

INTRODUCTION

The purpose of this document is to provide guidance for Longhorn Title Company, Inc. employees for workstation security. The physical and logical security of the workstations used by employees is critical for the security of the information accessed via the workstation.

STATEMENT OF POLICY

Longhorn Title Company, Inc. employees must take appropriate measures when using workstations to ensure the confidentiality, integrity and availability of sensitive information, and that access to sensitive information is restricted to authorized users. Longhorn Title Company, Inc. IT Department and Management will implement physical and technical safeguards for all workstations to restrict access.

Appropriate measures include:

- >Restricting physical access to workstations to only authorized personnel.
- >Securing workstations (screen lock or logout) prior to leaving area or leaving for the day to prevent unauthorized access.
- >Enabling a password-protected screen saver with a short timeout period to ensure that workstations that were left unsecured will be protected.
- >Complying with all applicable password policies and procedures.
- >Ensuring workstations are used for authorized business purposes only.
- >Disallowing installation of unauthorized software on workstations.
- >Securing laptops that contain sensitive information by using cable locks or locking laptops up in drawers or cabinets.
- >Complying with the anti-malware/firewall policy.

>Ensuring that monitors are positioned away from public view, installing privacy screen filters or other physical barriers to public viewing when necessary.

>Ensuring workstations are left on but logged off in order to facilitate afterhours updates.

ENFORCEMENT

Any employee found to have willingly violated or circumvented this policy may be subject to disciplinary action, up to and including termination of employment.

DEFINITIONS

Workstation: laptops, desktops, PDAs and authorized home workstations accessing the Longhorn Title Company, Inc. network or third party hosted applications, whether they are located on or off Longhorn Title Company, Inc. premises.

INTRODUCTION

Section 326 of the USA Patriot Act requires banks to implement written customer identification programs (CIP) designed to establish minimum requirements for the verification of the identity of customers opening accounts with the bank. Included in the definition of an “account” is any formal relationship whereby the bank provides services, engages in dealings with customers and extends credit. The extension of credit includes providing mortgage financing to purchase residential, commercial and other types of real property; to issue home equity loans and home equity lines of credit; and for refinancing existing loans. As a title and settlement services provider, Longhorn Title Company, Inc. is routinely asked to verify the identity of parties signing documents which are then relied on by banks, mortgage lenders, other financial institutions and other parties. Regardless of the services provided by Longhorn Title Company, Inc., the bank or lender is ultimately responsible for the acts of third parties like Longhorn Title Company, Inc. with compliance with the requirements of the bank’s CIP.

OBJECTIVE OF THIS POLICY

To establish a procedure to verify the identity of all persons who conduct any form of business with Longhorn Title Company, Inc. and the third parties who rely on Longhorn Title Company, Inc. to verify the identity of these persons.

PROCEDURES TO CONFIRM AND VERIFY IDENTITY

>In all circumstances where persons come to an office of Longhorn Title Company, Inc. to conduct business, (a) all persons coming into an office of Longhorn Title Company, Inc. shall be asked to sign a book listing their full name, residential address, telephone number and the name of the Longhorn Title Company, Inc. employee they intend to meet with, or the general purpose of their visit; (b) the sign-in book shall be maintained as part of Longhorn Title Company, Inc. business records associated with the office and shall be retained according to

the company's document retention policy; (c) persons who refuse to sign in shall be restricted to only public areas of Longhorn Title Company, Inc. and shall not be allowed access to any other areas of the office and shall not be permitted to sign any documents without first verifying their identity.

>In all situations where persons are asked to sign documents, (a) all persons asked to sign documents shall be asked to produce a current government issued photo identification verifying their identity. A complete list of acceptable forms of identification and whether identification verification is to be accomplished by use of documents or non-documentary means shall be retained and updated from time to time by the Company. Use of other protocols for identification of persons and acceptable forms of identification such as those commonly used for employee identification purposes and the completion of I-9 forms shall be generally considered acceptable protocols and forms of verification; (b) all persons expected to sign documents shall be asked to sign a notary log or other permanent record which in addition to listing their name and form of identification shall list a current residential address and other means of contacting the individual; (c) employees and agents of Longhorn Title Company, Inc. are not required to establish the accuracy of every element of identifying information obtained, but they must verify enough information to form a reasonable belief that they know the true identity of the individual signing documents.

>In all situations where a bank, mortgage lender, mortgage broker or other third party requests, Longhorn Title Company, Inc. shall complete a customer identification/verification form as required by Section 326 of the USA Patriot Act and as provided by the bank, lender or third party.

