Compliance Through Continuing Education is Vital – Here’s why.

Brenda Stone
Compliance Through Continuing Education is Vital – Here’s Why.
Is Continuing Education & Compliance Vital?

• To answer the question, we need to know:
  – The meaning of compliance
  – The rules relating to compliance
  – Why compliance is an issue
  – What it means to maintain compliance
It’s not just about us.

- There is one more thing we need to understand:
  - Our point of view isn’t the only one!

Other people are involved. They have expectations.
My goals today…

Answer the question: is compliance and continuing education vital?

– Show you a clearer path
– Say this in a way that has meaning.
Is Continuing Education & Compliance Vital?

• My Point of View
  – Yes, it is vital.
  – Borrowers have reasonable expectations.
I learned that it’s not just about us.

• The point that it’s not just about us was driven home.
I learned that it’s not just about us.

- The borrower was my son.
- He had just closed on his home at a title company.
- He sat across the table listening intently to what I had to say.
I learned that it’s not just about us.

Our discussion began:

Mom, you do that Notary thing that the title company Notary did, right?
That’s right.
Wow, that’s pretty serious business.
Well yeah!
Didn’t you have to take a lot of courses for that?
Well, that’s yes and no and...

How it ended...

- My son was incredulous that Notary signing professionals who do what I do have so little legal obligation to citizens.
- We handle driver licenses and SSA cards.
- What about people like his grandmother??
- He was stunned that the Notaries he visited around Houston in parcel packing stores weren’t required to be educated or background checked.
- Surely, he said, that everyone else believes like he does...that signing professionals are qualified by some kind of criminal history check?
- And on and on.
Pros vs. Cons

• I decided to do a Pros vs. Cons test on annual background screening and re-certification.
• It took like one minute.
Pros vs. Cons

Pros

• Raises professional image
• Ensures that signing professional sector isn’t overrun with dishonest people
• Credentials mean you have credentials! If you are important enough to need a background check…well, you’re kind of important.
• Expected by people like my son
• Makes getting calls and assignments easier

Cons

• There is a cost attached to it. $65 - $95 to have a background screen and re-certify.
What Compliance Means to Signing Professionals – Part 1
What or who governs compliance?

• There are no laws that require signing professionals to be “in compliance.”

• Lenders must be in compliance which means signing professionals must be in compliance.
ALTA Develops Compliance Measures for Signing Professionals (Dec. 2016)

Compliance requirements for Notaries come from the American Land Title Association’s Best Practice Maturity Model that was issued at the end of 2016.
ALTA says signing professional compliance will include:

- E&O Insurance Coverage
- Notary Surety Bond (if required)
- Licensure or recognized verifiable industry designation
- Acknowledgment of information security program.

Source: American Land Title Association’s
ALTA says:

• E&O Insurance Coverage
  – How much coverage is required?
  – $25,000
  
  Source: Signing Professionals Workgroup

• Notary Surety Bond (If Required by the Notary’s law)
ALTA says:

• E&O Insurance Coverage - $25,000

Comment:
The NNA is directly responsible for capping off the $25,000 limit on Notary E&O insurance.
ALTA says:

• Licensure or recognized verifiable industry designation

  – What does that mean?
ALTA says:

• Licensure or recognized verifiable industry designation
  – In some states, Notaries must hold a type of license to handle loan closings.

Source: Signing Agent Restrictions, National Notary Association
ALTA says:

- Licensure or recognized verifiable industry designation
- Recognized – ALL industry players recognize and trust it.
- Verifiable – There must be a way to verify the designation
- Industry – ALL the industry players (and we haven’t covered this yet!)
- Designation – You have a certificate or diploma, license, or other proof.
ALTA says:

- Acknowledgment of information security program.
  - Notaries who are not working as an employee for entities like lenders and title companies are required to sign off that they follow required computer security practices.

Source: American Land Title Association’s
Elephants in the Room
Elephants in the Room

• We have covered a lot of material!
• Relax for a minute – I need to remove the elephants in the room.
• An “Elephant in the Room” is a problem that no one talks about.
Elephants in the Room

Quote from a Notary in response to a complaint in a Facebook group that companies prefer the NNA certification:

“Other than the NNA, have you seen another entity invest in a professional designation for Notary signing agents?”
Elephants in the Room

My Point of View

• The NNA has been around since before many of you were born. They are known in the industry.

