



Title Insurance and Escrow Industry Redefined

Introduction

Organizations spread throughout a wide range of industries have increasingly sought to leverage technological solutions to improve the efficiency of their processes. Yet the real estate closing process, full of moving parts and actors, continues to rely on antiquated procedures and workflows.

The inability of the real estate industry to catch up with the technology used by other industries, as well as buyers and sellers, causes a wide range of issues that expose both clients and professionals to legal liability. Two of the more problematic and recurring issues in the real estate closing process are the payment of earnest money deposits (EMD) and post-funding disbursement of refund checks.

When purchasing a home, buyers often send their EMD checks after the date specified in the purchase agreement or forget to send it altogether. A simple

mistake like this can lead to a buyer losing a property, as well as subject real estate professionals to liability. There are typically funds left after closing. Escrow and title companies must track down the buyer to return the funds. Uncashed checks can result in significant accounting issues and often leads to government involvement in the case of unclaimed funds.

In this whitepaper, we will explore the earnest money deposit and post-funding refund checks challenges in more detail, as well as highlight inefficiencies in the industry caused by reliance on manual processes. We will conclude by looking at two efficient and cost-effective software solutions that can help your organization to overcome both of these challenges. These solutions will increase your bottom line and provide your clients with industry leading buyer experiences, while also increasing client retention.



A closer look at Earnest Money Deposit issues

In today's economy, an increasing number of consumers expect to complete transactions online. They can buy everything from essential household goods to more pricey items like jewelry or even a car, all with the click of a button. Yet, when it comes to real estate transactions, the industry has largely stuck to antiquated and inefficient paper processes.

And this is despite fundamental changes in the ways that buyers shop for and purchase properties. As much as **35% of buyers** will make an offer on a property that they have never seen in person. For younger buyers like millennials that are more tech-savvy, the number spikes to 45%. Consider that these statistics will likely increase in the wake of continued social distancing practices and measures.





These, and other factors, have increasingly forced real estate professionals to submit offers to sellers for purchasers that reside considerable distances from prospective properties. Once an offer is accepted, buyers often forget to send their EMD, holding off until they are asked to send it by the other side, or putting it in the mail only to have it arrive late.

Late EMD payments can have disastrous consequences for both buyers and professionals. In most states, the purchase agreement or offer will include a provision like this:

“...the earnest money must be paid within three days of the acceptance of this offer. The failure to pay the earnest money within this three day time period shall make the Seller’s acceptance null and void without any further action of the Sellers or notice to the Buyers.”



From a legal perspective, late EMD payments can help sellers to terminate the first offer so that they can accept a higher second offer. So, the buyer loses the house, and real estate professionals face potential fines and other penalties. In fact, the most common violation in a state audit is a late EMD. Everyone except the seller loses, all because the buyer lacked a convenient and secure way to make his or her EMD payment on time.

A closer look at Post-Funding Refund Check issues

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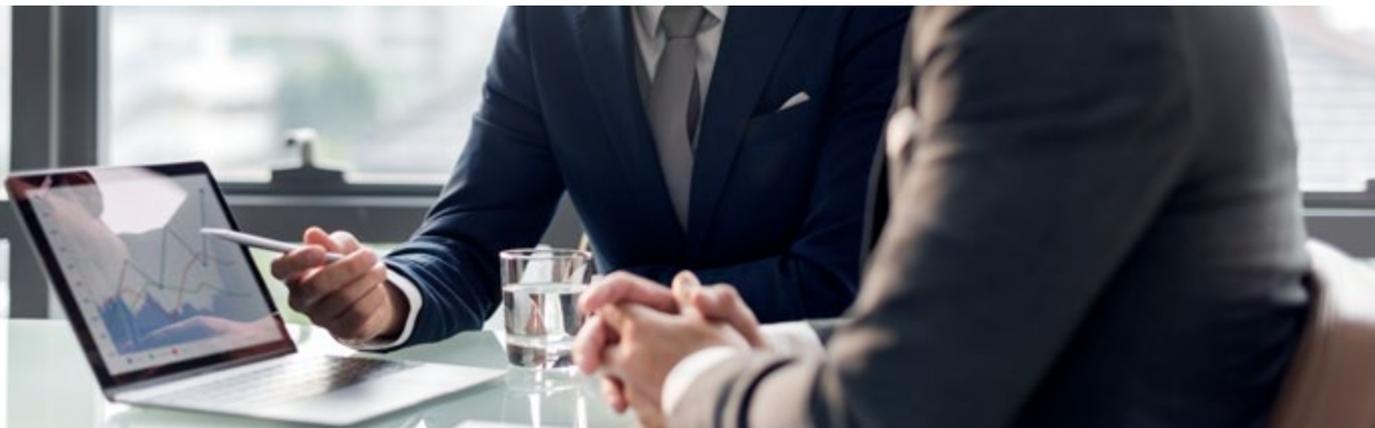
Many of the figures in real estate transactions are based on estimates and prorations. This usually results in funds being left over after closing. Consider that some 5.34 million homes were sold in 2019 alone. And that the average title and escrow companies simultaneously handle numerous closings at once. Tracking down and issuing refund checks, often more than once due to lost or misplaced checks, in addition to standard post-closing tasks is inefficient, monopolizes your team's time, and drives up your operating costs. In fact, chasing down funds and returning them to their rightful owners costs title companies an average of \$200 per closed transaction.