LACK OF VERIFICATION

In situations where the individual cannot produce sufficient or satisfactory verification of his or her identity, Longhorn Title Company, Inc. shall refuse to allow the individual to sign any documents until such time as the individual has produced sufficient and acceptable proof of identity and Longhorn Title Company,

Inc. shall notify the bank or lender associated with the transaction and ask for further instructions.

RECORDKEEPING AND RETENTION REQUIREMENTS

At a minimum, Longhorn Title Company, Inc. shall retain the identity information and any completed customer identification/verification forms for a period of five years after the transaction has closed.

ACCESS CONTROLS

>Users shall be authenticated to each system that they need access via a set of username/password combinations that are specific to the system.

>Users shall be authorized on each system depending on role and job function in the company. Access is a privilege and not a right, and not all users shall have access to every system. Users shall be assigned privilege levels on each system according to the least sufficient privilege principle.

>Segregation of duties shall be observed when users are granted access and privileges on a system. Any privilege grant shall be done after a complete and thorough review of the user's current access and privilege set.

>Longhorn Title Company, Inc. may employ administrators for each system, in addition to those employed by the hosting providers. Company administrators may not share access across systems, and shall have individual credentials unique to them. All administrative actions (account create/modify/delete, privilege grant, remove, deny) shall be fully logged. Hosting providers' administrators may not be allowed access to other hosting companies' systems.

>User accounts shall be created on the internal domain or hosted company systems upon request by the hiring manager or HR personnel and shall be granted privileges according to role and function. User creation and privilege grants shall be fully logged.

>Users may be authorized to use additional functionality on a given system or given access to other systems should the job duties change. These requests shall be initiated by the direct supervisor and logged.

>Users shall be promptly deactivated on systems they have access to upon request of supervisor or HR personnel in case of job function change or separation from company.

INFORMATION SECURITY

>All access to the hosted systems from client terminals shall be done in a secure manner, over company owned private data lines, software VPN tunnels, SSL connections or Secure Citrix. No unencrypted or direct backend access shall be allowed. All access shall be logged by date, time, client IP and authentication credentials.

>Hosting providers are responsible for the security of the information stored on their premises. Longhorn Title Company, Inc. has entered into agreements with each provider detailing their security practices, obligations and explicit remedies in case an unauthorized access to or dissemination of the information entrusted to the hosting party should occur.

>Longhorn Title Company, Inc. shall audit the information security practices of each hosting provider at least annually.

>All personally identifiable information, including but not limited to Social Security Numbers, shall be encrypted. Any access to this information shall be limited to those personnel who need to know the information, and all access shall be logged.

>No privileged information shall be stored on local client terminals.

>Company laptops and other portable storage, when allowed, shall be encrypted. Portable storage (USB drives and similar) may not be allowed on client terminals.

>Strong passwords shall be used on all systems, and shall be enforced.

>Longhorn Title Company, Inc. shall fully meet or exceed the document and information retention requirements imposed upon it by federal and state laws and regulations.

>Longhorn Title Company, Inc. may employ tools and technologies to detect unauthorized access to its systems and information. As these tools require highly privileged access, they shall be limited to key personnel and all use shall be logged and the logs shall be periodically reviewed by non-IT personnel.

>All access to personally identifiable information and HR records shall be granted to the fewest number of possible users. All such access shall be logged.

>Vendors: All vendors that may need access to the company's systems or data shall furnish a copy of their Information Security policy, procedures and processes to Longhorn Title Company, Inc. before any access may be granted. These documents shall be reviewed both by IT and risk management teams before access is granted. Vendors shall be furnished with a document outlining the scope and duration of their access. This document shall also stipulate any remedies available to Longhorn Title Company, Inc. should there be a breach of the Information Security policies, procedures and processes of Longhorn Title Company, Inc. and shall be made a part of the vendor's server agreement to Longhorn Title Company, Inc.

BACKUPS AND DISASTER RECOVERY

>For Longhorn Title Company, Inc. hosted resources, a backup of all volatile data shall be made at least daily to two NAS devices, one at the data center and one off-site. Both devices shall be encrypted. Backups shall be tested at least monthly.

>Longhorn Title Company, Inc. shall employ off-site encrypted data and application image storage to provide for disaster recovery and business continuity. The details of these processes may be found in Longhorn Title Company, Inc.'s Business Continuity and Disaster Recovery manual and will be validated annually.

>For hosted applications, it is the responsibility of each hosting provider to adequately backup and protect Longhorn Title Company, Inc.'s information, and provide redundancy and recovery in case of a disaster. Longhorn Title Company, Inc. has entered into agreements with each provider detailing these processes and establishing Service Level Agreements (SLAs) and specifying explicit remedies in case of non-performance.

>Longhorn Title Company, Inc. shall perform an audit of each hosting provider's backup and disaster recovery procedure and practices at least annually.

