

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2217

2007 SENATE POLITICAL SUBDIVISIONS

SB 2217

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2217**

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: **February 1, 2007**

Recorder Job Number: **2654**

Committee Clerk Signature



Minutes:

**Chairman Cook** called the Senate Political Subdivision to order. All members (5) present.

**Chairman Cook** opened the hearing on SB 2217 relating to abstractor fees.

**Malcom Brown**, Attorney in Bismarck, Member of the Real Property Probate and Trust

Section of the State Bar Association. SB 2217 was introduced on their behalf by Senator Holmberg. He introduced Mr. Dean Rindy to testify in support of SB 2217.

**Dean Rindy**, Attorney, Fargo ND, Abstractor and Title Insurance Agent, testified in support of SB 2217. (See attachment #1)

**Senator Warner** asked when the fees were last amended.

**Dean Rindy** answered six years ago. (2001)

**Phyllis Sutherland**, Carrington, ND, President of the ND Land Title Association testified in support of SB 2217. (See attachment #2)

**Sue Cosgriff**, President of Cass County Abstract Company/Red River Title Services, Inc., Fargo, ND testified in support of SB 2217 (See attachment # 3)

**Howard Malloy**, President of Bismarck Title Company, testified in support of SB 2217 (See attachment #4)

Testimony Opposed.

**Claus Lemke**, North Dakota Association of Realtors spoke in opposition of SB 2217. We have some concerns. I take exception to the fact that technology makes it more difficult. Is it more affordable to use these computers? I do believe the retrieving, sorting or assembling when the abstract is due is by public record electronically much more affordable then doing it by hand and by paper work. We are not convinced that this larger increase should be. In a couple of sections there is a forty percent increase and another section twenty five percent. We think that the technology makes it cheaper and it should be pennies not dollars.

**Senator Hacker:** Since 2001 until today in the major communities, how much is the price of real estate going up. Is it about three percent?

**Claus Lemke:** In the last seven years we have had a variety of increases and they were more than three percent on the average. I think Grand Forks might be a little less because of the flood.

**Steve Tomac**, Executive Director, North Dakota Farm Credit Council, testified in opposition of SB 2217. (See attachment # 5)

**Senator Hacker:** Are we the only state that charges a fee or do some states charge a percentage?

**Steve Tomac:** I think that is an excellent question. I don't know what other states do. I do think there are only two other states in the country left that require abstracts like the state of North Dakota does. The rest have an option or rely on title insurance as another vehicle. That title insurance creates a competition.

**Senator Warner:** Do you have amendments that might suggest improvements to the bill.

**Steve Tomac:** No I don't. I will leave that to the committee. I would think that some more modest adjustment just in the numbers makes some sense. Again, our main objection to the bill is not the bill by itself. It is a combination of these bills that fail to move the industry in a more modern way. I do think that the committee should be aware that there are fees that abstractors can charge that are not in this legislation. There is a title search fee that is unbridled and is not capped and I know some abstractor rely on that as a method of recouping and getting revenue.

**Greg Tschider**, Mid America Credit Union Association, testified in opposition of SB 2217.

These fees don't impact credit unions directly but they impact the members and we feel this is a consumer issue. The real concern is when you put SB 2217 and SB 2218 together. Forty eight states in the union don't have abstracts, they use title insurance. In the real world out there it is title insurance, not abstracts. When you buy title insurance it is based upon the amount of insurance that you want. It is no different than if you buy property insurance or something of that nature. So if we were dealing with title insurance policies in North Dakota we wouldn't need these fees. We are concerned that we are going to have excessive cost and the consumer gets to pay.

No further testimony in favor, opposed or neutral on SB 2217.

Chairman Cook closed the hearing on SB 2217.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2217**

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: **February 9, 2007**

Recorder Job Number: **3257**

Committee Clerk Signature

*Shirley Borg*

Minutes:

**Chairman Cook** called the committee to order and ask them to go to SB 2217.

**Chairman Cook** had amendments for SB 2217 for the study. He asked if committee wanted to put the other amendments on to the study.

Committee agreed to combine amendments.

