

Title Agency Survival Guide

How title agencies can survive and thrive
regardless of underlying market conditions.

titlecapture.com





Markets don't dictate your success.

You do.



“The best time to get involved with cyclicals is when the economy is at its weakest, earnings are at their lowest, and public sentiment is at its bleakest.”

Peter Lynch

It's natural to be afraid of a recession, particularly if you work in the title space, an industry that's always been at the mercy of swings in the real estate market- raking in cash when things are good and battening down the hatches when the economic tide turns, like in 2008, or our current post-pandemic housing pullback.

When things slow down in the broader markets, title companies have historically felt the brunt of it, as their business and deal flow is highly dependent on churn. Put another way- if deals aren't getting done, title companies are (probably) making less money.

However, failure in the face of adversity is by no means written in stone. There are winners and losers in every downturn. Your job as a principal or decision maker is to find ways to not only survive - but thrive when times are tough. Companies that do not adapt are already dead - they just don't know it yet.



State of the industry Q4 2022

- Total operating income is down 4.2% from October 2022
- Net operating income is down \$593.8 million in Q2 2021 to \$562.5 million in Q2 2022
- Loss and loss adjustment expenses were up 4.9%
- During the first 6 months of 2022, the title insurance industry paid out \$277.2 million in claims, up from \$221.1 million paid during the same period in 2021

Right now, current market conditions mean there are fewer title orders out there - largely as a result of rising interest rates and the consequent drop in buyer and investor interest in the space. As borrowing gets more expensive, companies, investors, and homebuyers are less willing to take a chance on a new property. This keeps people in place and drains liquidity from real estate markets.

Mortgage refinances dropped to a 22-year low this September, with purchases experiencing a similar but less dramatic decline, according to the Mortgage Bankers Association's seasonally adjusted index.

The problem facing title insurance and service providers is, by and large, a topline issue. Fewer orders means less revenue, which translates to lower profits, payroll cuts, bankruptcy, or the shuttering of the business entirely.

So if you don't want your title agency to fail, what's the solution?



Trim the fat. Get LEAN.

Time to reduce unnecessary expenses and process inefficiencies.



Revenue expansion & topline growth

Time to become smarter when it comes to attracting new business.



Double down on existing clients

Foster loyalty among existing clients and agents to take advantage of the awesome power of repeat business



PART 1

Getting Lean

Your Guide to Trimming the Fat During a Housing Slowdown.

Trimming the fat to survive during a recession isn't exactly a novel idea. It's basic human nature to look at your process to see where you can improve. This holds true whether you're talking about ancient Silk Road traders or modern-day title industry professionals.

But lots of things are easier said than done- so how exactly do you improve your process to make a difference in your business today?

Let's find out.





COGS

The term "COGS" refers to the Cost of Goods Sold, aka the direct costs associated with the production of the goods or services being sold.

In the title industry, that refers to all the staff and resources employed in the closing process, including the title search itself, title insurance, document prep, escrow, closing/signing, recording, etc.

Title and escrow has long been a low gross margin business. COGS may reach up to 80% of revenue in some cases - leaving little room for marketing, sales, and admin expenses.

If you're a small or midsize firm and you want to scale your service, your fixed costs are typically going to scale with your growth. Your job is to find a way to defray your firm's COGS by whatever (ethical) means necessary.



Embrace automation

Our current economic climate is forcing business owners to rethink the processes and the technology that they use. One way that title companies can reduce their overhead is through careful and considered automation strategies.

The more you can automate, the more free time you create for your operations team members. Remember the old adage "time is money?" Well, it never stopped being relevant.

The less time they spend dealing with the minutiae of daily work, the more time they can spend doing what matters most- the tasks you simply cannot automate, like customer service, working with agents and other RE professionals to grow the business through client acquisition and retention, and anything and everything you can't outsource to an algorithm, computer, server, or cloud.