INFORMATION SECURITY AWARENESS TRAINING PROGRAM (ISATP)

>Longhorn Title Company, Inc. shall have a comprehensive ISATP for all of its employees. This program shall cover general information security awareness concepts, policies and practices, in addition to any that may be needed to fulfill the needs of a particular role or position. All employees shall attend the training at least annually, or as required by their supervisors. The content of the training shall be reviewed at least biannually.

PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS COMPLIANCE STATEMENT

>Longhorn Title Company, Inc. does not currently accept payments via credit cards, nor does it store credit card information on its systems.

CUSTOMER ACCESS TO INFORMATION

>Any customer access to information on Longhorn Title Company, Inc.'s systems shall be done over secure email, FTP or website access, in addition to other secure methods as applicable. Customer access to transaction information shall be scoped to allow a customer access to their information while denying access to other customers' or the company's proprietary information. All customer access

shall be logged. No plaintext customer passwords shall be stored by Longhorn Title Company, Inc.

SECURE EMAIL USAGE GUIDELINES

>As part of its Information Security practices and in furtherance of its Privacy Policy, Longhorn Title Company, Inc. shall not send communication that contains personally identifiable information or non-public information over unsecured electronic channels. When Longhorn Title Company, Inc. needs to communicate such information to other parties on a transaction as its business needs require, it will either use encrypted documents or will secure the communication using its Secure Mail system.

>The Secure Mail system is installed directly on user workstations, and is integrated with Longhorn Title Company, Inc.'s corporate email client. When the user wishes to send Secure Mail, they create the email and attach any documents, and the system will deliver the message to its intended recipients in an encrypted format, accessible only by a recipient in possession of a pre-determined password or an answer to a challenge question; neither of which is transmitted as part of the message.

>Longhorn Title Company, Inc. has internal controls in place to ensure that all personally identifiable information is sent using this Secure Mail system if email is the preferred method of communication for its counterparties.

INTRODUCTION

As an employee of Longhorn Title Company, Inc. or its subsidiaries, you are entrusted every day with the most private information of our clients and customers. Many documents you handle, faxes you receive or send or emails that you send and receive in your day to day work contain information that, if placed in wrong hands, can be used to steal someone's identity, disburse or redirect funds in violation of client instructions, violate the principle of confidentiality and trust on which our business is built, and cause our company irreparable harm and loss. Therefore, as an employee of Longhorn Title Company, Inc., within 30 days of the start of your employment or when your duties change significantly, you are obligated to review the following material with your manager and indicate that you have read and acknowledged each section of this document by initialing each section. This document must be returned to your Human Resources representative upon signature, and please retain a copy for your records and reference.

PROTECTION OF INFORMATION AND DATA

>You must protect all sensitive and confidential information entrusted to you.

>Ensure that sensitive information, whether on physical or electronic media, is secure. Do not leave the information unattended, and keep it out of sight of persons who do not have a business need to have access.

>Avoid placing sensitive information on portable electronic media (such as USB thumb drives, cell phones, CDs) especially if no encryption is in place.

>Never leave removable electronic media unattended, place it in the mail or throw it away unless you know it to be brand new and empty. Restoring "erased" data from a removable electronic media is a very easy thing to do.

>Use provided methods, such as a shredder, to dispose of any media containing sensitive information.

>Be sure to use sensitive information or non-public information/personally identifiable information (NPI/PPI) for its intended purpose. In handling this type of information, you must follow the Agent IT Security Policy and state and federal law, as applicable.

>If someone whom you think should not have access to the information requests access, challenge their request rather than comply. Report these requests to your manager.

>If a suspicious request for sensitive information is presented over a phone conversation, ask to hang up and call back. Never call back the number the person gives you, but use the known number in your CRM system. Report any such requests to your manager.

>Do not disclose sensitive information to third parties, unless they are duly authorized in writing with formal agreements that compel them to protect the information adequately.

>Do not store sensitive information on public folders.

>Do not post sensitive information on social media or on public internet sites.

>Do not send sensitive information over unsecured channels, such as email.

>Do not intentionally conceal, steal, remove, destroy or modify information, for your benefit or others.

Read and Acknowledged _____

PROTECTION OF YOUR COMPUTER

- >Always log off or lock your computer when you will be away, even for a second.
- >Never leave your laptop or cell phone unattended, especially in public places.
- >Use all authentication options on your laptop, especially those that are biometric (thumbprint or retina recognition) in addition to a strong password.
- >Be sure to place a password or passpattern on your tablet and cell phone.
- >Be sure to encrypt the data on your portable device.

