



Demonstrating ALTA Best Practices Compliance: Self Assessment, Benchmarking, Review and Examination

Presented by: Kim McConkey, Partner-in-Charge of HA&W's
ComplianceSuccess® Program and Laura Stingily, Program
Manager



HABIF, AROGETI & WYNNE, LLP

ComplianceSuccess®

www.compliancesuccess.com

General Introduction- Current Industry Issues

What are CFPB Bulletin 2012-03's expectations for lenders to follow to manage the risks of their approved attorney relationships?

- Conduct due diligence to verify the attorney's understanding of Federal consumer financial laws
- Establish internal controls and a monitoring process to verify compliance
- Ensure the contract includes expectations on compliance
- Take prompt action on any noncompliance issues

What are the major business risks to approved attorneys?

- Losing market share
- CFPB fines and enforcement action
- Business continuance



General Introduction- Current Industry Issues

Will your lender clients only want to do business with approved attorneys who are ALTA Best Practices compliant?

- Reduce risk of CFPB fines and enforcement action
- Reduce risk from consumer liability issues
- Will streamline process and reduce operating costs for lenders



Overview of ALTA Best Practices Framework

What is the first step to becoming ALTA Best Practices compliant?

- Self or third-party assessment to determine your current level of compliance
- Prepare a gap analysis report on any deficiencies
- Develop a plan to remediate any deficiencies

What are the pros and cons of performing a self-assessment internally?

- Pro- Minor cost savings
- Con- May not be totally objective in determining deficiencies
- Con- Internal development of your own gap analysis report and remediation plan



Overview of ALTA Best Practices Framework (cont.)

Why is a third-party assessment performed by an external CPA firm advantageous?

- Objectivity in determining gaps or deficiencies from ALTA Best Practices
- Will provide gap analysis report
- Will develop a remediation plan and roadmap for you to get compliant
- Reduces the likelihood of finding additional deficiencies during compliance testing that require remediation

If I use ALTA's self-assessment tool, have I demonstrated compliance?

- For risk management purposes, a self assessment may not provide the assurance that lenders will require
- A self assessment may not be an objective measurement of compliance



CPA Reporting Options to Demonstrate Compliance with ALTA Best Practices to your Leander Clients

Why will banks prefer CPA assurance on title agent's Best Practices compliance over a certification?

- Historically banks have used CPA assurance reports for financial and nonfinancial information to mitigate their business risk
- Banks want somebody else with financial stability to shoulder business risk
- CPAs' assurance reports are backed by the high standards of the AICPA – CPAs must undergo peer review every three years

Are small law firms being held to the same standard as large law firms?

- What is the lender's risk management policy?
- Escrow dollars
- Scalability



Practical Considerations for Compliance Testing

What types of CPA attestation reports are available to provide ALTA Best Practices assurance?

- Review- high-level testing, less assurance
- Examination- detailed testing, akin to an audit, strong assurance

How can you decide which CPA reporting option is best for you?

- Small law firms: Approx. 300 or less residential closings per year- Review
- Medium-to-large law firms: Examination

What is the difference between a certification and a CPA's attestation report?

- Anybody can perform certifications
- Only CPAs can issue an attestation report based on the AICPA's objectivity, independence and performance work standards



Practical Considerations for Compliance Testing

How long will the attestation engagement take?

- Review- three to five days
- Examination- on average one to three weeks

What do I need to have available?

- Request list provided (licensing, three-way rec's and trust ledgers, ISP, closing files, cancelled checks & support, E&O insurance support, compliant logs, etc.)

How long will it take me to get the required information ready?

- Should be minimal if compliant
- On average, one to three days

How much work is performed onsite vs. offsite?

- Review- all work performed offsite over a secure network portal
- Examination- on average, one to two days onsite, remaining offsite



Practical Considerations for Compliance Testing (cont.)

What are some examples of testing performed on review engagements?

- Assessment performed by law firm- usually two to three days
- Looks at policies and procedures for ALTA Best Practices
- Verifies three-way reconciliation performed
- Verification of E&O insurance
- Verification of compliant log

What are some examples of testing performed on examination engagements?

- Three-way reconciliation tested
- Confirmation of title premiums due to underwriter
- Confirmation of E&O insurance with carrier
- Selected closing files and invoices are tested



Practical Considerations for Compliance Testing (cont.)

What are the common compliance weaknesses?

- Lack of written policies and procedures
- Lack of audit trail
- ISP
- Positive pay
- Compliant log

If I have multiple offices, does each office have to be tested individually?

- Common policies and procedures
- Common ownership



Practical Considerations for Compliance Testing (cont.)

What happens if deficiencies are found during compliance testing?

- Be proactive in getting compliant to reduce likelihood
- Unfortunately, you have to stop and remediate

What is the reporting cycle for ALTA Best Practices compliance attestation?

- ALTA's suggested voluntary 24-month cycle
- Lenders' risk management policy will determine frequency



Advantages of Being an Early Adopter

What are the most important steps to get compliant and demonstrate compliance?

- What are the advantages of being an early adopter of ALTA Best Practices?
- Competitive advantage of your peers
- Significantly reduces business risk from waiting until your receive that 60 or 90-day request from your lenders for a compliance report

If my lender clients have not sent me a request for providing best practices information (e.g. policies and procedures, information security program, compliant log, etc.) or a CPA compliance testing attestation report, why should I go through the process now?

- Reduce the business risk of lenders not working with you
- Keep your lenders from going to your competitor who can demonstrate ALTA Best Practices compliance
- Avoid consolidating your business or going out of business



Current Developments

Has the AICPA issues formal guidance for CPAs to follow?

- Draft interpretation
- ALTA's response

What are the lenders saying about requiring CPA or third-party compliance reports on ALTA Best Practices?

- Wells Fargo- March newsletter
- BancorpSouth
- Calls from lenders
- Most lenders are requiring certain documents to gauge compliance



Questions?

Contact us

We look forward to working with you.

Kim McConkey

Partner-in-Charge of
ComplianceSuccess Program

📱 404.898.8237

✉ kim.mcconkey@hawcpa.com