



**TEXAS DEPARTMENT OF INSURANCE/PROPERTY & CASUALTY PROGRAM  
TITLE DIVISION/TITLE EXAMINATIONS**

**SUMMARY OF OPERATIONS FOR 3RD QUARTER, FY 2009  
MARCH, 2009 - MAY, 2009  
for presentation to the  
Texas Title Insurance Guaranty Association Board of Directors  
July 27, 2009**

**COMPLIANCE AUDITS AND ESCROW AUDIT REPORTS**

	Qtr	FY 09	FY 08	FY 07	FY 06	FY 05	FY 04
Field audits completed	87/4	239/22	254	255	263	257	264
Field audit reports processed	92	253	241	246	262	256	261
Section 2651.151 audit reports received	402	581	638	633	619	586	563
Section 2651.151 audit reports reviewed	377	535	627	636	598	556	556

**Analysis of Title Insurance Agencies Licensed as of 5/31/09**

		<b>Breakdown of Comprehensive Audit Status</b>		
		<b>Agencies Audited within last 3 years</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>	215	184	24	7
<b>CTX</b>	123	121	0	2
<b>WTX</b>	107	106	0	1
<b>HOU</b>	133	127	3	3
<b>STX</b>	43	42	1	0
<b>Totals:</b>	<b>621</b>	<b>580</b>	<b>28</b>	<b>13</b>
	% of Total:	93.4%	4.5%	2.1%

Goal: In order to comprehensively audit every agent at least once every three years, we need to conduct 207 comprehensive audits per year, which amounts to 52 audits per quarter.

Last 12 months (6/1/08 – 5/31/09): 306 audits (99 over goal)

Last 3 months (3/1/09 – 5/31/09): 87 audits (35 over goal)

**Results of follow-up audits:**

<b>No. of follow-ups completed</b>	<b>Compliance achieved</b>	<b>Improvement but further action needed</b>	<b>Another on-site audit or stronger action needed</b>
4	2	2	0

**Orders signed by Commissioner Geeslin during quarter:**

DATE	ORDER #	AGENCY/PERSON	REASON	FINE AMT
3/27/09	09-0200	Capital Title of Texas, LLC, Dallas	Viol. of Sections 2502.001, 2502.003, 2652.201, 2702.053 & 2704.001, MEAPIC #16, Procedural Rules P-21, P-22, P-27, & P-28, Rate Rule R-2, & Administrative Rule L-2.	\$60,000
3/27/09	09-0201	Legacy Escrow & Title Agency, LLC, Dallas	Failed to timely remit annual escrow audit report.	\$1,900
3/27/09	09-0203	Stewart Title Guaranty Company, Houston	Failed to notify TDI of missing reports and allowed an unlicensed entity to act as an agent.	\$55,000
4/6/09	09-0227	Michael Lawrence Thomas, Houston	Violated Sections 2652.051 and 2652.201.	Lic. revoked.
4/6/09	09-0228	Patrick Marcel Thomas, Mansfield	Performed duties of an escrow officer for agent without first being licensed.	\$2,000 plus lic. revoked.
4/6/09	09-0229	Unlimited Title Services, LLC, Allen	Violated Sec. 2502.051, 2651.001, 2651.301, 2652.003, and 2702.053.	\$50,000 plus lic. revoked.
4/6/09	09-0233	Urban Title, LLC, Dallas	Failed to timely remit guaranty fees.	\$2,400
4/21/09	09-0291	Fisher-Jones Title Company, Roby	Failed to timely remit guaranty fees.	\$2,100
5/8/09	09-0333	Michael Curran, McKinney	Acted in agent's name with no escrow officer license.	\$2,500 plus lic. revoked.
5/8/09	09-0334	Machell Halstead, Cypress	Closed fraudulent transactions.	\$50,000 plus lic. revoked.
5/14/09	09-0350	Deborah Robinson, Austin	Conversion of escrow funds.	Restitution + lic. revoked.
5/14/09	09-0347	Moi-Choo Amy Tan, Houston	Violations of Sections 2652.051 and 2652.201.	\$1,500

