

## **The Law Office of Israel Fermin**

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# **Best Practices Manual**

## **Mission Statement**

This Best Practices Manual has been developed by the Law Office of Israel Fermin, in accordance with the guidelines set forth by the American Land Title Association and in compliance with both the Gramm-Leach Bliley Act and Consumer Financial Protection Bureau established under the Dodd-Frank Act. The goal of this manual is to outline the policies and procedures set forth by the Law Office of Israel Fermin, in our commitment to protect the security of the consumers and continue to provide professional quality service to our clients.

## **Introduction**

The Law Office of Israel Fermin Best Practices Manual follows the guidelines of the American Land Title Associations which was developed in order “to help members illustrate to consumers and clients the industry’s professionalism and best practices to ensure a positive and compliant real estate settlement experience.” The compilation of this manual draws from previously designed policies and procedures active within the legal practice of the Law Office of Israel Fermin, including our third party certified Information Security Policy Manual.

## **Best Practice I – Licensing & Training**

### Definition:

Establish and maintain current license(s) and training as required to conduct the business of title insurance and settlement services.

### Policy and Procedures:

All Attorneys are licensed in Massachusetts. (See Licensing Section). Licenses are renewed based on state regulations and at the earliest point that renewal becomes available.

Annual Reports are filed and completed yearly with all applicable fees for the Professional Corporation.

### Attorney Licenses for Israel Fermin, Esq:

MA 686663, next renewal December of 2019.

NY 4711859, Next renewal May of 2019.

Licensed attorneys and paralegals maintain the necessary continuing education requirements including any necessary ethics requirements and new TRID requirements/training. All attorneys and paralegals have completed the TRID training through live training seminars and webinars.

Employees receive refunds for paid CLE sessions. Further, employees are compensated on an hourly basis for attended CLE sessions.

## **Best Practice II – Escrow Account Controls**

### Definition:

Adopt and maintain appropriate and effective escrow controls to meet clients and legal requirement for safeguarding of client funds.

### Policy and Procedures:

All escrow funds are maintained in separate designated accounts which are reviewed for reconciliation discrepancies on a by-weekly basis. These accounts are monitored under the following controls:

1. Weekly reconciliation of debits and credits to the account as well as available balances using the computerized software.
2. Positive Pay and ACH Debit blocks setup on all escrow accounts.
3. Open escrow balances and outstanding checks review.
4. Three Way Reconciliations completed on a by-weekly basis with review for accuracy.
5. Appropriate authorization levels are established and maintained.
6. Managing Shareholder is only authorized signor on all escrow checks.
7. Check stock is locked in a separate file cabinet.

## **Best Practice III – Information and Data Privacy**

### Definition:

Establish and maintain a written privacy and information security program to protect Non-Public personal information as required by local, state, and federal law.

### Policy and Procedures:

A comprehensive security program designed to insure all necessary information security safeguards are in place and adequately address GLBA requirements. All employees of the Law Office of Israel Fermin are expected to contribute to this program and report any incidents that may affect the security of the organization's information systems. The following policies are addressed within the Information Security Policy Manual which has been reviewed and approved.

1. Controlled access to physical and electronic storage as well as secure destruction of physical documents.
2. Monitoring of third party service providers access.
3. Physical entry controls to prevent unauthorized access.
4. Network guidelines and access controls including restrictions on user authentications and authorization.
5. Remote access controls and restrictions
6. Up to date virus management software and firewall controls against malicious software, viruses and unauthorized websites.
7. Real time disaster recovery imaging with additional onsite and offsite backup.
8. Security Incident Reporting and Resolution.
9. Background checks on all personnel.
10. Training of employees to ensure compliance with program

## **Best Practice IV – Settlement Policies and Procedures**

### Definition:

Adopt standard real estate settlement policies and procedures that ensure compliance with Federal and State Consumer Financial laws.

### Policy and Procedures:

The firm use of software and technology allows us to track a file through each step of the closing process and provide complete transparency of the work being done on each file. As such, the firm, is able to verify that each part of the closing process adheres to accurate company procedures and that checks and balances are in place to monitor these procedures.

A full listing of settlement procedures is attached as Appendix A. These include:

1. Obtaining proper information required prior to closing
2. Up to date access to premium rate information.
3. Complete review of closing instructions
4. Proper processing of the mortgage payoffs.
5. Accurate disbursement of proceeds and handling of escrow funds.
6. Timely and accurate recording guidelines.