02

Post-funding refund checks create a whole host of other issues for title and escrow companies. Uncashed checks complicate the process of reconciling accounts. They result in liabilities that must be carried forward on the books from month to month. Real estate professionals may lose track of them over time and be unable to reconcile their accounts.

03

Checks that go uncashed for significant periods of time can be considered unclaimed property under state law. Applicable laws may require professionals to file annual reports and deliver unclaimed funds to the appropriate government agency. Noncompliance can result in hefty fines and even criminal liability.



Inefficiencies of traditional escrow processes

To say that traditional escrow processes are antiquated is an understatement. While it is true that some functions have moved towards digitization, like the delivery of closing documents or the ability to hire a virtual notary, the real estate industry has largely stuck to paper-based processes.

According to the **National Association of Realtors (NAR)**, the typical real estate transaction involves 18-20 people handling some 181 steps in the process. With such a large number of participants and a number of tasks, it is inevitable that there will be significant inefficiencies and delays in workflows. What makes this even worse is that customer demand for technological innovation is prevalent. Available data shows that homebuyers, by and large, despise the closing process. The NAR found that **approximately 40% of homebuyers** cite paperwork and a lack of understanding of the closing process as the most complicated aspect of the home buying experience.



Automating various touchpoints and interactions of the home buying process are needed to boost efficiency and provide better buyer experiences. Fortunately, there are solutions to help real estate professionals with two important and time-consuming aspects of the closing process, collecting EMDs and disbursing post-closing check payments.

Two powerful tools from an industry leader

GainClients is an Arizona-based company that provides innovative software solutions for the Title Insurance and Escrow industry. Our company was founded in 2001 to provide the industry with streamlined lead generation and marketing services solutions. Then, as now, we leveraged technology to address significant deficiencies in the real estate industry.



GainClients offers two powerful tools designed to help the Title Insurance and Escrow staff overcome organizational inefficiencies and deliver superior buyer experiences. Our Mobile Earnest Money Capture Tool[®] streamlines the delivery of earnest money to escrow. The GainClients Dormant Funds Tool[®] provides an easy to use and cost-effective solution for post-closing check payments and account reconciliations. Together, the tools offer two-way technology that allows money to be deposited at the beginning of any real estate transaction and easily returned to the Buyer's or Seller's account at the end.



Mobile Earnest Money Capture Tool[®]

The EMD Capture Tool is a web-based software solution that makes it easy for buyers to make earnest money payments. The EMD Capture Tool offers functionality from day one. There are no apps or software to download and install. Agents can simply email their clients a link. The buyer clicks on the link, uploads the required information, and clicks send. The EMD is delivered on time, protecting the buyer's interests, and reducing the occurrence of professional liability for real estate professionals.

The EMD Capture Tool also saves agents precious time and resources, eliminating the need to continually correspond with the buyer to ensure payment. The tool makes virtual and/or interstate closings easy, removing the increasingly unreliable U.S. Post Office from the equation, while also making it easy to complete transactions in the age of social distancing.



The Mobile Earnest Money Capture Tool[®] offers the following features:



Complete functionality from day one. No apps or software to download or install.



Email the EMD payment link directly to the buyer.



Two-factor authentication.



Web-based solution that can be fully integrated with any third-party platform.



Industry leading security and PCI compliant.



Fully customizable.



All parties are notified of the delivery of the deposit.

How the Mobile Earnest Money Capture Tool[®] Works

The EMD Capture Tool is built on a white label ready web platform. Access to the platform is delivered, typically by the escrow company, to the buyer or their realtor as a web link. The buyer will click on the link and register as a first-time user. Once registered, the buyer will be prompted to enter details of the transaction, such as the property address and price.

The buyer will also have the opportunity to upload or take a pic of the sales contract. If they do not have a copy of the contract handy, they can skip this step. From there, the buyer will be prompted to take a photo of both the front and the back of the EMD check. This process is like making a mobile check deposit through an online banking app.

Once the check is uploaded, the buyer clicks submit and will receive a text message requesting that he or she authenticate and consent to the electronic funds transfer. The funds are then conveniently and securely delivered to the escrow company or title company. Once the transaction is complete, none of the data or images are stored on the buyer's phone. There are no delays. No tracking down the buyer or his or her agent to continually follow up on the payment of funds.