**Senator Hacker** moved the amendments to SB 2217.

**Senator Anderson** seconded the motion.

Discussion

**Senator Anderson** moved a Do Pass as Amended.

**Senator Hacker** seconded the motion.

Discussion

Roll Vote: Yes 4 No 1 Absent 0

Carrier: **Senator Warner**

February 6, 2007

*JB*  
2-9-7

PROPOSED AMENDMENTS TO SENATE BILL NO. 2217

Page 1, line 2, after "fees" insert "; and to provide for a legislative council study"

Page 2, after line 3, insert:

**"SECTION 2. LEGISLATIVE COUNCIL STUDY - ABSTRACTERS, TITLE OPINIONS, AND TITLE INSURANCE.** The legislative council shall consider studying, during the 2007-08 interim, abstracters, title opinions, and title insurance, including a review of the orderly and efficient transfer of real property which provides adequate assurances of title. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Renumber accordingly

Date: 2-9-07  
Roll Call Vote #: 1

## 2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

**BILL/RESOLUTION NO.** SB 2217

Senate	Political Subdivisions	Committee
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☐ Check here for Conference Committee

**Legislative Council Amendment Number**

Action Taken Moved Amendments

Motion Made By Sen. Seconded By \_\_\_\_\_

[illegible]

Total Yes 3 No 0

**Absent** 1

**Floor Assignment** \_\_\_\_\_

**If the vote is on an amendment, briefly indicate intent:**



Date: 2-9-07  
Roll Call Vote #: 2

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
BILL/RESOLUTION NO. SB 2217

Senate \_\_\_\_\_ Political Subdivisions \_\_\_\_\_ Committee \_\_\_\_\_

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass As Amended

Motion Made By Senator Hacker Seconded By Senator Anderson

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman		X	Senator Arden C. Anderson	X	
Senator Curtis Olafson, ViceChair	X	<del>XXXX</del>	Senator John M. Warner	X	
Senator Nicholas P. Hacker	X				

Total Yes 4 No 1

Absent

Floor Assignment Senator Warner

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2217: Political Subdivisions Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (4 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2217 was placed on the Sixth order on the calendar.**

Page 1, line 2, after "fees" insert "; and to provide for a legislative council study"

Page 2, after line 3, insert:

**"SECTION 2. LEGISLATIVE COUNCIL STUDY - ABSTRACTERS, TITLE OPINIONS, AND TITLE INSURANCE.** The legislative council shall consider studying, during the 2007-08 interim, abstracters, title opinions, and title insurance, including a review of the orderly and efficient transfer of real property which provides adequate assurances of title. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Renumber accordingly

2007 HOUSE POLITICAL SUBDIVISIONS

SB 2217

## 2007 HOUSE STANDING COMMITTEE MINUTES

### Bill No. SB 2217

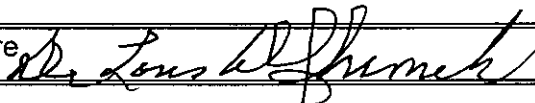
House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: March 9, 2007

Recorder Job Number: 4812

Committee Clerk Signature



Minutes:

**Chairman Herbel:** Opened the hearing on SB 2217. Senator Holmberg would not be here but someone else would be here representing the abstracters. Do we have any testimony in support of 2217?

**Dean Rindy:** (see testimony #1)

**Rep. Donald Dietrich:** When you do an update of the abstract do you normally have title insurance involved?

**Dean Rindy:** There may or may not be. If there is title insurance involved we will update the abstract for either myself or the company issuing the title insurance. On average 30-40% of those abstract updates are for title insurance and probably 60-65% of those abstract updates are non-title insurance updates.

**Rep. Donald Dietrich:** I certainly appreciate you using the example. Not to suggest that the realtor fees are more.

**Dean Rindy:** Rep. Donald Dietrich they work very hard for their money as do the abstracters. They participate in the increase in the value of the property whereas the abstracters; while having additional risks do not gain any additional fee income.

**Rep. Donald Dietrich:** A couple years ago closing fees on both sides of the transaction were \$125 per side; seller and buyer side and that has increase to \$187 which is a \$52 increase in both sides, which is \$104 for both real estate transactions. That is just for the closing agent. The claim for the increases is for technology and we have found visiting with the owners that is absolutely correct. I just wanted that to be said.

**Rep. Lawrence Klemin:** With regard to the question that was asked about title insurance this morning has been established in Slope County.

