ELECTRONIC
DOCUMENT RECORDING

State of the Industry Report 2002

O U R V I E W

The *State of the Industry Report 2002* – is a synthesis of voices from the industry, assessing where we are now and where we are heading in the future. We trust the information presented here is helpful and informative. Our interpretations of the surveys and case studies contained in this report give us great reason to be optimistic about the future. The work we have done, along with so many others, is gaining momentum. We feel privileged to be a part of it.

Where are we now? As a company, Ingeo has learned many things during the past twelve months. Through our own business activities, when working with others in standards-settings bodies and task forces, and by attending trade events and industry functions, we have come to some important conclusions about this industry and its current state.

We see the industry guided by early adopters. These pioneers, both in the public and private sectors, have been generally pleased with their forays into electronic recording. Because of their success, they continue to express a high level of interest and commitment to industry progress. Many who have not yet tried electronic document recording are watching closely to evaluate the current challenges and successes.

What's our future? In the final pages of this report, we present opinions and predictions from several of the industry's most prominent experts. We believe a general feeling of optimism is warranted, and everyone can be proud of our joint accomplishments to this point as an industry. However, there are some important hurdles to cross before electronic document recording can truly succeed.

We have seen unprecedented cooperation between county recorders and document submitters. This cooperation must continue and strengthen in order to create a large-scale framework for interoperability while remaining flexible enough to allow for new innovations. In addition, communication must increase, allowing us all to participate in industry successes and challenges.

This next year, we will see a sharp acceleration in the number of electronic document recording systems going on-line, opening the way for many more participants. As we continue our industry efforts, evaluating age-old practices while adopting and adapting new technologies, we can blend them into a new tradition of efficiency and practicality.

Todd R. Haygood
President, Ingeo

O R A N G E

California

Summary of solution

As early as 1996, the Orange County Recorder's Office started making plans to convert to a paperless recording process. The first step in this paradigm shift—accepting electronically submitted documents—was proposed in 1996. The concept was simple: since the County Recorder's Office was already scanning the paper documents it received, working with images and not the documents themselves, why not let document originators submit scanned images and eliminate a portion of the county's workload?

Gary Granville, Orange County's elected recorder, presented the concept to the county's board of supervisors for preliminary approval. They voted to support the project with financial resources from the county's trust fund. Before they could move forward, though, the State of California had to pass Section 27279.1, sanctioning the digital transfer of document images for recording. Though this legislative change was only a temporary go-ahead, it opened the necessary doors to prepare the way for future efforts.

The original Orange County electronic document solution was a joint project of the County Recorder's Office and a San Diego provider of digital document solutions. For the second phase, Orange County adopted a system by Santa Ana-based SouthTech Systems (STS).

In both phases of the project, documents were scanned and submitted to the county as Tagged Image File Format (TIFF) files. The TIFF standard has long been the most popular format for images created on optical scanners. Since TIFF files are simply electronic images of printed documents, this solution required that documents first be printed, manually signed and notarized (when applicable), then imaged on a scanner.

Preparation and Integration

The initial phase of the Orange County implementation involved an application that received document images, then converted them to a proprietary image format. Other software provided networking and integration with the county's existing cashiering system. In addition, dedicated file servers were installed to provide document storage.

According to STS, two major factors prompted the county to change their thinking from their original electronic workflow. The conversion of documents to a non-standard image format introduced the issue of interoperability. In addition, the original plan required each title

The industry has been slow to adopt electronic recording due to fear about security, but electronic recording is far more secure. After 1,416,000 transactions, we've never had one incident of fraud.

Gary Granville, Clerk-Recorder, Orange County, CA

company to pay for and maintain a dedicated T-1 data line connected directly to the county server. The new system implements HTTPS security technology—with industry-standard encryption—to allow title companies and lenders to make their submissions safely over the public Internet.

Preliminary tests of the system occurred in early 1997, and electronic document submission in Orange County began in earnest in May 1997.

