



**TEXAS DEPARTMENT OF INSURANCE / FINANCIAL REGULATION DIVISION  
FINANCIAL EXAMINATIONS / TITLE EXAMINATIONS**

**SUMMARY OF OPERATIONS FOR 3<sup>RD</sup> QUARTER, FY 2013  
MARCH, 2013 – MAY, 2013  
for presentation to the  
Texas Title Insurance Guaranty Association Board of Directors  
July 29, 2013**

**COMPLIANCE AUDITS AND ESCROW AUDIT REPORTS**

	Qtr	FY 13	FY 12	FY 11	FY 10	FY 09	FY 08
Field audits completed	75	247	343	300	322	369	254
Field audit reports processed	72	240	333	298	319	360	241
Section 2651.151 audit reports received	369	518	580	612	618	652	638
Section 2651.151 audit reports reviewed	364	495	576	604	608	657	627

**Analysis of Title Insurance Agencies Licensed as of 5/31/13**

		<b>Breakdown of Comprehensive Audit Status</b>			
		<b>Agencies audited within last 2 years</b>	<b>Agent's last audit was 2 - 3 years ago</b>	<b>Agent's last audit was over 3 years ago</b>	<b># of (new) Agents Never Audited</b>
<b>Region</b>	<b># of agencies</b>				
<b>NTX</b>	196	180	4	0	12
<b>CTX</b>	116	111	3	0	2
<b>WTX</b>	101	101	0	0	0
<b>HOU</b>	125	117	6	0	2
<b>STX</b>	35	35	0	0	0
<b>Totals:</b>	<b>573</b>	<b>544</b>	<b>13</b>	<b>0</b>	<b>16</b>
	<b>% of Total:</b>	<b>94.9%</b>	<b>2.3%</b>	<b>0.0%</b>	<b>2.8%</b>

**REVISED Goal:** In order to comprehensively audit every agent at least once every 2 years, we need to conduct 287 comprehensive audits per year, which amounts to 72 audits per quarter.

Last 12 months (6/1/12 – 5/31/13): 332 audits (45 over goal)

Last 3 months (3/1/13 – 5/31/13): 75 audits (3 over goal)

**Orders signed by Commissioner Kitzman during quarter (11):**

DATE	ORDER #	AGENCY/PERSON	REASON	FINE AMT
3/6/13	2356	Fair Land Title Comp., Plano	Failed to timely remit annual audit report.	\$7,200
3/6/13	2357	Aisha Samad, Sugar Land	Violated Sections 2501.003 and 2501.006.	Escr. officer lic. revoked.
3/6/13	2358	Prominent Title, LLC, Austin	Violated Sec. 2602.151, 2703.153, P-21, and SA&P#5.	\$20,000
4/1/13	2407	McMullen Cnty. Ti. Co., Tilden	Failed to timely remit guaranty fees.	\$1,300
4/4/13	2421	Chitra Gupta, Plano	False stmt. made on EO application.	\$1,000
4/10/13	2430	Mitchell County Abstract Co., Colorado City	Failed to timely remit guaranty fees.	\$2,500

4/22/13	2456	Starla Dam, Grapevine	Misappropriated escrow funds.	Escr. officer lic. revoked.
4/29/13	2464	Paradise Settlement Services, LLC, Lewisville	Agency certified that escrow officers had completed all required CE hours.	\$3,500
5/7/13	2483	Unisource Information Services of Texas, LLC, Plano	Violated Procedural Rule P-22.	\$3,000
5/15/13	2525	Heather Cooper, Tulia	Failed to complete all required CE hrs.	\$1,000
5/15/13	2526	Guaranty Abstract Comp., Silverton	Agency certified that escrow officer had completed all required CE hours.	\$1,000

**Active cases in Financial, Enforcement & Fraud:**

	Active cases at 3/1/13	Cases referred Qtr. 13-3	Cases cleared Qtr. 13-3	Active cases at 5/31/13
<b>Financial Program</b>				
Confidential Supervision	0	1	0	1
Receivership	5	0	0	5
Troubled title agents	14	3	5	12
<b>Enforcement</b>				
Miscellaneous violations of the TIC	8	0	3	5
Rebating	1	0	0	1
License revocation (agent and/or escrow officer)	4	0	1	3
Late escrow audit rept. &/or stat rept. &/or guaranty fees	7	3	1	9
<b>Fraud Unit</b>				
Misappropriation of fiduciary funds	26	0	0	26
Total	65	7	10	62

**STATISTICAL REPORT LIMITED REVIEWS**

Out of 75 comprehensive audits completed during the quarter, 48 (64%) included a limited review of the agent's latest statistical report. The following results were reported.