The platform is built on a PCI, NACHA, SSAE16, and HIPAA compliant structure and to Check21 standards, so that title and escrow companies do not have to worry about any EMD clawback issues. The backend design and workflows are user friendly. The dashboard is intuitive and easy to navigate. The EMD Capture Tool fully integrates with legacy systems to eliminate the time-consuming manual processing. Reconciliation is simplified since users can add their own order numbers and unique identifiers for each transaction and EMD check. Moreover, title and escrow companies can choose comfortable levels of check accuracy (i.e., 70% or higher) for automatic approval.

Getting started with the EMD Capture Tool is a breeze. There are minor set up fees that are dependent on factors like the size of your organization and the number of sites/ links that we need to create. A one-time Bank Certification Fee of \$1000 is paid to our Vendor Partner so that they can sweep your bank account at the end of each day. Operational costs are low. We charge just \$4.50 to \$7.95 per check, depending on volume and a monthly access fee per branch.

Dormant Funds Return Tool®

The Dormant Funds Return Tool® was designed to solve major compliance risks and mitigate what has become a significant operational cost for title and escrow companies. In nearly every real estate transaction, there are funds left behind. From overpayments to the uncertain science of proration and estimates, escrow agents must track down buyers and sellers to return excess funds.

And it is not just tracking them down that is the issue. Buyers and sellers misplace, destroy, or claim to have never receive refund checks that were mailed to them. This leads to another round of correspondence and checks. Followed by another. Because on average title and escrow companies are required to issue and reissue refund checks 2 or 3 times. This can amount to costs of \$200 or more per transaction, comprised of materials, postage, and human resources.

Then there are the compliance issues. Uncashed checks can lead to accounting nightmares. Funds that go unclaimed for certain periods of time as specified under state law must be reported and turned in to the appropriate government agency. Tracking unclaimed funds for multiple transactions over many years is a

lot of work. And it is a huge liability. Losing track of unclaimed funds can lead to professional misconduct, fines, and even criminal liability.

Yet with the Dormant Funds Return Tool®, returning funds is as simple as clicking a button. Using PCI compliant technology, title and escrow companies can securely and seamlessly return funds to the buyer's or seller's bank account. All that the process requires is for the parties to execute a document at closing authorizing the escrow agent to return excess funds through electronic funds transfer back to their bank account. Transfers are easily initiated and completed on our easy to use and intuitively designed web-based platform.

Eliminate one of the most frustrating, costly, and risky aspects of the post-closing process with the Dormant Funds Return Tool®. The best part is that the Dormant Funds Tool is designed to work seamlessly with the EMD Capture Tool. Escrow agents can seamlessly return funds to the same account that a buyer paid his or her earnest money through. The two technologies provide a completely scalable front and backend solution.



Embrace the Future of Real Estate with GainClients

The real estate industry is far behind other industries in terms of embracing digitalization. Archaic regulations and procedures have contributed to excessive operating costs and inhibited title and escrow companies from providing customer experiences that are consistent with consumer expectations.

It is only a matter of time before real estate transactions fully embrace digital technologies. Yet title and escrow companies can set themselves apart from the competition by implementing industry-leading digital tools now like the Earnest Money Capture Tool® and the Dormant Funds Return Tool®. Integrating these tools with your existing legacy systems give your company a powerful and cost-effective accounting and compliance solution.

As real estate professionals with decades of marketing experience as well as practical experience in the industry, we understand the importance of building a great brand. Our goal was to provide users with a powerful solution that offered unmatched functionality and customization. In a title insurance and escrow market that is highly competitive, where thousands of similar companies claim to be as good as you are, standing out is key.



Branding reflects a bold proclamation that your business makes. It tells your audience that you mean business (literally!) and that you stand by all the promises made by your company. Branding also:

- 01 Defines the 'You' in your business
- 02 Asks what your brand should accomplish?
- 03 Brand signifies your intent
- 04 Branding goes past mundane transactions
- 05 Branding helps you outdo the competition
- 06 Branding builds trust
- 07 Branding opens up new revenue channels
- 08 Branding harnesses the power of emotion

Unlike our competitors, our solutions are fully customizable. When you send an EMD request to a client the user is directed to a platform that is consistent with your brand message. You stand out from your competitors as a company that offers industry-leading technology, one that is dedicated to providing superior customer experiences.



Ready to Take the Next Step?

If you are interested in learning more about GainClients' industry-leading solutions, as well as seeing them in action, contact us to schedule a free 20-minute live demo. We look forward to hearing from you and showing you exactly how you can take your business to the next level. The GainClients way.

Get in touch with us!

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