KEY RESULTS

To date, Orange County has received and processed more than 1,400,000 digital documents—more than any other county. This success is a tribute to the hard work and perseverance of Granville and his team, and the title companies that helped refine the system. The current setup allows the submission of more than 600 types of real estate-related documents. The county continues to receive between 3,000 and 6,000 submissions per day, but about 55 percent of this business now comes in electronically.

This and other automation efforts have allowed the County Recorder's Office to run a tighter ship, eliminating or reassigning 12 staff positions and greatly reducing expenditures such as postage and office supplies. Granville estimates that the Orange Recorder's Office saves at least $300,000 per year with its current system—and this doesn't factor in time and cost savings for lenders and title companies.

Interestingly enough, the logistics of this effort have tended to blur the lines between public and private entities. Even though California legislation was changed to allow the project to go forward, state requirements dictated that a representative from the County Recorder's Office still be part of the process. In addition, county regulations require that documents be accompanied by the requisite fees. Each title company involved with the digital document effort provides the county with a supply of pre-signed checks. So every business day, title company workers perform certain functions as recorders by proxy; similarly, county recording staffers pay for document fees with title company funds.

In September, 2001, Orange County announced that it would be adopting Ingeo's Electronic Recording System to allow fully digital document processing in its recording office. According to Granville, Ingeo's "smart document" solution will completely automate the processing of certain high-volume document types, allowing them to give their customers additional services with less overhead than ever before.

The cost savings from workflow improvements and elimination of courier costs provide an immediate return on investment. Electronic Recording reduces recording turnaround time from days to minutes.

Ron Rubino, SouthTech Systems

M A R I C O P A

Arizona

Summary of solution

Maricopa County is one of the fastest-growing counties in the nation—second only to Los Angeles in terms of population growth—and the County Recorder's Office has long relied on automation to help manage the incredible document volume that passes through its Recorder's Office. Led by County Recorder Helen Purcell, the recording staff began modernizing its operation in 1991 in an effort to streamline its internal processes. One of the major changes to the workflow was the adoption of document scanning. While this process doesn't affect the number of documents processed by the Recorder's Office, it reduces the amount of actual paper at the facility as well as the number of times an individual document must be physically handled.

Purcell says the "obvious next step" was to allow some of the most common documents to be submitted electronically, eliminating the necessity for recording personnel to scan documents before processing them. Before a plan could be put in place, it was first necessary to amend state laws limiting recordings to paper originals. In 1999, thanks in great part to Purcell's tenacity, the laws were changed to allow the digital submission of optically scanned originals, with the provision that only title insurers or their agents, state or federal banks, or government entities could submit electronic documents for recording.

Purcell and her recording staff actively lobbied local title companies, soliciting input as they prepared to implement the process. Early in the planning stages of the pilot, the County Recorder's Office presented its plan to representatives from 24 title companies. Of this group, four companies volunteered to be involved with the initial pilot. Eventually, two title companies were selected to participate.

The electronic documents processed in the Recorder's Office are paper-based documents that have been printed, signed and notarized on paper, then imaged on an optical scanner. According to Barbara Frerichs, the Recorder's Office product manager, the images are stored as TIFF files at 300 x 300 dots per inch (dpi)—fully compliant with imaging industry standards. The image files, once received by their office, still need to be processed manually by members of the recording staff.

Preparation and integration

Since the scanned documents used in this project are simple image files, with none of the document-protections afforded by digital signatures, it was critical that the submission process be as safe as possible. The county recorder's solution was to allow Recorder's Office and title company computers to communicate using a virtual private network (VPN).

The title companies have responded very well [to the system]—they have seen the benefits. They don't have to send messengers any more to deliver the documents to our office. It is all done electronically.

Helen Purcell, Recorder, Maricopa County, AZ

C O U N T Y

In a standard institutional network, computers at a particular location connect to each other via a local area network (LAN). These computers "talk" to each other without any intervening obstacles. The information and processes on these computers are protected by the institutional firewall, a specialized computer that acts as the network's "bouncer," letting good data in and keeping bad data out. A VPN uses the Internet to allow off-site computers to join an institutional LAN as a peer, not an outsider, enabling access to specific local network data and services.

