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Rochester's Progressive Closing & Escrow answers clients' most critical question: "Am I secure?"

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Three years ago Progressive Closing & Escrow, based in Valley Stream, opened a specialized operations center in Rochester. During the last three years, one of the operations center's main objectives has been to answer the critical question posed by our valued clients. "Am I secure?"

This important question is opening the eyes of decision makers in the offices of both national lenders and New York regional lenders. The answer to that question has disturbed lenders and their attorneys with the enormity of the issues uncovered.

Record low interest rates during the past few years have lenders across the nation facing elevated volumes which has helped set the stage for the mortgage lenders question, "Am I Secure?" This volume has resulted in welcome revenue and profit increases, but has also brought some unwelcome consequences. From appraisers to county clerks and everyone in between, the unending amount of work has stressed people and systems beyond their limits.

This stress resulted in new and less experienced businesses entering into all areas of the real estate market.

Even before the refinance boom, the home equity product caught fire. Although the product was originally treated in the same fashion as traditional mortgages, with rigorous title and credit evaluation, the desire to keep up with volume and competitive pressures has increased the use of cheap, fast-processing models. This high-speed, low-cost approach initially provides competitive advantages and increased profit margins, while the borrowers enjoy a "no closing cost product." This trend is pleasing to all except those concerned about risk.

In New York specifically, there are 62 different counties. Each county separately dictates recording fees and transactional tax rates. Moreover there are specifics on how recordable instruments are prepared and presented. In the past 18 months alone, both Rockland and Westchester counties have increased their mortgage tax rates by .25%. Rockland County's increase went into effect in the fall of 2003, while Westchester's increase took effect in early 2004. These changes can be announced well in advance, or may be suddenly sprung by revenue hungry governments. Changes always result in recording rejection and increase the risk to lenders from unsecured liens.

When title companies had virtually all of the responsibility surrounding title work, collection of fees and recording documents, they also had all of this risk. Increasingly, lenders are assuming not only increased credit risks, but also various title and recording risks, which they may not be equipped to manage.

These trends and the unstable county-driven environment have created a challenge for those seeking the answer to, "Am I Secure?"

Over time, proven approaches to the mitigation of risk in a lending portfolio have been developed: identify the types of risk likely to be present; prioritize by degree and severity of risk; recommend curative measures for existing portfolios; and implement protective measures to prevent risk in future closings.

Clearly, one cannot avoid all risk and stay in business in such a competitive environment. Rather, the surest path to long-term profitability without sacrificing competitiveness is the implementation of "best practices" and curative measures taken with respect to existing portfolios before problems erupt.

In a recent project for a group of lenders, Progressive developed an analysis of certain existing portfolios. This project required that the files first be organized, imaged and stacked. All data was entered into databases, but that was just the beginning.

Relationships were prioritized by amount of exposure. This prioritization dictated which files held immediate concern and these were processed accordingly. The focus was to identify risks and answer the question, "Am I Secure?"

All title policies, schedules, legal opinion letters, appraisals, insurance binders, recorded instruments (or lack thereof) were identified for the various lenders. Adding to the complexity of the analysis were the governmental guarantees, participation loans, and cross collateralization required in many cases. Once risks were identified, alternatives were developed, separated by cost, time and anticipated result.

This type of processing is critical. It requires substantial strength, experience in the unique difficulties inherent in New York real estate practices and understanding of the vast differences between various regions as well as immediate access to experienced New York state legal counsel, preferably on staff.

The clients who have utilized Progressive Closing & Escrow are now able answer the question, "Am I Secure?" with confidence. "Yes I am!"

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