Action Plan Items

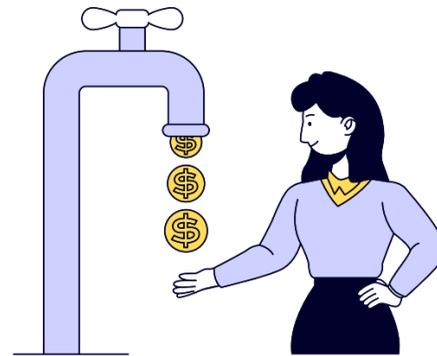
Getting Lean

1



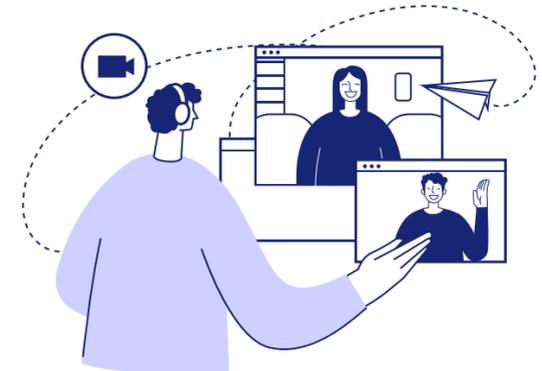
**Find the right
cloud software
solution.**

2



**Switch from a
fixed-cost model
to a variable-cost
model.**

3



**Embrace remote
work wherever
possible**



Action Item #1

Find the right cloud software solution.



At a high level, your goal should be to use technology to streamline your process. Companies have been doing this for hundreds of years, whether you're talking about The British East India Company seeking out a better way to transport beer in the 1700s, or the frantic digitalization our society underwent in the 80s and 90s til today.

A good place to start is anywhere you find repetitive tasks that your team members spend their time doing. Many of these tasks can actually be performed BETTER by a cloud software solution. And most workers don't like sending email after email or filing away client contact data.

In some cases, you may even be able to delegate tasks to clients themselves- flipping the script and turning a liability into an asset.

Labor is a large and growing cost, and by moving workers to tasks you're not able to automate, you will likely see progress on two fronts:

Greater Efficiency - lower errors and fewer missed opportunities;

Leverage the Power of Soft Skills - ability to spend more time building relationships.



Your settlement software should:

#1

Allow you to process orders seamlessly with automatic tasks and workflows and avoids data re-keying

#2

Have highly automated reporting so you don't spend human resources on providing reports and insights

#3

Include the ability to perform accounting and reconciliation tasks

#4

Streamline secure client-side communication so your staff spends as little time sifting through emails as possible

#5

Be cloud-based (but compliant and data privacy and security) so you save on maintaining IT infrastructure