## **Best Practice V – Title Production**

### Definition:

Adopt and maintain appropriate procedures for the production, delivery, reporting, and remittance of title insurance policies designed to meet both legal and contractual obligations.

### Policy Remittance and Procedures:

The firm's policy is to deliver all policies to the customer within the guidelines set forth by the underwriters' agency contracts (generally within 2 weeks following the closing). Policies are prepared and delivered following review that all terms and conditions of the title insurance commitment have been satisfied and all closing documents and necessary releases have been recorded. Physical copies of the policies are mailed to the insurer. A policy register report is maintained by this office through the online system.

## **Best Practice VI – Errors & Omission and Fidelity Coverage**

### Definition:

Maintain appropriate levels of professional liability and fidelity coverage to ensure financial capacity to stand behind the professional services provided.

### Policy and Procedures:

The firm consistently maintains all levels of insurance as required by underwrites and lenders and that is comparable to the complexity, nature and scope of our duties. Coverage is held for the professional liability and fidelity coverage.

Lawyer's Professional Liability Policy is maintained through Arch Insurance Company.  
The coverage is \$1,000,000.00 per claim and \$2,000,000.00 aggregate.

Business Insurance is maintained through Traveler's Insurance  
The coverage is \$1,000,000.00 per claim and \$2,000,000.00 aggregate.

## **Best VII – Consumer Complaints**

### Definition:

Adopt and maintain procedures for receiving and addressing consumer complaints so that any instances of poor series or non-compliance do not go undiscovered

### Policy and Procedures:

The firm is very sensitive to any complaints that are made. Any and all complaints received by any employee are forwarded to management. All complaints are handled as a first priority. Resolutions are documented in the data file. This resolution will always include a follow up correspondence to the consumer, the loan officer, or any other professional involved in the closing. In certain cases, the complaint will also result in a verbal follow up with an employee regarding the circumstances causing the complaint and a review of the firm's policies and procedures.

A full disclosure of procedures is attached as Appendix B.

## **APPENDIX A – SETTLEMENT POLICIES & PROCEDURES**

E-Closings – Old Republic National Title & CATIC  
Quick Books – Intuit

### General Guidelines:

We acknowledge that Lenders expect full disclosure of all receipts and disbursement in accordance with written mutual instructions. All sets of Closing Instructions are collected and reviewed prior to closing. If any one set of Closing Instructions is adverse to another set of closing instructions – the firm obtains in writing from all parties consent to the change made to correct the adverse matters prior to closing.

The closing is performed in accordance to all instructions from:

- a. Lender Closing Instructions
- b. Title Commitment
- c. Purchase and Sales Agreement
- d. Any other miscellaneous agreements

Follow all HUD Regulations in preparation of the Settlement Statements and ensure that all disbursements checks match as to what is shown on the HUD Settlement Statement and/or written instructions.

### Specific Guidelines:

Borrower proceeds from a refinance, if any, are only be paid in strict compliance with the written closing instructions provided by the funding lender. Pre-closing consent is obtained from the lender and any request to pay additional parties.

### Disbursement of Seller Proceeds:

Seller proceeds are not assigned and are disbursed to Seller, as defined in the Loan Closing instructions and Closing Disclosure. Where the Seller requests the proceeds to be paid otherwise, pre-closing clearance is obtained by us followed by written instruction from the Seller. Multiple disbursements to the same payee are not acceptable especially when asked to disburse in increments of \$ 10,000.00 or less as this may be perceived as participation in a money laundering scheme.

If a lender disapproves of any requested disbursement the seller or borrower, as appropriate, is notified in writing:

- a. Where directed or allowed by Lender, we will accept written instructions.
- b. Deposit proceeds directly into a bank account of behalf of the principals.
- c. Cut separate checks or send a wire in the name of each individual seller or borrower.

#### Mortgage Payoffs:

Payoff statements should only be accepted directly from the lender being paid off or from the Seller's Attorney. Payoff will never be accepted from the Seller directly or from a third party on the behalf of the Seller. Payoffs Must be in writing and shall reference loan number, property address, borrower's name and the paid through date.

The firm strictly observes home equity lines of credit. A signed "closing letter" is executed at closing by the borrower to the lender requesting that the credit line be closed.

