

ALTA Forms Licensing Initiative

Program Basics:

- ✓ ALTA's Policy Forms License will convey with ALTA membership at no additional cost to its members.
- ✓ Non-ALTA member companies (agents and underwriters) will be charged \$195 annually to use ALTA's policy forms.

Program Rollout:

- ✓ All Non-ALTA members will be mailed a free ALTA membership that begins October 1, 2009, along with a license to use ALTA's forms for the remainder of 2009.
- ✓ These "new members" will be invited to rejoin ALTA in 2010 as full dues paying members. Those who elect not to rejoin will be billed for a license.

Why is ALTA starting to charge to use forms that have always been free?

- ✓ This initiative was first discussed by independent title agents who felt new agents were not paying their fair share, and believed this would help level the playing field.
- ✓ ALTA's Policy Forms benefit the entire title industry, not just the ALTA members.
- ✓ First developed 1929, the ALTA Policy Forms have never been free; the cost of creating, developing, and updating the forms has been carried by the membership of ALTA for the entire industry.
- ✓ Standardization of title insurance coverage and its embodiment in ALTA's forms comes as a result of countless hours of work by ALTA members and staff.
- ✓ In order to continue to improve and adapt the forms to address current marketplace needs, ALTA must spread the cost to all users and beneficiaries of the forms.
- ✓ Standardized Forms enable consumers to compare price, service, and other non-technical matters without the need for complex coverage analysis.
- ✓ The Policy Forms are the intellectual property of the Association and its membership. Just like using Microsoft Office software, you must have a valid license from the creators of the product to legally use the product.

Why are the ALTA forms so valuable in the marketplace?

- ✓ ALTA's uniform Policy Forms have become the 'gold standard' throughout the lending and legal communities. Because land title insurance coverage is standardized, the secondary market readily accepts mortgages that carry title

insurance. This has greatly contributed to the growth of demand for title insurance across the country.

Does this include endorsements as well as policy forms?

- ✓ Endorsements are part of the ALTA Policy Forms portfolio and are included in the license program.

How much does a license cost?

- ✓ The license to use ALTA's Policy Forms is a \$195 annual fee, regardless of volume.
- ✓ The license to use the forms is included in the benefits ALTA members receive.

Why is the license fee \$195?

- ✓ The ALTA Board of Governors wanted to be sure that the license was not onerous on small businesses – the majority of title agencies.

How are offices or companies considered members of ALTA and therefore covered for a license?

- ✓ ALTA Membership conveys to:
 - Headquarter or Main Offices – the primary business location
 - Direct Offices and Branch Locations – any office that is not the physical location of its headquarters and is entirely owned by that main company
 - Subsidiary Companies – over 50% of your company is owned by a parent company who is an ALTA member
- ✓ Please take a moment to see if your company is already a qualified member of ALTA and, therefore, receives the ALTA Policy Forms Licenses as a benefit of membership. You can find the membership listing on our Web site at www.alta.org/search.
- ✓ If you are the main office of your company and you are unsure of your status, you can check your company's current ALTA membership status by searching our membership directory at www.alta.org/search.
- ✓ If you do qualify as a branch or subsidiary office of an ALTA member company and do not see your office listed in the ALTA membership directory, please contact our membership department at membership@alta.org or 202-261-2944 with the name and address of your parent company.

How are law firms or attorney agents considered members of ALTA and therefore covered for a license?

- ✓ If the agency agreement is written between the underwriter and a law firm, the law firm should either be an active member of ALTA or purchase a license to cover ALTA policy forms written by all attorneys in the firm.
- ✓ If the agency agreement is written between the underwriter and the individual attorney, the individual attorney should either be an Active member of ALTA or purchase a license to cover ALTA policy forms written by the individual attorney.

Do I have to join ALTA?