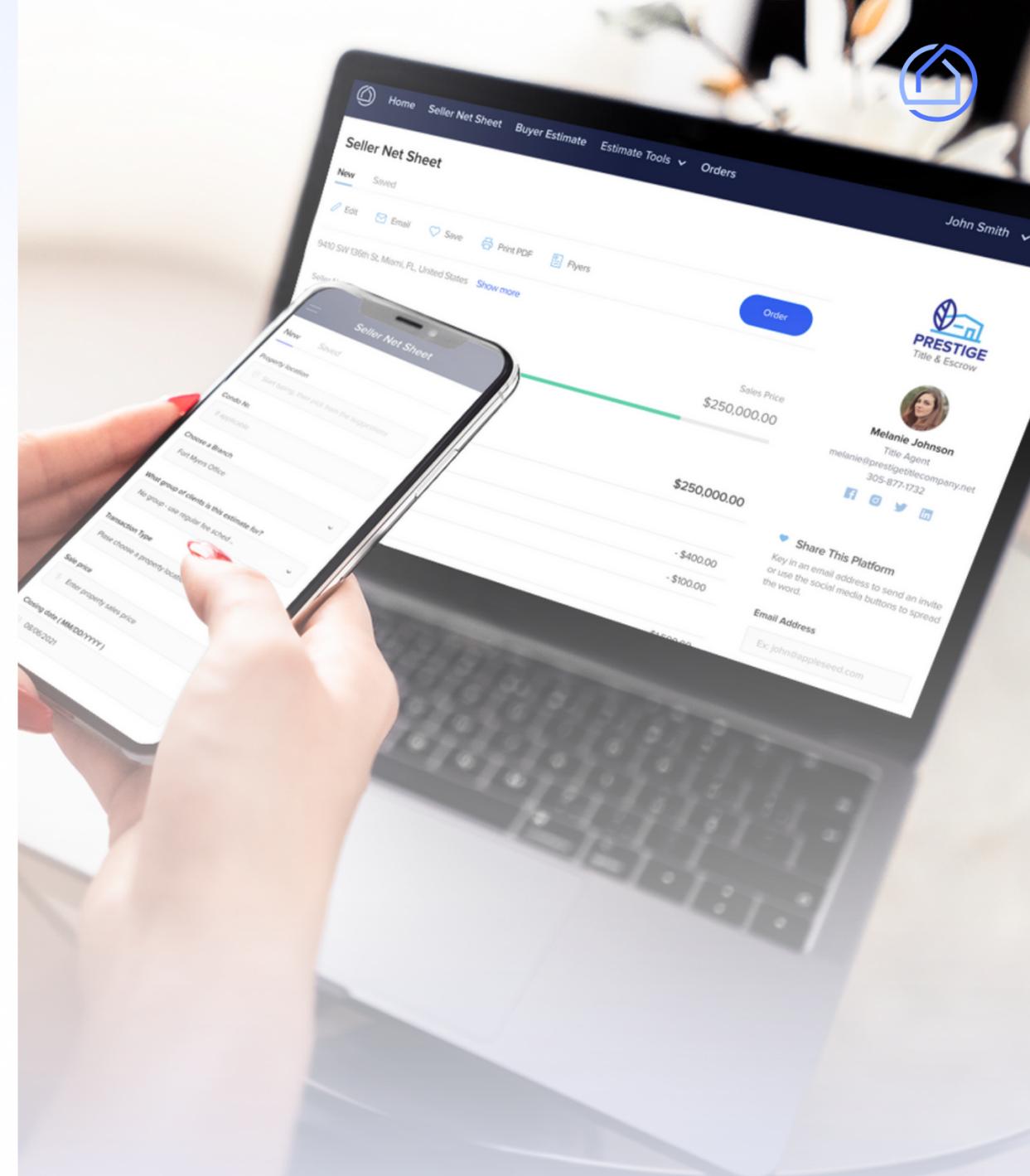


Use technology to improve your client experience.

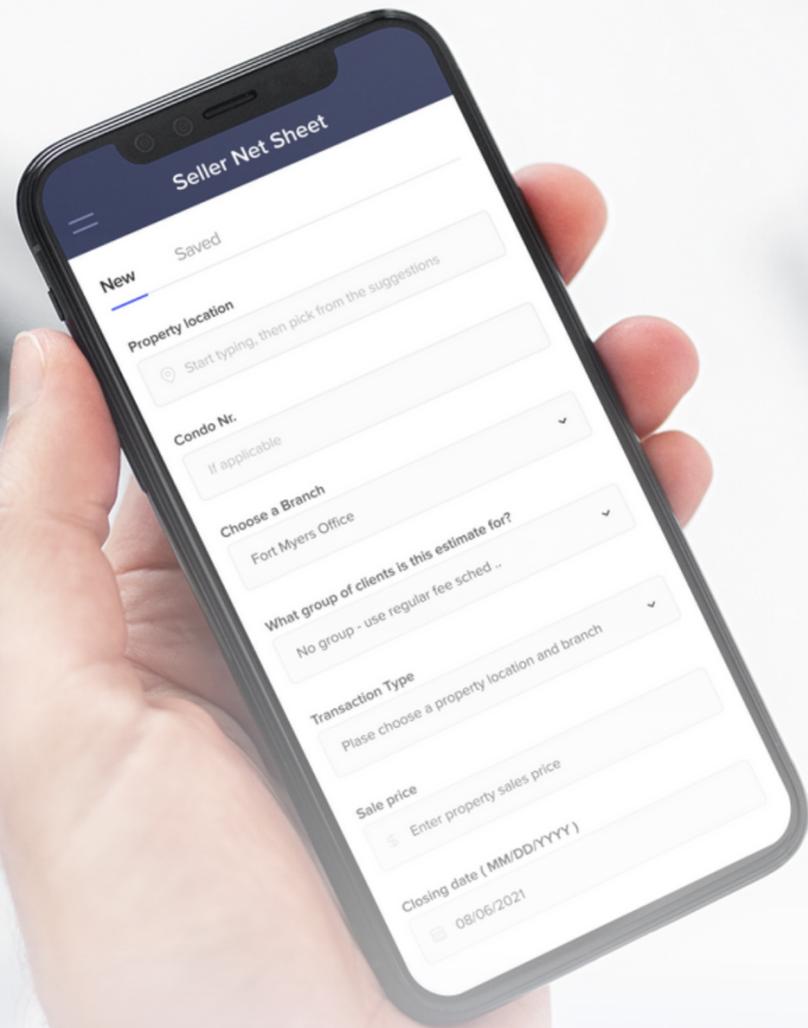
You want to leverage technology that streamlines your quoting and your secure client communications.