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

	Active cases at 3/1/09	Cases referred Qtr. 09-3	Cases cleared Qtr. 09-3	Active cases at 5/31/09
<b>Financial Program</b>				
Confidential Supervision	0	1	0	1
Receivership	12	0	0	12
Troubled agents	22	7	19	10
<b>Enforcement</b>				
Miscellaneous violations of the TIC	18	7	3	22
Rebating	1	0	0	1
License revocation (agent and/or escrow officer)	6	14	6	14
Failure to timely submit escrow audit report &/or stat report &/or policy guaranty fees	11	4	3	12
<b>Fraud Unit</b>				
Misappropriation of fiduciary funds	13	2	1	14
<b>Total</b>	<b>83</b>	<b>35</b>	<b>32</b>	<b>86</b>

**STATISTICAL REPORT LIMITED REVIEWS**

Out of 87 comprehensive audits completed during the quarter, 25 (29%) included a limited review of the agent's latest statistical report. The following results were reported.

	QTR	FY 09	FY 08	FY 07	FY 06	FY 05
Number of statistical reports reviewed.	25	84	73	63	56	58
1. No material discrepancies noted.	25	81	72	49	56	53
2. Incorrect agency number shown.	0	0	0	0	0	3
3. Total income and/or expense amounts reported didn't agree with agency's financial statements.	0	3	1	4	0	2
4. Mathematically inaccurate.	0	0	0	0	0	0
5. Forms missing or incomplete.	0	0	0	0	0	0
6. Premium division percentages calculated incorrectly.	0	0	0	0	0	0
7. Miscellaneous other discrepancies.	0	0	0	0	0	0
8. Forms missing or incomplete.	0	0	0	0	0	0
9. Premium division percentages calculated incorrectly.	0	0	0	0	0	0

**RESULTS OF COMPLIANCE AUDITS DURING QUARTER**

Listed below are audit findings for March through May of 2009, the 3rd quarter of the State's fiscal year 2009. 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 or other records indicated agent insolvent.	5	19
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**ABSTRACT PLANT**

Abstract plant not in compliance with Article 9.02(i) and Procedural Rule P-12.	11	28
Agency personnel unable to retrieve instrument information. Unable to verify legal plant.	1	4

**TEXAS INSURANCE CODE**

<b>§ 101.102</b> – Conducted unauthorized business of insurance.	1	2
<b>Section 2502.051 (formerly Art. 9.30)</b> – Gave/received thing of value for referral of title insurance business.	1	3
<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	0
<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.	0	3
<b>Section 2704.001 (Art. 9.34)</b> – Issued policies for property in county where not licensed.	3	8
<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.	8	35
<b>Section 2651.002 (formerly Art. 9.36)</b> – Agent used an unlicensed name or dba name.	8	19
<b>Section 2651.301 (formerly Art. 9.37B)</b> – Misappropriation or conversion to own use of money belonging to another person.	0	0
<b>Section 2651.301 (formerly Art. 9.37B)</b> – Failed to maintain separate escrow account (commingled escrow & operating funds).	9	22
<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.	8	26
<b>Section 2651.151 (formerly Art. 9.39)</b> – Annual escrow audit report prepared incorrectly or contained material inaccuracies or other problems.	3	6
<b>Section 2652.001 (formerly Art. 9.41)</b> – Unlicensed person acting as an escrow officer.	7	30
<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.	4	14
<b>Section 2602.103 (Art. 9.48)</b> – Failure to produce requested files or other records.	2	5
<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.	36	113

**BULLETINS**

<b>Title Bulletin No. 133</b> – Charged an unauthorized fee (cancellation or commitment fee).	0	2
<b>Title Bulletin No. 160</b> – All parties receiving portions of the real estate commission not disclosed on settlement statement.	15	60

**PROCEDURAL RULES**

P-62: Operated in county for which not licensed.	0	0
P-18: Commitment not issued as required in rule or commitment incomplete.	1	2
P-21: Schedule D of commitment not in file or premium split not disclosed on commitment.	30	58
P-22: No T-00's in files or T-00's incorrect or incomplete.	24	57
P-27 ("Good Funds") violations: Unauthorized checks over \$1,500. Receipts not deposited timely or not received and posted before disbursements made.	4	21
P-35: Verbal or written guaranty, affirmation, indemnification, or certification issued or delivered.	0	6
P-61: Failure to issue title policy timely.	2	10

VIOLATION OR DISCREPANCY	QTR	YTD
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**RATE RULES**

Incorrect premium charged (violation of one or more rate rules).	18	48
R-1: Unauthorized fee charged for closing (or tax search) in addition to premium.	7	25
R-2: Premium remittances to underwriters not timely or amounts incorrect.	1	13
R-2: Premium collected but issuance of policy withheld.	0	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	10

**MINIMUM ESCROW ACCOUNTING PROCEDURES & INTERNAL CONTROLS**

#1 - Monthly escrow trial balances not prepared or not prepared timely.	7	18
#1 - Testing proved escrow trial balances unreliable.	1	1
#1 - Escrow trial balances not prepared correctly.	7	27
#2 - Three-way reconciliations not prepared or not prepared timely or portions of records not available.	6	15
#2 - Escrow trial balances and/or book balances and/or reconciled bank balances not in agreement. Differences unreconciled.	0	1
#2 - Bank reconciliations, book balances, or three-way reconciliations prepared incorrectly.	7	27
#3 – Reconciliations not approved by management or reviewed by another employee.	2	12
#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.	2	4
#6 - Records did not include copies of all checks, invoices, deposit slips and receipt items.	2	12
#7A - Invested escrow accounts not styled correctly.	5	12
#7B - No written authorization to invest escrow funds.	1	3
#7C - Invested escrow account used agent's tax ID number instead of that of beneficiary.	0	2
#7D – No control ledger for invested escrow accounts. Interest not posted timely.	0	3
#8 - Guaranty files used name identification instead of unique numbers. Same file number used for more than one transaction.	9	1
#9 - Escrow bank accounts not styled as "escrow" or "trust".	14	35
#10 - No management approval for disbursements made on accounts open for more than six months or no review for disposition of funds.	3	17
#12 - No management approval for transfers of funds between guaranty files and/or transfers not documented in the files.	1	2
#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.	2	6
#15 – Disbursement sheets missing, incomplete or incorrect.	24	77
#16 - Every disbursement not supported by invoice or sufficient other evidence.	38	116
#17 - Escrow receivables not cleared timely.	10	35
#18 – Settlement statement changes not initialed or supported adequately or contained white-out corrections.	0	3
#19 – Signed, pre-numbered receipts not issued for cash.	4	7
#20 – Images of checks did not meet requirements.	11	37
#21 – Escrow bank account not maintained at a financial institution in Texas.	1	1

VIOLATION OR DISCREPANCY	QTR	YTD
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**AGENCY**

Agent breached fiduciary responsibility to buyer and seller by engaging in "self-dealing".	1	8
Failed to disclose affiliated business arrangement as required by RESPA § 3500.15.	6	19

**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	1
Deposits and/or disbursements not booked in appropriate month.	3	14
Receivable(s) created by depositing into one bank account and disbursing from another account.	1	7
Reconciling items not posted timely and/or not cleared timely and/or not supported by adequate documentation.	3	10
Pattern of posting errors.	1	2
Signature on checks not on bank signature card or previous employees still on bank signature card.	1	2
Outstanding checks not cleared timely.	45	122
Deposit-in-transit list and/or outstanding checklist prepared incorrectly.	9	35
Duplicate check numbers in same escrow account; checks written out of numerical sequence or more than one check number used for same disbursement.	0	0

**GUARANTY FILES**

Original legal documents found in guaranty files after title policies issued.	0	4
Legal documents not recorded timely with county clerk or evidence of timely recording not in file.	20	65
Cash or disbursement check found in file.	0	6
Funds not disbursed or escheated to state.	26	63

**SETTLEMENT STATEMENTS**

Required Form T-63 not prepared for POC items.	19	70
Premium split for closing, title examination or title evidence not disclosed on settlement statement. Other information not disclosed on settlement statement.	0	2
Original or amended final settlement statements not signed by any/all parties.	0	7
Settlement statements prepared incorrectly or contained mathematical errors.	0	2
Incorrect issuing agency shown on settlement statement.	0	0