Read and Acknowledged _____

PASSWORDS

- >Never give your password to anyone else, not even “just one time...”
- >Never ask for someone else’s password nor use it.
- >Never send a password over email, tape it on your monitor, your laptop or your desk.
- >Be sure to use the strongest password possible. Longer and more complex is better.
- >Do not reuse passwords between sites or services.
- >A good way to generate a complex password is to take a sentence that makes sense to you or one you will remember, and use the initial letters of the sentence and any numbers in the sentence. The result will be difficult to guess, but easy for you to remember later. For example: “When I go Bungee jumping, I fall 93 Feet!” would become “WlgBj,if93F!”
- >Avoid using passwords that can be easily guessed, such as dictionary words, words and numbers that are related to you personally (pet’s names, spouse’s birth date) or common words combined with number sequences, such as Password123.
- >If you share any public information on social media sites, such as your pet’s name, do not use them for your password.
- >Change your password regularly.
- >Do not reuse your old passwords.

Read and Acknowledged _____

EMAIL PHISHING

- >Do not use unencrypted email to send material or attachments that may contain sensitive information.
- >Do not open emails or attachments from sources you do not know.
- >If an email looks suspicious, forward it to your Helpdesk. Do NOT click on any links or open any attachments.
- >If you are asked to visit a website with which you are not familiar, type the address yourself in the browser, do not open these sites from links in emails.
- >Do not use company email for non-business use.
- >All email is archived and can be recalled should the need arise. You should have no expectation of privacy when using the company email.

Read and Acknowledged _____

INTERNET USAGE

>Do not use the Internet at work or on company owned devices for non-business use, including gambling, sending or retrieving sexually explicit, suggestive text and/or images or offensive material.

>Do not use Peer-to-Peer sharing or other functionality such as Instant Messaging, except as provided or authorized by your manager, or Longhorn Title Company, Inc. policy.

>Do not attempt to break into, hack or otherwise take control of another computer, resource or account for which you have not been granted authorized access.

>Always look for the padlock icon in your browser's address bar and make sure that the address starts with https:// when visiting sites that ask for or collect nonpublic personal information. Be sure that the browser does not present a red address bar, an error message or certificate errors.

Read and Acknowledged _____

SOFTWARE USAGE

>Do not install, modify or remove software on your Longhorn Title Company, Inc. supplied computer, laptop, tablet or cell phone, unless so authorized by your manager or policy.

>Always use anti-malware software, in addition to a firewall on your Longhorn Title Company, Inc. supplied computer. Do not disable these software programs.

Read and Acknowledged _____

PHYSICAL SECURITY AND CONTROL

>Do not leave documents, CDs, USB drives or other media containing NPI unattended. They must always be under your physical and visible control if entrusted to your care.

>Do place these items in locked drawers or cabinets.

>Do not transmit any physical media containing NPI to a third party without confirming their identity and their valid business need to possess the information.

>Destroy physical media containing NPI when no longer needed, per Longhorn Title Company, Inc.'s records retention policies. A) Paper may be shredded or placed in a locked shred bin. B) CDs may be put in shred bins or incinerated via an approved vendor. C) USB key drives and hard drives must be incinerated by an approved vendor.

>If sending NPI outside of your office, you must record the recipient, date and time sent and the carrier. Always confirm that the information has been received via the intended recipient.

>Follow the Longhorn Title Company, Inc. Clear Desk policy to ensure appropriate treatment of NPI containing media.

Read and Acknowledged _____

GRAMM – LEACH – BLILEY ACT (GLBA)

The Gramm-Leach-Bliley Act authorizes severe penalties for companies operating in the financial services sector (such as Longhorn Title Company, Inc.) and their employees should they fail to protect sensitive and personal information adequately, or should unauthorized disclosures occur, whether unintentional or not. Protect all information carefully, and if you don't know if it is sensitive, assume that it is. More details can be found in the Definitions section of this document.

Read and Acknowledged _____

DEFINITIONS OF TERMS USED IN THIS DOCUMENT

Encryption: The process of obscuring the contents of a message, such as an email or a PDF document, so that only the intended recipient can read it.

Phishing: An attempt by a malicious third party to gain access to an unsuspecting user's system or username/password by sending them a link that is masquerading as another, trusted site and trying to persuade them to click on it.

Public Internet Sites: Any internet site that is available to the general public and one that Longhorn Title Company, Inc. has not been directed to use by its clients to provide its services through. The presence of any authentication or security mechanism on a site does not make it non-public.

Title V of Gramm-Leach-Bliley Act (GLBA): Enacted in 1999 and subsequently amended, sets forth provisions for the privacy of consumer financial information and presumes that all consumer information is nonpublic unless there is a "reasonable basis to believe" that it is not. As a Settlement service provider to financial institutions, Longhorn Title Company, Inc. is directly responsible for treating all customer information entrusted to it as if it were nonpublic.

Nonpublic Personal Information (NPI) as defined by the Title V of the Gramm-Leach-Bliley Act:

>NPI includes: nonpublic personally identifiable financial information and any list, description or other grouping of consumers (and publicly available information pertaining to them) derived using any personally identifiable financial information that is not publicly available.

>NPI excludes: publicly available information and any list, description or other grouping of consumers (including publicly available information pertaining to them) that is derived without using personally identifiable financial information that is not publicly available.

Personally Identifiable Financial Information is any information:

>A consumer provides to obtain a financial product or service,

>about a consumer resulting from any transaction involving a financial product or service,

>otherwise obtained about a consumer in connection with providing a financial product or service.

Publicly Available Information is:

>Any information that a financial institution has a reasonable basis to believe is lawfully made available to the general public from Federal, State or local government records, widely distributed media or disclosures to the general public required by Federal, State or local law.

Reasonable Basis to Believe means the financial institution cannot assume information is publicly available and must take steps to determine if the information is of the type generally made available to the public and whether an individual can direct that it not be made available, and if so, whether that particular consumer has directed that it not be disclosed.

Read and Acknowledged _____

INTRODUCTION TO INSURANCE REQUIREMENTS

Most title operations have some type of insurance to protect the operation and its customers against their own errors (Errors and Omissions coverage) and against theft or fraud by their employees (Fidelity coverage.) Additionally, many title operations have bonds in place for the benefit of the state regulatory body in the event that the operation shuts down or becomes insolvent (surety bonds.)

ERRORS AND OMISSIONS INSURANCE

Errors and Omissions insurance is not required by every state but is required by almost every underwriter. Additionally, most lenders will require that a title operation maintain some level of E&O coverage before closing a transaction with that office. E&O Coverage protects against certain types of mistakes made by the operation. Coverage requirements are described in three categories: per claim maximum coverage, aggregate maximum coverage and deductible. Per claim maximum coverage is the maximum amount that the E&O carrier will pay out on any one claim. Aggregate maximum coverage is the total amount that the E&O carrier will pay under the terms of the policy. Deductible is the amount that the insured must pay toward any claim before the carrier will pay any amount. These three coverages are often written in this manner: 200,000/500,000/25,000. The per claim maximum in this example is \$200,000, the aggregate amount is \$500,000 and the deductible is \$25,000. The amount of insurance that is required is set by statute or regulation in those states where E&O is required and by the agency agreement with the underwriter. The coverage must be kept current and comply with both the state and underwriting requirements. Frequently the person responsible for negotiating insurance coverage is not aware of these very specific requirements. Any proposed reduction in the amount of coverage or increase in the deductible should be reviewed against the required amounts.

The E&O policy shall include E&O insurance commensurate with the risks of all of the operations of Longhorn Title Company, Inc. Any employee that needs to

provide to a customer or lender certification of coverage will request that certificate from the insurance department. The E&O coverage required by law will be maintained as a minimum coverage. The insurance department will manage the E&O coverage for Longhorn Title Company, Inc. and evaluate the coverage requirements on a quarterly basis to verify sufficient coverage is maintained at all times. Negotiations for renewals shall be commenced sufficiently in advance of the expiration date to assure continuous coverage.

FIDELITY INSURANCE

Fidelity Insurance protects the operation and its customers against acts of theft or dishonesty by an employee of the operation. It is not required by every state but is required by most underwriters. Again, many lenders will require confirmation of Fidelity coverage before permitting an office to close a transaction. Fidelity coverage may be included as part of an E&O policy if expressly stated or added by a rider agreement. Coverage for Fidelity Insurance is described in the same terms as E&O coverage. The amount of insurance that is required is set by statute or regulation in those states where Fidelity coverage is required and by the agency agreement with the underwriter. The coverage must be kept current and comply with both the state and underwriting requirements. Frequently the person responsible for negotiating insurance coverage is not aware of these very specific requirements. Any proposed reduction in the amount of coverage or increase in the deductible should be reviewed against the required amounts.

SURETY BONDS

Surety bonds are required in many states. Each state specifies both the amount and the form of the surety bond. The amount of bond required may vary with the amount of transactions being closed or the number of licensed employees. Statutes may require the bond to be payable to the state regulatory agency or the underwriter. Surety bonds can be required from the agency and/or the agent or escrow officers. These bonds must be kept current at all times and in the required

amounts. States can change the requirements for any particular bond at any time. The surety bonds required by law will be maintained at the state required amount. The legal department will manage the surety coverage on all operations.

REQUIRED FOR LICENSING

If a state requires E&O coverage or Fidelity coverage, you will be required to submit proof of that coverage in the process of applying for the operation's initial license and in connection with the renewal of that license. Additionally, if the state performs its own audit of the operation, you will be required to produce proof of the required coverage at the time of any such audit.