The payoff check shall have in the memo line, the name of the borrower, the loan number, and the property address. All payoffs are accompanied by a complete payoff letter.

If the property is in foreclosure, make certain you have accounted for any attorney's fees and other court costs.

Sellers are never to deliver their own payoff check. Payoff checks must be delivered by certified mail, bank to bank wire, or by Federal Express.

Each payoff check must be tracked until delivery and accounted for upon disbursement for escrow bank account.

#### Escrowed Funds Disbursement:

Approvers' and/or check signers' responsibilities on external disbursements are to ensure the payment amounts are supported, proper vendors are paid, and disbursements have been properly authorized by the Managing Shareholder.

A check that has been issued, processed in the accounting records, but subsequently lost, stolen or returned to the Company are "voided." All checks are forwarded to Management for final accounting adjustment.

Lost or Stolen checks are first traced to determine if the check has been cleared through the bank. The accounting department is contacted to determine if the check has not cleared through the bank and to place a stop payment order in the bank account. No check can be reissued until authorization from Management.

Wire transfer authority is to be centralized within a limited number of management. Customers are to communicate all wire transfer requests in writing and each Settlement Agent is then to communicate the wire transfer information to one of the authorized employees in writing or by fax and confirmed in writing. In all cases of initiation of a wire transfer by a Settlement Agent, a reasonable security procedure must be used to validate the transfer.

Once a check has been tendered it is not allowed to be wired until at least 24 hours has passed and it can be confirmed that the check was not cashed.

#### Pricing Procedures:

On a consistent basis, the “Rates and Remittances” language in the issuing Agency Contract is reviewed with all personnel responsible for rate and split calculations, policy issuance and policy reporting. When rate change bulletins are issued, the reviews are immediate in order to ensure that proper rate changes are made. When rate change bulletins are issued, the firm will contact all Lenders to confirm that the Lenders have been notified by the underwriter and will have the proper updates made to the software. On each title order, online calculators are used to ensure correct fees are being charged for policy premiums, state specific fees, and endorsements (copy of rate sheet is available to the consumers upon request)

#### Recording procedures:

Documents are submitted or shipped for recording to the proper recording office within 3 business days of Settlement. When available and feasible, electronic recording is used for all out of county recordings. Shipments of documents for recordings are tracked and a log is kept. We verify that recording actually took place and maintain recording information for each document in each file, as well as a separate log of all recordings.

When notice is received that a document has been rejected, the document is treated as a ‘new closing’ and all effort is made to resolve the problem and submit for re-recording within two days. If a solution is not forthcoming, we consult with our underwriter and develop a strategy to mitigate the issue immediately.

#### Title Policy Production and File Maintenance:

Title insurance searches and exams will be made with due regard to recognized title insurance underwriting practices and in accordance with our Underwriter’s bulletins, manuals and other instructions, including any state or federal applicable requirements.

Each policy issued on behalf of your Underwriter is issued upon:

1. a search from the earliest public records or in accordance with applicable state law and/or Underwriter’s written instructions; and
2. an examination of all documents affecting title to the subject property.

Each title order or transaction is maintained and contains all documents upon which we relied to make our determination of insurability, including, but not limited to: affidavits, maps, lien waivers, surveys, title reports, searches, examinations, together with a copy of each commitment, policy, endorsement and other title assurance issued.

We also maintain in our closing file for each transaction without limitation; closing skips, escrow agreements and any other instruments or documents executed or created at Closing. We keep the physical file as well as a copy in our electronic filing system that allows tracking and future review. Copies of closing files are preserved in accordance with applicable State document retention requirements (7 years), or in the case of legal hold order, in accordance with the instructions of the Underwriter. In the event that the firm destroys or disseminates the files for any reason, the destruction is done so securely and in such a

way that the firm shall maintain and protect any confidential/private information contained in such files in accordance with applicable State and Federal law.

The firm maintains a policy register in a form approved by our Underwriters showing the disposition of all policies and other pre-numbered forms furnished. Differences are properly identified as voided policies or otherwise.