	QTR	FY 13	FY 12	FY 11	FY 10	FY 09
Number of statistical reports reviewed.	48	198	178	152	149	116
1. No material discrepancies noted.	48	188	170	147	143	113
2. Income and/or expense amounts reported in wrong categories.	0	4	4	2	0	0
3. Total income and/or expense amounts reported didn't agree with agency's financial statements.	0	6	4	3	6	3
4. Forms missing or incomplete.	0	0	0	0	0	0
5. Miscellaneous other discrepancies.	0	0	0	0	0	0

**RESULTS OF COMPLIANCE AUDITS DURING QUARTER**

Listed below are audit findings for March through May of 2013, the 3rd quarter of the State's fiscal year 2013. Numbers represent the number of agencies where the infraction occurred, not the number of times it occurred.

VIOLATION OR DISCREPANCY	QTR	YTD
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**INSOLVENCY**

Financial statements indicated agent was insolvent or had cash flow problems.	4	15
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**ABSTRACT PLANT**

Abstract plant not in compliance with Article 9.02(i) and Procedural Rule P-12.	3	7
Agency personnel unable to retrieve instrument information. Unable to verify legal plant.	0	0

<b>VIOLATION OR DISCREPANCY</b>	<b>QTR</b>	<b>YTD</b>
<b>TEXAS INSURANCE CODE</b>		
<b>§ 101.102</b> – Conducted unauthorized business of insurance.	0	3
<b>Section 2502.051 (formerly Art. 9.30)</b> – Gave/received thing of value for referral of title insurance business.	2	5
<b>Section 2704.001 (formerly Art. 9.34)</b> – Provided policies to non-licensed entity and sold title evidence for counties for which agent was not licensed	0	2
<b>Section 2704.001 (formerly Art. 9.34)</b> – Policy not based on evidence from a legal abstract plant and/or no attempt made to contact out-of-county agents for title evidence.	3	4
<b>Section 2704.001 (Art. 9.34)</b> – Issued policies for property in county where not licensed.	4	11
<b>Section 2704.001 (formerly Art. 9.34)</b> – Signed commitments not maintained as part of complete evidence of insurability or countersigned policies not maintained.	12	26
<b>Section 2651.002 (formerly Art. 9.36)</b> – Agent used an unlicensed name or dba name.	5	8
<b>Section 2651.301 (formerly Art. 9.37B)</b> – Misappropriation or conversion to own use of money belonging to another person.	0	1
<b>Section 2651.301 (formerly Art. 9.37B)</b> – Failed to maintain separate escrow account (commingled escrow & operating funds).	10	25
<b>Section 2651.101 and/or 2652.101 (formerly Art. 9.38 and/or 9.45)</b> – No agency/escrow officer bond or insufficient bond.	0	7
<b>Section 2651.151 (formerly Art. 9.39)</b> – Annual escrow audit report prepared incorrectly or contained material inaccuracies or other problems.	6	13
<b>Section 2652.001 (formerly Art. 9.41)</b> – Unlicensed person acting as an escrow officer.	8	32
<b>Section 2602.151 (formerly Art. 9.48) and Administrative Rule G-1</b> – Failure to collect Policy Guaranty Fee or failure to maintain the policy fees in an escrow account.	3	11
<b>Section 2602.103 (Art. 9.48)</b> – Failure to produce requested files or other records.	0	3
<b>Section 2702.053 (formerly Art. 9.53)</b> – Actual receipts and/or disbursements not in agreement with settlement statement or premium split not disclosed.	42	133

#### **BULLETINS**

<b>Title Bulletin No. 152</b> – Policy dates incorrect.	0	3
<b>Title Bulletin No. 160</b> – All parties receiving portions of the real estate commission not disclosed on settlement statement.	36	88

#### **PROCEDURAL RULES**

P-18: Commitment not issued as required in rule or commitment incomplete.	3	8
P-21: Schedule D of commitment not in file or premium split not disclosed on commitment.	30	83
P-22: No T-00's in files or T-00's incorrect or incomplete.	15	44
P-27 (“Good Funds”) violations: Unauthorized checks over \$1,500. Receipts not deposited timely or not received and posted before disbursements made.	10	37
P-35: Verbal or written guaranty, affirmation, indemnification, or certification issued.	0	4
P-61: Failure to issue title policy timely.	3	7
P-62: Operated in county for which not licensed.	0	1