INTRODUCTION TO LICENSING

Licensing for closing and insuring real estate transactions is a complex set of rules and regulations that can be confusing at best, incomprehensible at worst.

Licensing includes various components that can each affect the ability of an operation to legally close and insure transactions. Licensing covers everything from the ability of the business entity to operate in a particular state to the ability of individuals to sign settlement statements and policies.

BUSINESS ENTITY LICENSING

The first issue for licensing consideration is the qualification of the entity to do business in a particular state. The steps necessary to be qualified to do business vary based on the type of business entity. However, the Secretary of State for each state governs the rules and requirements for proper qualification. The Secretary of State generally requires businesses to file documentation from their resident state establishing that the business is a properly formed entity and that the business has paid its home-state taxes. Longhorn Title Company, Inc. will not close or insure transactions in a jurisdiction until the proper entity has been qualified to do business in the state where the transaction is located. Copies of all business entity licenses shall be retained by the licensing department. The licensing department will monitor the business entity licenses and file all necessary reports to maintain the licensed status.

AGENCY TITLE LICENSES

Once the entity has received its qualification to do business from the Secretary of State, the agency may need to obtain either a title agency license or an escrow license. Not every state requires the agency itself to be licensed. Consult with the licensing resources to determine if an agency license and escrow license is required before closing or insuring any transaction in a state. If licensing is required, you may have a waiting period from 30 to 90 days for the license

application to be processed. Also, some states require that an agency have a licensed producer in place before submitting its agency application. If so, please review below regarding agent licensing. Applications for agency may require proof of Errors and Omissions insurance, proof of Fidelity insurance and surety bonds. Each state that requires such insurance will mandate the amount of the coverage, limits on any deductibles and loss payees. Principle officers, directors and substantial owners or shareholders may have to submit biographical information, fingerprints and criminal background releases. Additionally, the state may require that each underwriter for the entity appoint the agency with the state's department of insurance. If appointment is required, this must be completed before transacting business in the state. Furthermore, some states require that the agency hold an escrow license before closing transaction. This license may be issued by a different department and is subject to some of the same requirements regarding insurance and background information.

Licenses have renewal periods from one year to indefinite. Many states require the actual paper license to be displayed in the office.

Agent will not close or insure a transaction in any state that requires an agency license to close or insure transactions. If the operation conducts business in a state that requires an agency license, Longhorn Title Company, Inc. will obtain the appropriate license before closing or insuring any transaction in the state. A copy of all agency licenses shall be provided to the licensing department. The licensing department will maintain the licensed status and submit all necessary renewal documentation. If required, Longhorn Title Company, Inc. will post the agency license in the office in public location for public viewing. If appointment by the underwriter is required, no transactions will be closed or insured in the jurisdiction until the appropriate appointments have been completed.

AGENT/ESCROW LICENSES

More states require agent licensing than agency licensing. The most common name for the license is a licensed producer. A licensed producer is typically

licensed first in the state in which they reside and then can apply for a non-resident licensed in many other states if their resident state allows agents from other states to become licensed (reciprocity). Some states require licensed escrow officers to perform the key functions on the closing side of the transaction and those states often do not have licensed producers. Applicants will typically be required to submit biographical information, fingerprints and criminal background releases. Applicants may also have to submit a surety bond.

At least one licensed producer is required for an operation if agent licensing is required. However, each state may have a unique definition of the functions that require a license. When determining the number of personnel that should be licensed, a review of the licensed functions requirements of each state is critical to assuring that the correct staff have the necessary licenses. Redundancy is another key factor in determining the number of staff to be licensed. An operation with only one or two key people licensed could be forced to cease operations in a state if the key person were to leave their employment.

Once the key personnel are licensed, the state may also require each underwriter to appoint those employees. This process should be completed before closing transactions within the state.

Longhorn Title Company, Inc. will not close or insure a transaction in any state that requires an agent's title license, licensed producer or escrow officers (collectively referred to as "Agent Licensing") to close or insure transactions. If Longhorn Title Company, Inc. does business in a state that requires Agent Licensing, Longhorn Title Company, inc. will obtain the appropriate licensing for all necessary staff before closing or insuring any transaction in the state. A copy of all Agent Licensing documentation shall be provided to the licensing department. The licensing department will maintain the licensed status and submit all necessary renewal documentation. If required, Longhorn Title Company, inc. will post the Agent Licensing documentation in the office in public location for public viewing. If appointment by the underwriter is required, no transactions will be closed or insured in the jurisdiction until the appropriate appointments have been completed.

