

Tough Times for Title

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Realtors and Lenders have added title agencies, either joint-ventured with local title providers, joint-ventured with professional companies like Title Alliance, Ltd, or wholly-owned entities, for many years now. The theory was that the title operations should do several things that are important to the Realtor or Lender:

1. The operation should provide another source of net revenue for the host company;
2. The operation should provide a more complete range of associated services for the host company's clients, and;
3. The operation should provide a high level of satisfaction for the host company's sales staffs, who are the ones who provide much if not most of the title business.

How has this concept worked out in reality, especially in these current times? It's difficult to say, since the great majority of such companies are privately owned, but we know things anecdotally and intuitively, and the consensus is that, like their host companies, many of the title operations are having a difficult time performing as planned. To make matters worse, RESPA, as interpreted by HUD and many A.G.s and Departments of Insurance, is not particularly "business friendly," so doing things that would normally work in business, like sharing employees between two business entities, moving an operation into the same space to reduce rent, etc.

Many of the title operations, then, instead of achieving the three original goals of adding to basic profits, adding valuable customer services and adding to the satisfaction levels of real estate salespeople and loan officers, are losing money for their host companies, and often are working so hard at cost reductions they are the antithesis of customer-friendly. So now what?

Obviously the game should always be played with the end in mind. What is the ultimate goal? Building value is what entrepreneurs do, and nobody is more focused on being entrepreneurial than Realtors and mortgage brokers/bankers. How to do that while avoiding losing money, even if it is only for the short term, is the critical question.

Your sales people are often the key. If you do not have a high capture rate within the shop, it is often difficult to have a strong enough core business to provide the desired benefits. Capture rates below 40% are disastrous in times like these, so the focus needs to be on increasing the capture rates if they are not strong. In less difficult times this is a luxury, but in these times it is a necessity.

Dale Carnegie once said that to win business "Appeal to a man's nobler motives." He wasn't far off. If your management style permits, sitting down with each of your sales team and explaining the need in these times for teamwork seems to be the best way to achieve success. While most of our title operations enjoy excellent capture rates (far in excess of 70 percent), there are some that do not. In the last year we have concentrated on meeting with the stronger sales staff and explaining the value to them of working for the same goals.

If you are exasperated with trying to get your sales team to "play ball," then consider explaining what happens when the company title operation makes money: there is a strong cash base that allows for firmer overall financial stability; there is more money for advertising, for keeping the Web Site up to date, and for marketing initiatives that help them since their clients want to deal with successful salespeople and successful realty companies; there is additional money for maintaining office appearance and all the other things buyers and sellers consider when they are shopping for a Realtor or a Lender. We have found that when our Realtor partners talk to their best agents in that manner two important things seem to happen: first, the sales person will usually agree to give the title company a try, out of loyalty to their company, their friends, and their own selfish interests, and, second, they invariably lead other, less strong successful, agents to follow in their footsteps, since we all play "follow the leader" when we believe it is to our advantage. Try it, it just may work for you.

Coming Next Issue: Other ways of increasing business and increasing profits for affiliated title businesses.