**Dean Rindy:** I would say other than the larger populated counties like Cass, Grand Forks, Burleigh, Ward. Title insurance, at least as it is used in ND is primarily a residential product. My experience has been that commercial and the agricultural lenders don't use title insurance very much. You are aware that ND is more an agricultural state rather than a residential or commercial state. In response to Rep. Donald Dietrich question to help answer your question, the abstracts that we update in Richland County are probably only 30% for title insurance. They are primarily residential. The others are for agricultural land and very rarely for title insurance.

**Rep. Lawrence Klemin:** For the closings I understand abstracters don't do the closings.

**Dean Rindy:** I don't know the percentage. I do know that the abstracters in Richland County; we both close transactions and write title insurance and update abstracts. Not every abstracter we update will close for title use. About 30% of the abstract orders we receive we will actually update the title insurance and close ourselves. 60% will go to the various banks who will close themselves and will not seek title insurance. A lot of the counties, especially the smaller populated ones will use title insurance. It may be written by an abstracter who doesn't even live in the county because the abstracter in that county is not a title insurance agent so if they want title insurance they will contact a title insurance agent in another county.

**Rep. Lawrence Klemin:** Most of these counties have one abstractor per county?

**Dean Rindy:** That is correct. I think Cass County, Burleigh, Richland, Stark, Williams; probably five or six counties that have more than one, but all the other ones have only one.

**Rep. Lawrence Klemin:** So those counties, because of the increase cost of doing business, who is going to do the work if they are not there to do it?

**Dean Rindy:** Because of right now they are standing in there taking the hits and are doing it at a loss. I don't know how much longer they can do it. They are not making enough money to keep the doors open, not alone to become automated and technically advanced the response time is going to decrease and a county without an abstractor I don't know what is going to happen.

**Rep. Nancy Johnson:** What is a mechanic's lien?

**Dean Rindy:** A mechanic's lien files by either a contract or supplier of materials on a piece of property to give notice to any one searching that chain of title that they have not been paid for their supplies or labor. Gave an example of who this works. A mechanic's lien is now filed with the county recorder so therefore there is no need to search the clerk of court for a mechanic's lien any longer because you won't find them there. You will find them in the regular chain of title that abstracters typically search.

**Rep. Kari Conrad:** Why would we want a Legislative Study?

**Dean Rindy:** I don't know. It was not part of the bill as it came out of the Senate committee. It was not part of the bill as we knew it.

**Rep. Kim Koppelman:** Can you explain how technology is worked into this industry?

**Dean Rindy:** As I said in my introductory remarks, we created an abstract company in Richland County that is 100% automated. What we did is we worked with the county recorder to allow us to image their documents as they sat in their office so we went through all the deed

books; all the mortgage books, all the miscellaneous books; all their records and imaged them digitally to a data base. The data base is huge because the images take up a lot of space, but once those images were imaged into a data base they were tagged with a document reference which now with the software that we purchased through a software vender, we can actually retrieve those documents by either typing in the legal description, or document number, or grantor or grantee's name or retrieve them by types. It now saves us a lot of time and travel.

**Rep. Kim Koppelman:** How do you keep track of a change on a specific property?

**Dean Rindy:** At least once every other day we will go down to the county records office and retrieve all the documents that have been recorded in that time frame. We will retrieve those documents digitally. We are fortunate that the county recorder of Richland County is also digital now from 1992 forward so after they enter the documents we will go down with a small stick and put them onto the stick and bring them back and put them onto our data base and then our people will place those documents based on the legal description etc.

**Rep. Kim Koppelman:** If the fees abstracters earn are set in statue how do you compete? I think I understood from your testimony earlier that you are not the only one in town. What is the competitive factor? Most of us in business would have to offer more quality or better service; how do you stand out in the county?

**Dean Rindy:** 1) We are digital from 1992 forward 2) We believe the digital product is a better product and over time the ability to produce the document with fewer errors in almost real time will give us the competitive edge that even if we are at par with the competitor down there in pricing we can beat them in speed and accuracy.

**Rep. Kim Koppelman:** How long has it been since the fees have been increased?

**Dean Rindy:** Six years since the last increase.

**Rep. Donald Dietrich:** The information you have computerized now, records and documents now. As you work with the communities, bankers and lending institutions and agents using that information such as marketing analysis?

**Dean Rindy:** It is much easier to communicate with those entities now that the documents are digital because most people have a lap top or home computer or and an office computer and they contact us asking us can we see the last chain of record for purposes of market appraisal or if an attorney calls us and asks for the last deed of record in preparation of a new deed we have that information immediately and can email it to them in that digital form.