When workers at the County Recorder's Office receive documents over the counter, they scan them and put the image files into a queue to be processed. When title companies connect to the recorder's LAN over the VPN, documents scanned offsite are simply dropped into a folder on the recorder's network. Recorder's Office employees monitor these folders, and move the documents into the processing queue.

Key results

The County Recorder's Office's digital document system went into service on August 6, 1999. Within a year, the ranks of title company participants had grown to 15. Both the county recorder and the title companies immediately saw several benefits. The title companies took fewer trips to the Recorder's Office, and saw a gradual speeding up in document processing times as more and more of the recording volume was submitted via the recorder's network. The Recorder's Office had fewer people at its walk-up counter, and eliminated the step of scanning documents when it processed digital submissions.

The most important improvement, says Purcell, is the reduction of the "4:30 rush." The ability to move documents directly to the recorder server means that participating title companies don't hoard documents until the end of the day in order to save trips to the Recorder's Office. This means that documents trickle in steadily—transfer to the server as soon as they are ready—rather than arriving all at once. The result has been better use of the recording staff's time, and fewer late evenings dealing with last-minute barrages of land records.

The recorder's document load continues to increase by 10-15 percent every year. Currently, this office receives 5,000 to 8,000 documents per day, but close to 25 percent of this volume is submitted electronically. The Recorder's Office is now working on implementing Ingeo's Electronic Recording System, giving it the capability of fully automatic electronic recording. It is Purcell's hope that this additional level of automation will allow her office to deal with the rising flood of documents that washes daily through the door.

Because of the possibility of fraudulent documents slipping through, we chose our partners carefully. We have both internal and external accountability, so the remote possibility of processing fraudulent documents is now abated.

Barbara Frerichs, Project Manager, Maricopa County, AZ

THURSTON

Washington

Summary of solution

Ingeo and Thurston County first made contact when Lisa Goldsworthy (of Thurston County) and Jason Lambert (of Ingeo) met each other at a gathering of the National Association of County Recorders, Election Officials and Clerks (NACRC) in 2000. Officials at Thurston County, and in Washington at large, had been wanting to test an electronic document recording solution. The timing was right, and Ingeo and Thurston County's Recording Office began a dialog that resulted in a project plan.

According to County Auditor Kim Wyman, Thurston County undertook this project to gauge the effectiveness of automation in a high-volume recording office. As Wyman puts it, "We are open to implementing anything that helps us to better serve our customers and to accommodate growth." With the explosive increase in population and recording activity in Thurston County in the past two decades, the county has already gone to great lengths to improve its processes and conserve its resources. In this project, Thurston County and Ingeo set their sights on processing 250 deeds of reconveyance submitted by local title companies.

Besides the Thurston County Auditor's Office and Ingeo, the project team included representatives from Eagle Computer Systems (ECS), the county's data management systems provider, as well as high-level decision makers from three local title companies: Pioneer Title, Transnation Title, and Chicago Title.

The project team limited the pilot to a single document type. Since the County Auditor's Office had recorded almost 9,500 release documents in 2000, and since deeds of reconveyance are both less complex and less "mission critical" than other recordable documents, this document seemed to be the ideal choice. The reconveyance documents used in the pilot were self-contained XHTML "smart documents," including digital signatures and notaries. Using elements adapted to both people and machines, XHTML technology gives document designers the best of both worlds.

Preparation and integration

In preparation for the pilot, Ingeo's system designers examined business processes at both title company and county offices. Ingeo worked closely with document specialists from all project participants to draft lien release templates that would meet the needs and requirements of both the title companies and the county government.

Our biggest issues are accuracy and security. This is the biggest challenge for us—How do we connect to the public and deal correctly with firewall issues? Who should we let in? Ingeo is doing everything that they can to help.

Kim Wyman, Auditor, Thurston County, WA

C O U N T Y

Thurston County uses ECS's CRIS+plus system to handle document imaging, cashiering, and storage. Ingeo and ECS collaborated to find the best way for the systems to communicate. Both systems can use "smart documents," so they started off speaking the same language. Even so, full integration of CRIS+plus and Ingeo's product, eRecord, took almost three months of coordinated effort. According to Ingeo engineers, this work had a huge impact on the architecture of the Application Programming Interface (API) of future versions of its system.