Quoting is a big part of your business, as is timely and secure communication with your clients. You can kill two birds with one stone through the use of digital solutions that take the grunt work out of these activities- allowing your team to focus on what actually matters.

Remember that your title and escrow reps likely spend hours each week generating quotes and getting those quotes into the hands of eager lenders and real estate agents. That takes time, and time costs money, not just in actual cash expenditures via salaries and benefits, but also in lost opportunity costs from missed business or the negative effects of a worse client experience.



Go to titlecapture.com to see how you can improve your quoting.



Use technology to improve your client experience.

Your solution should meet clients where they want, how they want.

More than 90% of Americans use the internet in some capacity each day. In addition, 81% of customers- across industries- prefer to handle their business with a given firm on their own through a digital portal, according to data collected by the Harvard Business Review.

This is particularly true of the Millennials and Zoomers that are growing into homebuying age- they'll be doing a lot of transactions in the next few decades, and they're all digital natives. Client portals, as well as automated text or email-based client updates, can help firms to defray costs while also giving customers what they want.



Go to titlecapture.com to see how you can improve your quoting.



Action Item #2

Switch from a fixed-cost model to a variable-cost model.



For most firms, W-2 workers perform the majority of functions in a given closing process. However, after you add in payroll taxes, employee insurance, benefits, and salaries, you're laying out a lot of money per deal. Employment costs are only going to rise as baby boomers retire and companies have to compete for a smaller pool of workers.

Savvy firms are turning to delegation to reduce those costs, typically by hiring 1099 independent contractors or outsourcing overseas. But outsourcing does present some challenges for the title industry, largely due to significant regulations around how titles and title insurance are processed and above all the defense of client data. There can be catastrophic consequences when transactions go awry, so there's a lot of oversight in the space.



“At Linear Title, we’ve managed to outsource 28 different process points in each respective order.”

[Allen Solomon @ System2Thinking.org, previously @ Linear Title](#)



With that in mind, here's what you could safely delegate

(you can outsource everything but your soul)

Of course, you're not the first person to think, hey, maybe we should outsource to save costs...

There's an entire industry dedicated to helping firms navigate the complex waters of title industry outsourcing. They can help you start making some of these changes, today, while you learn the ins and outs of a variable-cost model.

Almost anything done on-shore can be done offshore, with firms like Knowledge Splice (<https://www.knowledgesplice.com/>) leading the way. They bill themselves as a "leading global provider of consulting, outsourcing, learning, and technology services" and over the past decade-plus, they've expanded to support numerous businesses in the title and mortgage processing space.





Some of the commonly performed title duties you can safely handle overseas or out-of-shop include:

- Online Abstracting
- Title Commitment Typing
- Exhibit A Typing

You will need someone in-house to review all three of these items after completion.

Next steps include:

- Preparation of CDs once the info comes in from the lender.
- After the loan closes, you can delegate the post-closing quality check and put it in the exact stacking order required by the lender.
- Recording and sending out policies.

A couple of things to keep in mind:

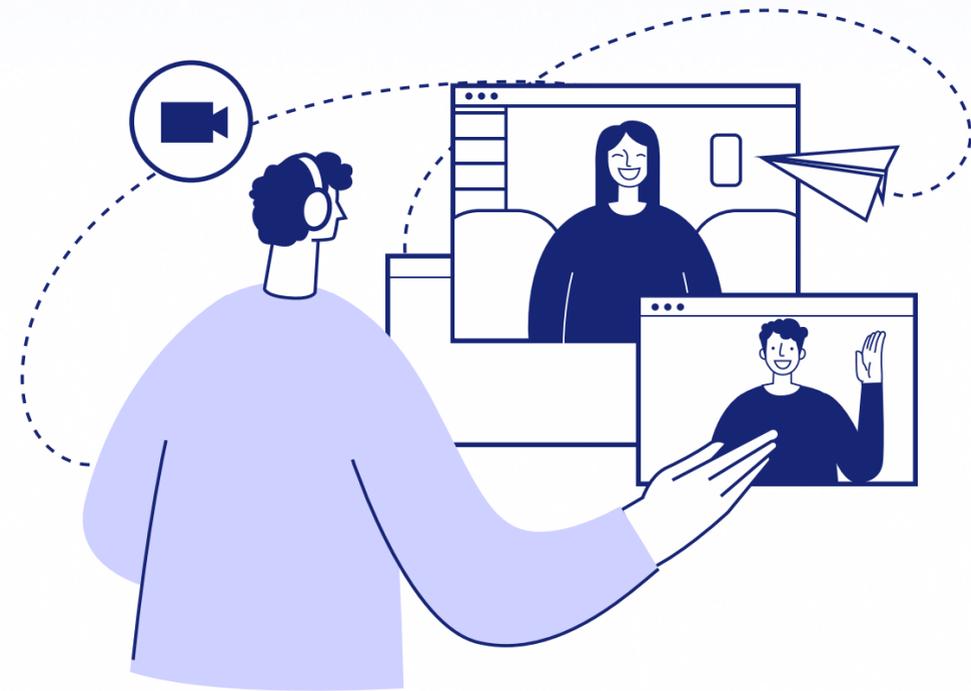
- The above only applies to jurisdictions (typically urban) where you're allowed to perform the search and recording online.
- Most urban centers have e-recording partners, like Simplifile, that can help facilitate e-recording
- Most offshore companies have partners on the ground in the US if your client or jurisdiction is not available online.



Action Item #3

Embrace remote work wherever possible.

Trimming the fat means cutting costs, and line items like rent and utilities are expensive, particularly in an inflation-era economy with high across-the-board rent and real estate prices. Switching to remote work can not only help you reduce your employee costs, but it can also help you reduce your physical footprint.



Remember- every dollar you don't spend on rent, landscaping, lighting, or office materials is a step towards surviving the slow times and being primed to take advantage of the next boom.



Go to titlecapture.com to see how you can improve your quoting.

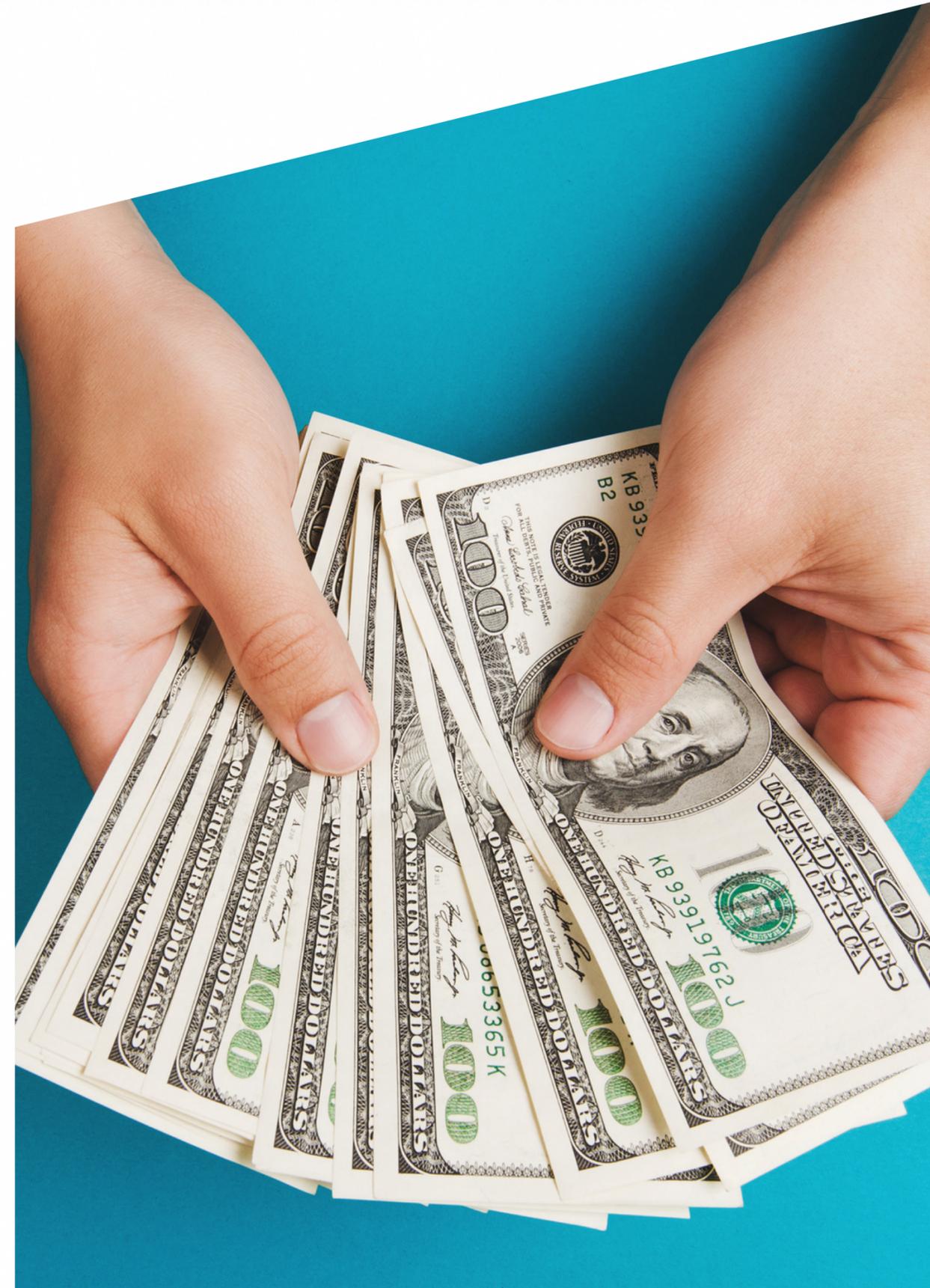


PART 2

Revenue EXPANSION

It's undeniable. The current drawback has a clear market component at play.

Higher interest rates caused refinances to dry up, and purchases to slow down. But markets don't dictate your success, you do. Your title agency's revenue does not have to go down- if you take the right steps now.





...But markets don't dictate your success, you do.

There are title agencies out there who saw their best months ever in 2022- and there's a simple reason for their success- adept adaptation. Seeing the writing on the wall, these firms responded with aggressive marketing, sales, and business development.

By changing their mindset and growth paradigm they were able to flourish, regardless of how many transactions NAR members completed last month or how many loans Rocket Mortgage originated in 2022.



