

# OAR & OLTA Study “Benchmarking of Abstracting, Closing, and Title Insurance Industry”

## Executive Summary

Oklahoma Association of Realtors (OAR) and the Oklahoma Land Title Association (OLTA) joined together to conduct a survey of Oklahoma REALTORS<sup>®</sup> and interviews of Oklahoma abstractors. The purpose of the survey was to determine the level of service quality being provided by the state’s abstractors, especially in relation to transactions with real estate professionals. The abstractor interviews were conducted, in part, to determine typical business practices across a variety of abstracting contexts (e.g., rural versus metro). Surveys of REALTORS<sup>®</sup> were conducted from May 11 to May 22, 2009. During this same period of time, abstractor interviews were conducted. The purpose of both the survey and interview were to provide metrics of performance and benchmarks.

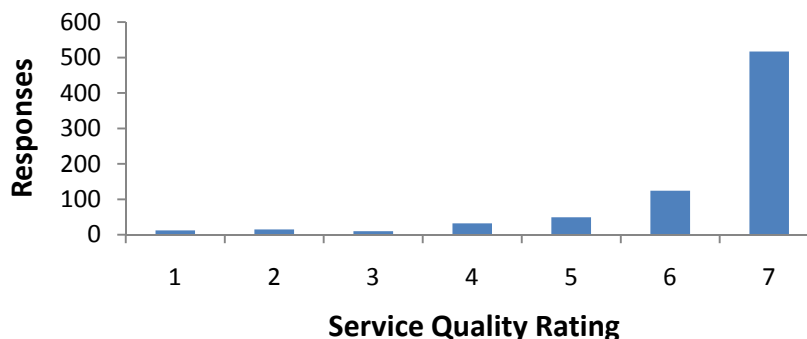
The sampling of REALTORS<sup>®</sup> resulted in the collection of 900 surveys, of which 768 were complete enough to include for analysis. This represents 8.1% of the members of OAR. In addition, the responses were from all regions in Oklahoma. Since many REALTORS<sup>®</sup> work in the Tulsa and Oklahoma City metro areas, the numbers of responses in the metro areas were greater than the total number of rural respondents. However, the percentage of responses from rural areas was greater than the metro areas.

In conjunction with the survey of REALTORS<sup>®</sup>, seventy –two interviews of Oklahoma abstractors were also completed. The interviews covered approximately 60 percent of all abstractors. The purpose of the interviews was to determine common business practices as well as potential barriers in modernization and meeting consumer expectations.

### Summary of REALTOR<sup>®</sup> Surveys

The survey asked questions with respect to the expectation and process of ordering an abstract, problems experienced in closing a transaction, as well as asking participants to rate their primary abstractor on various dimensions of service quality and to provide ratings regarding which dimensions of service were the most important. The survey revealed a wide variation in the expectation of how long it takes to update an abstract and when an abstract order is placed. With respect to closing delays, about 45% of those surveyed experienced delays less than 5% of the time, but there were 5% of survey respondent experiencing closing delays over half the time. For those experiencing delays, over half the responses felt the delays were due to lenders or receipt of lender instructions.

**Figure 1: Overall Rating of Abstractor Service Quality**



Overall, service quality was rated very high by survey respondents. On a scale of 1 to 7, with 7 being very satisfied, the average service quality score was 6.1 and the median was 6.7. As shown in Figure 1, the vast majority of those surveyed rated highly the service quality provided by abstractors. However, there is substantial variation in the ratings by county and region, with the southeast region of Oklahoma rating below all other regions in the state (but still responding that service quality was very good). In addition, several counties in regions across the state rated low in service quality. Further comments about these areas revealed many practices by these abstractors which were unique, such as closing for a lengthy time period, requiring payment at time of order, or significant time delays in completing orders.

### **Summary of Abstractor Interviews**

In general, there were four main themes in the interviews: consumer understanding of the abstracting process, modernization and expansion, fee schedules and increasing the speed of abstracting. Many abstractors felt the consumers did not fully understand the abstracting process. As a result, there is confusion about abstract orders and time required to complete an order.

A second theme among abstractors was that of modernization (use of technology) and expansion (opening business in other counties). Many abstractors, especially in rural areas, believe the cost of updating technology and creating complete digital records was expensive and they would not be able to recover the cost. Similarly, the cost of building an abstracting plant in another county prevents many abstractors from expanding, especially into more rural counties. There was no clear theme on fee schedules, whether abstractors charged page-based fees or time-based fees. There is about an even split between these two fee schedules. Finally, with regards to increasing the speed of the abstracting process, the most important factor is full disclosure from the consumer. That is, if full and proper legal description were given (not just an address), help in locating the abstract were provided, and issues such as a party being deceased, divorced, etc. were mentioned, the process would certainly move more quickly.

### **Study Conclusions**

Overall, the study found abstractors rate very high with respect to the quality of service they provide to consumers. There were a few counties where there was a high degree of dissatisfaction, mostly in the southeast region of the state. While many counties with low ratings are single abstractor counties, many higher scoring counties also have a lone abstractor. That is, low service quality is not necessarily related to competition within the county. Rather, low rated counties and abstractors are those that lack professionalism in their practice.

In addition, the study also finds a need for clearer communication of the abstracting process and the service it provides. As many consumers do not understand the process, or deal with the abstractor directly, the consumer does not understand the time, cost or necessity of abstracting.

This study does not address whether the abstracting requirements in the state of Oklahoma are comparatively better or worse than other land title requirements in other states, only the abstractors in the state rate high in providing the required service. A further comparison study of Oklahoma requirements and those of other states may be needed to determine if changes are needed in state abstracting requirements.