Key results

Thurston County flipped the switch on its electronic document recording system on April 13, 2000. The pilot version of the system ran for 72 business days, finally going offline on July 20. During this period, title companies submitted 230 legally binding lien release documents, which were processed and recorded by the county.

Title company participation varied greatly. The three companies varied drastically in document volume, with Pioneer Title and Chicago Title processing 112 and 95 documents each, and Transnation Title processing just 23. Title company employees generally spent about 2-5 minutes actually working with each electronic reconveyance.

For the county organization, the pilot's usefulness was measured in terms of time. According to county officials, processing paper reconveyances takes between 3 and 4 hours, while processing electronic reconveyances takes just a few minutes. Wyman expects to see electronic recording become commonplace within a few years, and foresees that this will allow her to reduce staffing levels and save other resources.

Wyman states that the county implemented the system using the philosophy of "if you build it they will come." Title companies, on the other hand, are more lukewarm about their realized benefits. The single startup cost for document originators is the purchase of a digital certificate, which is used to generate digital signatures. At least two certificates—one each for a document signer and in-house notary—are required to generate documents. At over $100 each, digital certificates are expensive. Several title company participants indicated that certificate costs did not offset the advantages within the perspective of the pilot project.

In spite of these concerns, Thurston County has committed to continue its electronic recording efforts. The current system is being brought back on line, and will run as before while the project team decides how best to improve the system.

When we submit documents electronically, it takes 20 seconds to record. Lenders want to wire our funds as soon as the documents are recorded, so we can call them and give them their recording numbers immediately.

Bill Jones, Pioneer Title

R I V E R S I D E

California

Summary of solution

The Riverside County electronic recording project was a government-to-government electronic document recording solution. Twice a year, the County Treasurer/Tax Collector's Office submits large numbers of tax lien documents for processing by the County Recorder's Office. With their previous paper-based system, dozens of employees would work overtime for several weeks to handle the massive quantities of documents. Since the Treasurer's Office submits about 8,000 tax liens in April and the same number again in October, this creates a severe strain on county government resources and personnel. The practical goal of this project was to fully automate tax lien submission and recording, reducing the need to redirect personnel from other areas for the tax lien effort and saving both time and money by reducing paperwork and overtime hours.

Riverside County's leadership knew what it wanted, but not where to find it. Ultimately, this project was initiated by a referral from the company responsible for Riverside County's data management solution, Eagle Computer Systems (ECS). ECS's previous experience with Ingeo in their joint electronic document recording solution in Thurston County, Washington, prompted them to recommend the Ingeo Electronic Recording System to Riverside County officials.

The document processed by the system is the tax lien. Since this document doesn't require signatures, it was fairly simple to design. The biggest difference between this and previous Ingeo installations was that the Treasurer/Tax Collector's Office needed to be able to submit large batches of recording data in simple database files. This necessitated the implementation of a software module within Ingeo's Electronic Recording System to open the data files, cull out the information for each individual record, and create a separate "smart document" for each line of data.

Preparation and integration

Ingeo already had a good working relationship with ECS personnel prior to beginning this project. This allowed both companies to identify potential problems before they happened and effectively avoid them. With its government-to-government protocol, the project did not meet with any of the issues involved with bringing public and private entities together. Once the project's needs were identified and specifications and document templates were drawn up, both the County Treasurer/Tax Collector's Office and the County Recorder's Office were ready to go.

We are very satisfied. The system has been fine-tuned so the recorder can process lien files around the clock. Ingeo and Eagle are very professional in their ability to bend over backwards to satisfy our system needs.

Gary Cotterill, Treasurer/Tax Collector, Riverside County, CA

The biggest hurdle was creating a method for submitting groups of records within single electronic files. Ingeo's current system had the capability to process batches of "smart documents" created within ePrepare, the system's document preparation tool. To accommodate Riverside County's needs, Ingeo engineers created a new software module for ePrepare which allowed employees from the Treasurer/Tax Collector's Office to use a web browser to transfer files containing batches of records to Ingeo's ePrepare server. The new software then translated this raw data into individual recordable documents, which were then submitted to the County Recorder's Office for processing and recording.