When claims are filed and the underwriter requests a copy of the file in question, or when files are requested for other reasons, we promptly search for and provide the requested documentation. These include:

1. all documents received by Agent in which Underwriter is a party to any administrative and/or judicial proceedings;
2. all written complaints or inquiries made to any regulatory agency regarding transactions involving title insurance policies, endorsement, commitments or other title assurances of a particular Underwriter;
3. any information alleging a claim involving a policy, commitment, endorsement or other title assurance of an Underwriter or a transaction for which an Underwriter may be liable; and
4. All original documentation and work papers associated with the transaction or conduct giving rise to any examination, claim, or complaint.

## **APPENDIX B -- Customer Complaint Intake and Tracking**

### Consumer Complaint Policy:

The firm is very sensitive to any complaints that are made. Any and all complaints received by an employee are to be forwarded to the Managing Shareholder for immediate resolution. This resolution will always include a follow up to not only the consumer but also their loan officer to ensure that it is agreed that the issue has been fixed. In certain cases, the complaint will also result in verbal follow up with an employee regarding the circumstances causing the complaint and a review of the firm's policies and procedures.

### Policy Statement:

While not every Consumer Complaint will be the responsibility of the firm, the firm remains dedicated to pursuing a resolution, as a member of the financing process, for each Consumer Complaint that is preferable and acceptable to the Consumer and the Company.

### Guidelines:

#### 1. Timeline for handling consumer complaints:

- |  |   |
|--|---|
| a. Consumer Complaint received   | Notice to Management – 2 hours                      |
| b. Complete Complaint form in appropriate file   | Filed within 24 hours of receipt                    |
| c. Complaint intake form delivered to Management   | Within 2 hours of completion                        |
| d. Consumer is contacted by Managing Shareholder for acknowledgment of receipt of complaint and/or to obtain additional information. | Within 24 hours of receipt of complaint intake form |
| e. Status update is made to the consumer if the complaint is not resolvable within 3 additional business days                        | By the end of the 5 <sup>th</sup> business day      |
| f. Status update every 5 <sup>th</sup> business day thereafter subsequent days until the complaint is resolved.                      | By the end of the 10 <sup>th</sup> business day     |
| g. Complaint intake form is updated and correspondence is maintained within the client's documents.                                  | At resolution of the complaint.                     |

#### 2. Consumer Complaint Contact and Responsibilities:

The complaint contact for the firm is Israel J. Fermin, Esq.  
The complaint contact is responsible for:

- a. supervising the entire Consumer Complaint Process;
- b. ensuring that time requirements of addressing consumer complaints are met;

- c. administering and maintaining the Consumer Complaint log;
- d. administering and maintaining the Consumer Complaint files in an orderly and professional manner, including but not limited to:
  - consumer complaint intake form;
  - ii) all correspondence related to the consumer complaint; and
  - iii) all supporting documentation related to the consumer complaint.
- e. Investigating the nature and creditability of the Consumer Complaint, including but not limited to:
  - i) investigation of the consumer complaint;
  - ii) making a determination as to the validity and credibility of the consumer complaint;
  - iii) making a determination as to the person or persons (inside or outside of the firm) who is responsible for the facts and circumstances that led to the consumer complaint;
  - iv) making a determination as to the best possible resolution for the consumer complaint;
  - v) pursuing the best possible resolution for the consumer complaint; and
- f. Informing the firm of the status of filed, resolved, and unresolved consumer complaints as needed.

### 3. Consumer Complaint Intake

Every employee is informed and aware that Consumer Complaints may come to the firm in many ways and forms, including but not limited to:

- i) Telephone calls
- ii) Postal letters (regular mail)
- iii) Certified Mail
- iv) Emails
- v) Voice mail
- vi) Legal notice.

If an employee hears something that sounds like a Consumer Complaint, the Complaint Intake form must be completed and processed.

## **Sale & Refinance Checklist**

- Review P&S Agreement, if applicable;
- Order title exam;
- Order Municipal Lien Certificate;
- Order Plot Plan;
- Send introduction letter/email to borrower
- Review title exam, MLC & plot plan upon receipt;
- Create title commitment, CPL, draft CD, chain of title and any other docs required by lender & submit to lender;
- Order payoff, insurance binder, if necessary;
- Once loan is cleared to close, schedule closing with parties;
- Prepare CD for lender and review lender docs;
- Cut checks for transaction;
- Copy documents for borrower;
- Conduct closing and review documents with borrower;
- Sending funding docs to lender, if required;
- Record on funding date and disburse;
- Return signed original documents to lender as instructed;
- Create final title policy & submit to lender within 2 weeks of funding.