- ✓ Beginning in October 2009, we are granting all land title agencies a Free ALTA Membership through December 31, 2009. This free membership includes the necessary license to use the ALTA Policy Forms.
- ✓ At the end of this membership period, agencies will have a choice between continuing to receive all of the benefits of ALTA Membership or purchase a \$195 flat rate yearly license from ALTA to write on the ALTA Policy Forms.
- ✓ Agencies will be able to make the decision to join ALTA at anytime in the future.
- ✓ At the \$195 rate, the ALTA Policy Forms license is about the same price as many states' business registration fees and an annual subscription to your local newspaper.

What if I don't write more than a couple of title insurance policies a year, or title insurance isn't my primary business?

- ✓ ALTA offers an "occasional use" license waiver for those agencies and attorneys who generate very little each year in title premiums. Agents who wish to apply for this waiver must provide documentation on the volume of their annual title premiums. An Occasional Use Waiver Application form will be included with the invoice for a Policy Forms License that will be sent to all title agents who elect not to join or renew their membership with ALTA by March 1.

What if I start my agency in the middle of a calendar year? Will the license fee be pro-rated based on the number of months left in the year?

- ✓ The license is a flat rate for the year and it is not pro-rated.

What if I need the forms for a research document or publication but I am not a title agency writing title insurance policies?

- ✓ ALTA issues “permission to reprint” for educational and publishing purposes. Approval to use the forms is given by ALTA and the requested Policy Forms given to those who have been approved have a watermark indicating they are “Reprinted with Permission.”

Don't the forms belong to the underwriters?

- ✓ The American Land Title Association created the standardized forms and filled a unique role bringing the industry together to eliminate the confusion and chaos of disparate coverage. In turn, this has built a bridge to broader market availability for title insurance
- ✓ Both underwriters and agencies benefit from their use and both are therefore required to possess a license.
- ✓ Underwriters can also choose to be members of ALTA, and receive the license as a member benefit, or pay a license fee.

Can my underwriter pay my license fee?

- ✓ No. Under RESPA, the license to use ALTA Policy Forms is a thing of value, which underwriters are prohibited from providing agents.
- ✓ All underwriters also have to obtain a license (directly or through membership) from ALTA in order to use the Policy Forms.

What if I use a state form that is approved by my state regulator and I have to use those approved forms?

- ✓ All forms that are in use in the states are either ALTA Policy Forms or derivatives of the ALTA Policy Forms, even those that are approved by state regulators. As such, use of the forms requires an ALTA license.

What effect will this have on my state forms?

- ✓ This will not change your state forms or your state's ability get your state forms approved by your state regulator.
- ✓ Because all of the state forms are based on the ALTA Policy Forms, your company is still required to have an ALTA license.

Will my state land title association need to purchase a license to download forms for department of insurance filings or educational purposes?

- ✓ No. State land title associations all have access through their ALTA membership numbers to all of the ALTA Policy Forms.

Will my software vendor need to purchase a license?

- ✓ Software vendors will still be able to supply you with the ALTA forms in the same way they have in the past.
- ✓ Software vendors will have a reasonable amount of time to comply with formatting the Policy Forms with the correct copyright indicia.

Beyond enforcing the use of the forms, how would ALTA even discover if an agent was using other forms?

- ✓ As part of the license agreement for underwriters, underwriters are required to provide to a data management firm the contact information for agents who have written title insurance policies in the previous year. This information is aggregated and compared against the list of current ALTA members and license holders in good standing.

Is my state land title association or underwriter required to make sure I'm in compliance with the license requirement?

- ✓ While the underwriters and the state associations tell agents about the licensing requirement, only ALTA is responsible for enforcing the license requirement.

Whom do I contact with questions?

- ✓ Please call ALTA at 202-296-3671 or email us at service@alta.org with any questions you have about the ALTA Policy Forms Licensing program.
- ✓ You can also get more information on the ALTA website, www.alta.org. Click on the "Policy Forms Licensing" button on the right hand side of the homepage.