• When signing agents arrived in mortgage lending, the NNA didn’t keep focusing on making stamps and journals.

• The NNA expanded; it invested Notary dues and profits to hire people to go out and make contact with mortgage lenders and title companies. It found out what could be done.

• Title companies and mortgage brokers barely know the other companies who provide Notary bonds, supplies, and training.

• That’s not a monopoly. That’s a company investing in its members.
Elephants in the Room

• Notaries are practically the last ones to comply! These guys have been doing it for years!
  – Title company – escrow officers
  – Real estate attorneys
  – Appraisers
  – Mortgage processors
  – Real estate inspectors
What Compliance Means to Signing Professionals – Part 2
Recognized Verifiable Industry Designation

• ALTA’S requirements said this is necessary.

• What all is included in this designation?
Recognized Verifiable Industry Designation

The NNA’s Certification Includes

- Annual background screen
- Annual testing
Annual Background Screening

Why annual?

• Because of the information we handle.
  – All of the private information that Notaries see is a commodity on the dark web.
Annual Background Screening

Why annual?

• Because of the people we serve.
  – For instance, signing agents are often with older citizens (reverse mortgages) who have chosen to take out a reverse mortgage.
  – Annual background screens have become common for workers dealing with the age and disabled.
Annual Testing (Continuing Education)

Why? It’s not rocket science! It doesn’t change that much!

• Signing agents are performing activities guided by finance, property, insurance (title/escrow) and lending laws. They change.

• Annual testing indicates that the Notary has either received formal continuing education classes or has self-educated successfully.
How did this all start?
Timeline - Notary Compliance

• 1999 - Gramm-Leach-Bliley Act (GLB Act or GLBA)
• 2005 – Companies requiring Notaries to take background checks if they worked for them. It started becoming a way to get $35-$50 from Notaries. (LSI, TransUnion, GAC)
• 2007 – The NNA provided a background check to go along with certification and the industry accepted it. No more multiple background checks.
• 2012 – CFPB Memo
Timeline - Notary Compliance

- 1999 - Gramm-Leach-Bliley Act (GLB Act or GLBA)
  - First time that banks were required to protect customer information.
Timeline - Notary Compliance

- 2005 – Companies requiring Notaries to take background checks if they worked for them. It started becoming a way to get $35-$50 from Notaries. (LSI, TransUnion, GAC)

- The first thing I thought when I saw this beginning to happen was that I would create a background checking website for Notaries if I knew how to do it!
Timeline - Notary Compliance

• 2007 – The NNA provided a background check to go along with certification and the industry accepted it. No more multiple background checks.
Timeline - Notary Compliance

• 2012 – CFPB Memo
  – This was SO very huge.
  – The memo said that 3rd party vendors must be in compliance with federal law.
  – Lenders must oversee them.
2012 CFPB Memo

CFPB Bulletin 2012-03
Date: April 13, 2012
Subject: Service Providers

The Consumer Financial Protection Bureau (“CFPB”) expects supervised banks and nonbanks to oversee their business relationships with service providers in a manner that ensures compliance with Federal consumer financial law, which is designed to protect the interests of consumers and avoid consumer harm. The CFPB’s exercise of its supervisory and enforcement authority will closely reflect this orientation and emphasis.

Link to the Memo
CFPB

- Consumer Financial Protection Bureau
- Federal agency
- Oversees banks
2012 CFPB Memo Caused Turmoil
Pressure on Lenders

Lenders had to oversee compliance of signing professionals, too.
NNA Took Action

- They did SOMETHING. They got in front of the problem.

- The NNA took action and formed a workgroup to reach out to the industry players.

- Without the NNA’s efforts at that point, independent Notaries might have been eliminated in the mortgage process.
NNA’s Action Impacted Notaries

• Lenders could have decided to pull all mobile Notary signings back into their complete control.
• Several scenarios could have taken place.
Who’s Who in Notary Compliance?
Who’s Who in Notary Compliance

• Know who you need to look to for answers.
• ALTA is the guiding light for signing professionals at this time.
ALTA

• American Land Title Association
• Wrote compliance requirements for signing professionals.
CFPB

- Consumer Financial Protection Bureau
- Oversees banks and lenders.
NNA

• National Notary Association
• Recognized in the Industry
• Has significant relationships with mortgage and settlement sectors.
CONCLUSION
Thank You!

• Questions?
• Presenter contact info: