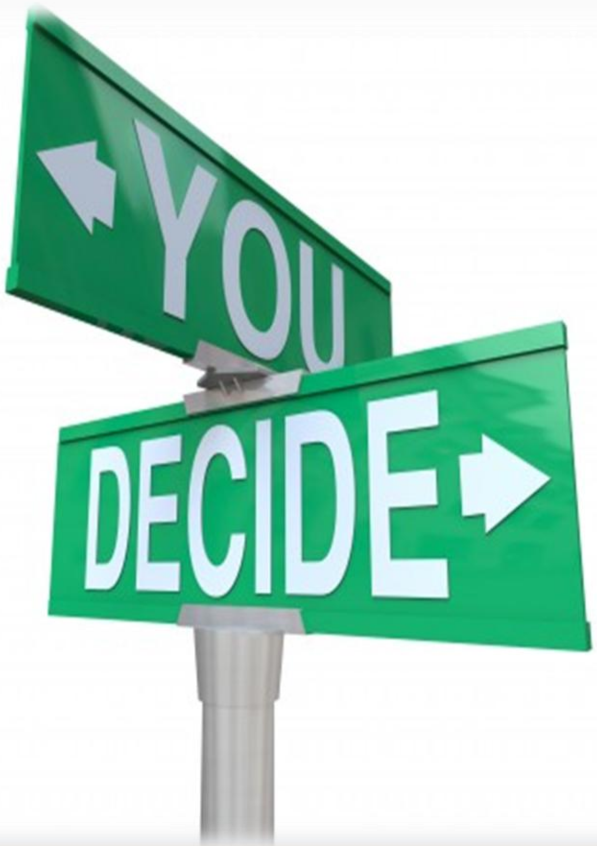
- **Why you need to do this**
  - Regulatory bulletins
    - CFPB, OCC, FDIC
      - Recent enforcement actions against lenders serve as notice the CFPB will penalize financial institutions when their third-party vendors' actions harm consumers
  - Lenders responsible for acts of their third-party service providers
  - Retain and grow existing bank relationships and develop new ones

Best Practices

- **How to prepare**
  - **Talk with lender clients**
    - What does the lender need from you to continue conducting business with your company?
    - Take an assessment review of your current level of compliance readiness
  - **Review, document and compile policies and procedures**
    - Remediate any deficiencies before testing
    - Document compliance with your written policies and procedures for the anticipated assessment period
  - **Determine what level of certification you need to provide to your lender client**

Best Practices

- **What report on compliance will my lender accept?**
  - Certification/Attestation reports on Best Practices
    - Tiered types of reports based on size
      - Tier 1 – Small Agents – Review Reports
      - Tier 2 or 3 – Examination Report



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- **What's appropriate for you?**
  - Service Organization Controls (SOC) report
    - SOC 1 report - Assesses controls at service organizations that are relevant to user entities' internal control over financial reporting.
    - SOC 2 report - Assesses controls at service organizations that are relevant to security, availability, confidentiality, processing integrity and/or privacy
      - » Type I - Service organization's system that was designed and implemented as of a point in time or specified date, i.e. August 31, 2014.
      - » Type II - Service organization's system that was designed and implemented and operated effectively throughout a period of time, i.e. August 1, 2014 – July 31, 2015.

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- **What to expect**
  - Timeframe for planning, testing and issuance of certification report
  - Interruption of daily workflow
    - Office visit vs. phone call
    - Employee participation?
    - Getting together requested testing documents
    - Questions and requests during testing

Best Practices

- **Market Place Findings: Pillar No. 3**
  - **Confusion**
    - Statute and guidance give unclear parameters
    - No standard for “safe & secure handling”
  - **“Wait & See” Group**
    - Looking for total REG clarity – not coming soon
    - Lenders’ liability for actions of their Service Providers will result in Compliance Attestation
  - **Some Early Adopters**
    - Difficult for title and settlement companies to self-attest to Pillar 3 compliance
  - **<u>Consensus: Most unprepared for Pillar 3 compliance</u>**

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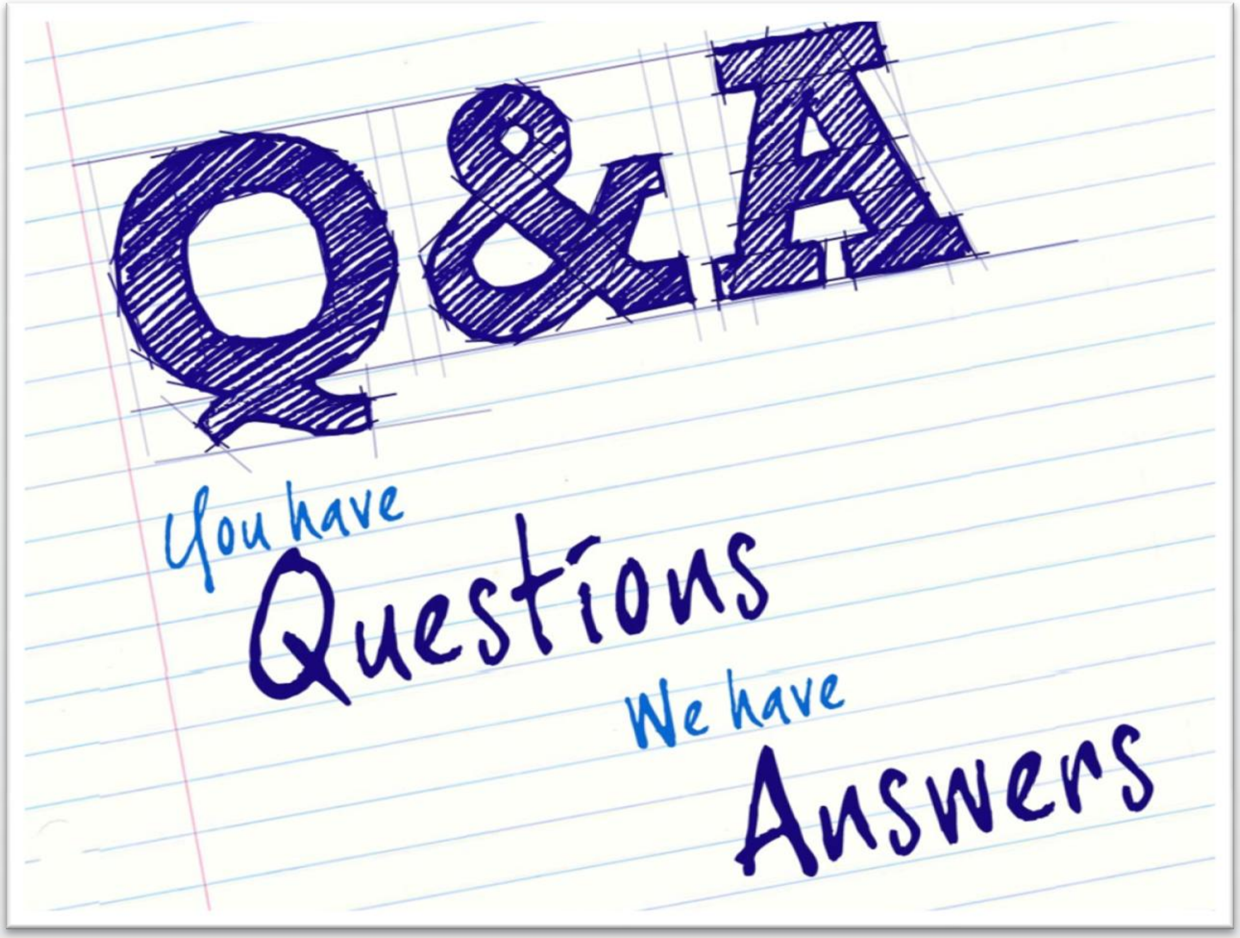
- **Case study**
  - Common deficient areas
  - What to do if you fail an assessment area during compliance testing
  - Be proactive and objective in your compliance readiness assessment

Best Practices

- **You've passed, now what?**
  - Need to prove compliance to customers
  - Use your certification report as a marketing tool to lender clients
  - Length of time that certification will be effective

Best Practices



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