#### **RATE RULES**

Incorrect premium charged (violation of one or more rate rules).	16	41
R-1: Unauthorized fee charged for closing (or tax search) in addition to premium.	8	14
R-2: Premium remittances to underwriters not timely or amounts incorrect.	1	1
R-2: Premium collected in installments or premium not collected at all.	0	0
R-8: Refinance credit not given or not calculated correctly.	5	12

<b>VIOLATION OR DISCREPANCY</b>	<b>QTR</b>	<b>YTD</b>
<b>MINIMUM ESCROW ACCOUNTING PROCEDURES &amp; INTERNAL CONTROLS</b>		
#1 - Monthly escrow trial balances not prepared or not prepared timely.	2	11
#1 - Testing proved escrow trial balances unreliable.	0	0
#1 - Escrow trial balances not prepared correctly.	3	13
#2 - Three-way reconciliations not prepared or not prepared timely or portions of records not available.	1	12
#2 - Escrow trial balances and/or book balances and/or reconciled bank balances not in agreement. Differences unreconciled.	0	0
#2 - Bank reconciliations, book balances, or three-way reconciliations prepared incorrectly.	3	11
#3 – Reconciliations not approved by management or reviewed by another employee.	7	15
#4 - Accounting duties not segregated sufficiently and reconciliations not reviewed by manager or owner.	0	0
#5 - Only one signature on escrow checks when agency's size required two signatures.	4	12
#6 - Records did not include copies of all checks, invoices, deposit slips and receipt items.	7	27
#7A - Invested escrow accounts not styled correctly.	2	9
#7B - No written authorization to invest escrow funds.	0	5
#7C - Invested escrow account used agent's tax ID number instead of that of beneficiary.	0	1
#7D – No control ledger for invested escrow accounts. Interest not posted timely.	0	1
#8 - Guaranty files used name identification instead of unique numbers. Same file number used for more than one transaction.	0	3
#9 - Escrow bank accounts not styled as "escrow" or "trust".	23	54
#10 - No management approval for disbursements made on accounts open for more than six months or no review for disposition of funds.	15	21
#12 - No management approval for transfers of funds between guaranty files and/or transfers not documented in the files.	0	0
#13 - Seller not properly notified of NSF checks.	0	0
#14 - Guaranty file number not displayed on all escrow checks, deposit tickets or other documents.	0	7
#15 – Disbursement sheets missing, incomplete or incorrect.	25	62
#16 - Every disbursement not supported by invoice or sufficient other evidence.	42	109
#17 - Escrow receivables not cleared timely.	5	28
#18 – Settlement statement changes not initialed or supported adequately or contained white-out corrections.	1	3
#19 – Signed, pre-numbered receipts not issued for cash.	0	2
#20 – Images of checks did not meet requirements.	10	26
#21 – Escrow bank account not maintained at a financial institution in Texas.	0	1

#### **AGENCY**

Agent breached fiduciary responsibility to buyer and seller by engaging in "self-dealing".	0	3
Failed to disclose affiliated business arrangement as required by RESPA § 3500.15.	3	11

#### **ESCROW ACCOUNTING**

Material escrow funds irregularity or irregularities [i.e., escrow bank account overdrawn, receipt posted but never actually received or check-clearing date problems].	0	3
Deposits and/or disbursements not booked in appropriate month.	6	25
Receivable(s) created by depositing into one bank account and disbursing from another account.	0	4

<b>VIOLATION OR DISCREPANCY</b>	<b>QTR</b>	<b>YTD</b>
<b>ESCROW ACCOUNTING, CONT.</b>		
Reconciling items not posted timely and/or not cleared timely and/or not supported by adequate documentation.	2	10
Pattern of posting errors.	2	10
Signature on checks not on bank signature card or previous employees still on bank signature card.	0	3
Outstanding checks not cleared timely.	56	134
Deposit-in-transit list and/or outstanding checklist prepared incorrectly.	7	49
Duplicate check numbers in same escrow account; checks written out of numerical sequence or more than one check number used for same disbursement.	0	1

**GUARANTY FILES**

Original legal documents found in guaranty files after title policies issued.	0	1
Legal documents not recorded timely with county clerk or evidence of timely recording not in file.	24	59
Cash or disbursement check found in file.	0	1
Funds not disbursed or escheated to state.	24	56