Longhorn Title Company, Inc. shall maintain sufficient redundancy in required licensed personnel to prevent any business disruption due to staffing losses. Any new hires in licensed-required positions should be submitted to the licensing department for license processing as soon as possible. It is Longhorn Title Company, Inc.'s responsibility to prevent any unlicensed person from performing licensed functions until that person has been fully licensed and appointed, if required. When any licensed person leaves the employment of Longhorn Title Company, Inc., Company must notify the licensing department immediately so that the licensing department can be notified that the licensed person is no longer affiliated with Longhorn Title Company, Inc.

License requirements can change. If any employee receives notification regarding a change in licensing procedure, new requirements for licensing or suspension of an active license, the employee must notify the licensing department immediately by emailing the licensing department.

RECOMMENDATIONS

There are several important policies and procedures that are key to avoiding any potential regulatory violations for failure to comply with licensing requirements:

>Train order entry level staff: The frontline on compliance with licensing is at the order entry level of any operation. Staff should be trained on the states where the operation is licensed to perform title or escrow. Written procedures should be established directing staff members to immediately escalate any order received that falls outside of the entity's licensed footprint. The transaction should not proceed to the closing department or policy department before the problem is recognized and addressed.

>Good Standing: Most states provide websites with free access to Certificates of Good Standing. Regular checks (at least annually) with these websites to confirm that the entity is in good standing in each of its operation states can help avoid any issues with entity licensing.

>Licensing Database: A register of licenses held by the entity should be created along with soft or hard copies of each license. A register of licensed individuals should also be created with soft or hard copies of each of those licenses. A designated person should review those licenses on a monthly basis to make sure that all licenses are current and that any upcoming renewals are in progress. A calendaring system should be employed to mark upcoming renewals with sufficient advanced notice to avoid any delinquent renewals. A quarterly review of licensed personnel and licensed functions should be conducted to determine if additional licensed staff are needed or if roles and responsibilities have changed that require licensing additional staff.

HELPFUL HINT: A licensing binder can be a great resource to manage any inquiries from lenders, regulators, underwriters and auditors. Suggested contents:

>Copies of qualifications to do business or certificates of good standing for each operational state updated annually.

>Copies of all current agency licenses.

>Copies of all current licensed producer or escrow officer licenses.

>Copies of current E&O, Fidelity and surety bonds for both agents and agency.

>Copies of signature cards and corporate resolutions identifying authorized signatories on back accounts.

>Any written policies and procedures adopted to demonstrate your commitment to licensing compliance.

INTRODUCTION TO MARKETING ACTIVITY

Marketing activities of the title industry are severely restricted under federal and state statutes and regulations. The Real Estate Settlement Procedures Act sets an overall restriction on marketing of any real estate settlement practices for residential transactions. Additionally, many states have adopted far more restrictive provisions that apply to all real estate transactions, not just residential.

FEDERAL RESTRICTIONS

The Real Estate Settlement Procedures Act (RESPA) restricts the marketing activities through Section 8:

>PROHIBITION AGAINST KICKBACKS AND UNEARNED FEES: SEC 8 (a) No person shall give and no person shall accept any fee, kickback or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person. (b) No person shall give and no person shall accept any portion, split or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.

The restrictions contained in Section 8 clearly prohibit making any direct payments for the referral of business. Furthermore, giving other items of value is also prohibited. Longhorn Title Company, Inc. is dedicated to full compliance with RESPA. Any marketing plan or marketing activity of Longhorn Title Company, Inc. shall be in full compliance with the restrictions contained in RESPA. Senior management of Longhorn Title Company, Inc. will, no less often than quarterly, conduct a review and audit of all marketing programs to determine full compliance with all restrictions contained within RESPA. Any new marketing initiatives will be reviewed and approved by management of Longhorn Title Company, Inc.

STATE RESTRICTIONS

The overall restrictions contained in RESPA are broadly written. However, states may adopt a more restrictive regulatory structure. Many states have elected to adopt statutes and regulations on marketing activities that are far more restrictive. Some of the most highly regulated states include California, Nevada, Texas, Washington and Idaho. Longhorn Title Company, Inc. is familiar with and maintains a library of marketing restrictions for each of the states in which Longhorn Title Company, Inc. markets title insurance services.

Longhorn Title Company, Inc.'s marketing program is designed to specifically comply with regulations of each state of operation. Management conducts quarterly reviews of existing marketing programs to assure compliance with all applicable state regulations. Any new marketing initiatives will be reviewed and approved by management.

POLICY OF FULL COMPLIANCE

Longhorn Title Company, Inc. is dedicated to maintaining a fully compliant marketing program. Longhorn Title Company, Inc. conducts an audit of marketing expenditures at least quarterly to verify that all marketing activities are fully compliant.