It's vital that you have a dedicated title sales rep on your team. Put another way, don't expect closers to do sales' job. You're unlikely to see a major uptick in sales without a qualified professional that can make that happen.

Marketing is also essential. If you can afford it, an outside marketing agency can be great. If not, that's fine too, there are plenty of ways to generate interest in your products and services via in-house marketing efforts, including options for those firms on a budget.



How to Drive Title Industry Revenue Expansion



Client Retention

Double down on existing clients and maximize repeat orders.



Client Acquisition

Develop the habits and tactics to attract new clients and new markets.



Client Retention

Acquiring a new customer can cost 5x more than retaining an existing customer. Obviously, you don't want to lose clients, but beyond that, you want to take steps to ensure they want to continue to do business. Being top of mind for your clients is also huge because a referral lead is the best kind of lead- a free one. In this way, client retention is not just retaining what you have, but leveraging your existing client base for maximum value.

Be sure to double down on your existing clients and stay in touch. You can accomplish this through social media posts, an email newsletter, an app, or whichever way you typically communicate with your clients. The goal is to ensure they remember your name, or your firm's name, the next time they've got a transaction.

Client retention and client experience are also inextricably linked. When was the last time you went to K-MART? Constantly audit your process to ensure your clients are getting the best experience possible, resolve inefficiencies, and employ tools to make them feel truly valued.

TitleCapture can help your firm make that connection with your customers, ensuring that you're the title version of Amazon and not K-MART.



Go to titlecapture.com to see how you can improve your quoting.



Client Acquisition

There are countless ways to acquire new title clients. Let's look at some of the most effective client acquisition strategies you can use right now.



Non-driving agent outreach

Have sales reps reach out to the non-driving real estate agent - aka the other party in the transaction - to try and convert them into a new client.



Improve Your SEO

SEO or “search engine optimization” is critical if you want to be seen by prospective clients - focus on local SEO in your local area and expand outward.



Build a Content Marketing Funnel

Create a awesome informative & educational video and written content. Spend money, either direct PPC ad dollars or other online marketing costs, to generate traffic to your content and build brand awareness.



Expand Beyond Your Home State

If you don't already do business outside of your immediate area, an expansion can be a great way to drive business.

Keep in mind that you do need to have a "home state" but you can apply for a license in a non-resident state. Many states will allow you to operate in their region under the concept of "reciprocity," which allows outside title firms to do business in your area.

After you're licensed, reach out to current clients to see if you can drum up any business in your newly expanded territory. You'll also want to add the new states to your current marketing campaigns. Be sure to process the orders the same, ideally using outsourcing to save on costs. You'll also want to ensure you're following the letter of the law, you can find many great out-of-state lawyers online through sites like <https://www.bc-lawfirm.com>.



Other Title Business Client Expansion Considerations:

-Consider entering markets that haven't been as affected as residential real estate, like farm/ranch (agricultural) properties, investment properties, commercial real estate, builders, developers, and other real estate professionals.

-Think about diversifying your services to cover more of the needs your clients may have during the transaction.

-Change your mindset and position yourself as a reliable partner and helping hand for your agents during these difficult times.

You **WILL** survive.

You've made it to the end of our guide, and you're probably still a bit worried. After being bombarded all day with negative press screaming that we're seeing the end of the world, and seeing the numbers produced by your firm, it might be hard to find a glimmer of hope. **But you will survive!**

Focus on staying mean and lean- keep your eye on your firm's COGS. Expand your business where and when you can. Embrace the future of work, including independent contractors and outsourcing.



Leverage digital solutions like TitleCapture.

Save time and money by delegating the quoting to clients- instead of making your closers do them by hand.

TitleCapture can also dramatically improve the client experience - helping sales reps stay in front of agents and giving them value that they will ultimately reciprocate with business.

And that's how you beat a housing recession.

Go to titlecapture.com and click on the Request a Demo button and our product specialists will show you why 1,500 title agencies nationwide already chose TitleCapture.



titlecapture.com