Key results

The fully integrated system went live on October 11. During the 19 days of the pilot project, 6,923 documents were passed from the Riverside Treasurer/Tax Collector's Office to the Recorder's Office and then returned as recorded liens. On one busy day, the Ingeo system processed 1,240 documents, beginning at 9 a.m. and finishing up at 11:45 p.m. Instead of burning the midnight oil, the recording staff simply flipped the switch and went about their daily duties, letting the system do the tedious work. Daily operations continue today.

According to Vince Haley, Riverside County's technical services manager, their current document processing system was designed to handle about 2,000 documents per day. They currently receive about 3,000 documents daily, so technically, they were already operating above capacity. Haley, who is thrilled with the new system, notes that "both speed and accuracy are better than expected." For the first time, this semi-annual tax lien event, which previously had included numerous boxes of paper and countless hours of overtime, came and went without disrupting normal day-to-day workflow. Continuous use since the pilot project has proven the system's efficiency.

The Riverside County project emphasizes the value of electronic processes in government-to-government transactions. Outside agencies aren't even involved—the county's tax lien data dump is essentially one hand washing the other—but the massive amounts of paper turned it into a long, laborious process. Since both parties involved are from the same organization, and since interdepartmental trust and cooperation already existed, Ingeo's solution gave the tedious responsibility of processing all of this information to the county's computers, who don't mind working through the night to get the job done. This allowed county employees to refocus their energies on what they do best: serving their customers.

We are planning to use [the system] monthly now. We are waiting for California to allow business-to-government recording. Our next step will be to go to the private sector and have title companies submit documents to us.

Vinse Haley, Technical Services Manager, Riverside County, CA

LOOKING FORWARD

The case studies presented in this report are simply representative of broader efforts throughout the industry. Space did not allow the review of every successful project, but the following list shows the counties that are currently accepting electronic recording:

Thurston, WA	San Mateo, CA	Salt Lake, UT	Wayne, MI
Orange, CA	Maricopa, AZ	Fairfax, VA	
Riverside, CA	Broward, FL	Oakland, MI	

Even outside observers of the electronic recording industry recognize that traditional recording methods are changing. The struggle to automate and streamline centuries-old processes is still fairly new, but early successes point to major long-term changes. The rate of adoption is increasing and the list of successful implementations is constantly growing. Adding to the list above, the following counties are in the process of implementing or enhancing electronic recording capabilities:

San Mateo, CA	Maricopa, AZ
Orange, CA	Lancaster, PA

As security protections become stronger, and as standards become more widely accepted and implemented, those in county government will feel even more confident in embracing new technologies. Pilot programs are becoming permanent services. Perhaps the best thing anybody can say about these new technologies is "ho hum"—once they are firmly entrenched as day-to-day business practices.

Those on the lending side—participants in the title and mortgage industries—agree that they have yet to see the full benefits of electronic recording. Some are embracing county efforts, actively contributing to finding long-term solutions, while others are biding their time until county recording systems mature. Feedback from lenders and title companies suggests that their biggest concern is the tangible payoff they expect from their investment in time, infrastructure, and training.

In spite of many states implementing the Uniform Electronic Transaction Act (UETA), and the federal E-SIGN legislation, the legal requirements and restrictions surrounding electronic document recording remain a quagmire of contradiction. In several states we have seen recorders' personal crusades making the difference between moving ahead and falling behind. As these efforts continue on county, state, and national levels, industry participants and organizations will need to join together to make their voices heard.

It seems clear that as our knowledge of electronic document recording grows, so does our need for discovery.

Electronic recording is like every new adventure. Somebody is bold and sets sail and returns safely to the home port and then everybody else decides—You know what?—It's safe to proceed.

Mark Ladd, Register of Deeds, Racine County, WI, MISMO-PRIJTF Alliance