INTRODUCTION TO POLICY PRODUCTION AND REMITTANCE

The prompt issuance of title insurance policies along with the accurate calculation and timely payment of premium remittances are all essential components to operating in a compliant manner. More importantly, timely delivery of the final title policy is a key component to maintaining customer satisfaction. Delays in delivering final title policies result in complaints to Longhorn Title Company, Inc. and to state regulators.

PREPARATION OF FINAL POLICY

Use Correct Forms

>State and underwriter specific. Verify that the forms that you are producing are the correct and currently filed, approved or promulgated forms for the state. If you are pulling policy jackets through an online database, always double check that the correct form is selected. If you generate your own jackets through an internal software, perform a regular check on your templates to confirm that the form is current to the most recently filed, approved or promulgated forms. Confirm that any state-specific require language is included in the final policies.

>Final Exceptions. If you are preparing your schedules through your internal software, confirm that the schedules on the commitment and the policy are the most current version of the filed, approved or promulgated forms. Verify that all the preprinted exceptions are properly pulling to the final printed schedules. Regularly update standard exceptions on your template for each state with the required exceptions for the state.

Prepare Policies Timely

>Whether you are working on a software system with full automation or a more manual based system, a title operation shall have the capacity to pull a regular report of files closed and ready for policies to be issued. Short form policies and other title guarantees will be triggered by closing dates and other significant events and should be delivered within the required delivery time frame. Owner's

policies and long form loan policies will be triggered by closing or recording depending on the state and should be delivered no later than 30 days after the triggering event. Internal processes to verify that documents have recorded and all title matters have been cleared must be in place to be assured that policies are delivered appropriately.

Deliver Policies Timely

>Delivery of the final title policy to the intended recipient is a critical process in any title operation. Again, whether you are working on a software system with full automation or a more manual based system, a title operation shall have the capacity to pull a regular report of policies produced and ready for delivery. The final policy, either electronic or paper, shall be delivered in a manner that allows for documenting receipt by final recipient. An electronic copy of the policy should be readily available for delivery to any customer who requests re-delivery of a policy not received.

REMITTANCE

Timely delivery of underwriters' portion of the title insurance premium is required by the agency agreement for agent operations, internal procedures for direct operations and by statute or regulation in most states. Proper procedure for the processing of remittance has several components:

Segregation of Remittance Portion

>Premiums must be segregated from the closing file at the time of disbursement. Premiums must be either transferred to a premium account or a designated escrow account depending upon the state and agency agreement or remitted directly to underwriter.

Delivery of Premiums

>The requirements for timely delivery of premiums are set out in the agency agreement with underwriters or by statute or regulation. A title operation shall

have the capacity to prepare a regular report for all policies issued so that remittance can be submitted pursuant to the requirements but no later than the last day of the month following closing.

Preparation of Remittance Report

>The delivery of title insurance premiums must include the required remittance report. The remittance report provides the key pieces of data that allows underwriters to process the payment and give the title operation credit for its payment. Incomplete or incorrect forms result in an operation not receiving credit for payments delivered. Verify that the report prepared by your operation is current and contains of all the minimally required data fields to allow underwriters to process each payment. Confirm receipt of payment and report with underwriters. Immediately review and respond to any requests for additional information for a policy report.

RECOMMENDATIONS

There are several important policies and procedures for title policy production that are key to avoiding any potential regulatory violations or removal as a policy issuing agent.

>Keep current on forms. Designated personnel should be tasked with conducting a regular review of all existing forms and templates. Updates and bulletins from underwriters and state regulators should be directed to those personnel so that upcoming changes in forms can be tracked and implemented timely.

>Build tracking systems for policy issuance. Institute a process to have operations tracking files ready for policies to be issued. Tracking systems should also include an exception report for files closed but not ready for policy. Escalation requirements should be established to require management review of files outside the required delivery period.

>Build tracking systems for remittance. Institute a process to track the transfer of premiums from the escrow file to the premium/escrow account or to the

underwriter. Review 3-way reconciliations to verify that trailing balances in old files do not contain underwriter remittances that are delinquent. Create a report that details the files ready to remit and the due day for delivery of remittances. Establish a process for management review of files that are not remitted timely.

HELPFUL HINT

A policy preparation checklist is a key to assuring that the policies you produce are correct. This checklist should be specific to your operation and include all of the steps necessary to producing a high-quality title insurance policy that reflects well on your organization. Some suggested content:

- >Review of documents for proper recording.
- >Review of closing documents for title requirements, endorsements and special coverage.
- >Review of Settlement Statement for proper premiums collected.
- >Review commitment for title clearance requirements.
- >Review of final documents for any changes to buyer/seller/borrower.