**Rep. Donald Dietrich:** Right now there is not. Richland County is a relatively small county. Another reason we entered into Richland County, I have working relationship with the attorneys there; being a Cass County attorney. With share information because the attorney's wife and daughter work for me so we have a competitive edge.

**Rep. Lawrence Klemin:** Isn't it true that most of the title companies around the state still use older methods that are much more labor intensive.

**Dean Rindy:** Yes, our goal is to establish one in ND and get people acquainted with that. But with the fee schedule that presently exists there is no way that smaller counties are going to be able to operate. Not that every county in the state will get digital in the near future, but at least this fee will give them a little breathing room to automate some. Hopefully with the fee increase they can start coming into the technology age.

**Phyllis Sutherland:** (See testimony #2)

**Rep. Chris Griffin:** Do you see a need for the increased labor costs?

**Phyllis Sutherland:** The amount of labor maybe, it definitely increases the efficiency, but as Mr. Rindy was saying you really need to be an expert in title and technology. The salaries are



going up because the people you need to hire have to be professional not only in the title industry but in the technology area also.

**Rep. Kim Koppelman:** The competitive, which are few that we heard about. I noticed that these amounts are maximum. Are there people out in the abstracting world that are not charging the maximum because of competitiveness?

**Phyllis Sutherland:** In our county we do not charge the maximum. That is why we feel we need to work together to help out the smaller counties get technological advanced. We do not charge maximum in Cass County.

**Rep. Kim Koppelman:** You said you represent the Association?

**Phyllis Sutherland:** The board is really did not feel that they should take a stand on this bill.

**Rep. William Kretschmar:** Would your profession be better off if the legislature just abolish all the fee things and you try it on your own?

**Phyllis Sutherland:** Actually I am not sure why our fees are set by the legislation, but I think the economy itself would drive the prices so I am not sure why the Legislative vote.

**Steve Tomac:** Farm Credit Services of ND. I am here in favor of the Study Resolution and was part of drafting that it was the Senate Committee's observation that perhaps there is a need for the study and we agreed with that. Two years ago I was here before this committee with some concerns about title insurance and we had a good discussion and debate on it. If all consumers had title insurance it probably would not look like the system we have in place today. It may or may not include some form of abstracting and title insurance. As you recall in the testimony of two years ago, when we introduced the title insurance bill, it would have made it easier to get title insurance through the state as a replacement for abstracting, you might remember that there were two abstracters that did not even have fax machines yet. For that reason we are very much in support of some type of study resolution to try and help this

industry modernize. As you can well imagine farm credit does the major portion of ag and the major portion is prime real estate loans. Farm credit handles approximately 40% of the ag real estate loans in the state so we deal with the abstracters every day of every week. We have to say the most of them are not modernized. Forty to forty five percent of the rural counties that do not have competition and so they haven't had to modernize. We find our selves in a quandary; how can we modernize without a fee increase and how can give a fee increase that is tied to some kind of modernization? How can we encourage this industry to modernize? We do have some question about whether the fee increase is really justified. Our question is more how to help them modernize? How do we drag this industry along? We feel Rep. Kari Conrad that the study is very important so we can tend to iron out what and where we should be going. To answer Rep. Lawrence Klemin question about title insurance and why there isn't title insurance where 40-45 counties do not sell title insurance because it is a duplication of cost. We can't buy title insurance without an updated abstract so you have an updated abstract and that is a method of title assurance, then why would you go ahead and invest in title insurance? There is a lot of confusion out there in the industry and there is good cause to study it. I hope the committee would also encourage the Legislative Counsel to adopt that study during the interim to hear sides from the lenders and abstracters to try and help move this industry into the 21<sup>st</sup> century. Farm Credit did raise some question about the percentage of the fee increase in the Senate side. When you look at the percentages it is 27% and 33% respectively. I think the abstracters have done a very good job explaining that. Our major concern is there a way to tie modernization to fee increases?

**Dean Rindy:** I know Mr. Tomac did not intentionally mislead this committee, but the statement that an abstract update and title insurance are a duplication of costs is absolutely incorrect. I have closed loans in 15 other states. Each of those states either the abstract or chain of title

needs to be examined before a title insurance company will insure the property. In each of those states including Minnesota the cost of that examination whether it be called an abstract update or a title search is always been greatly in excess of what the abstract update or the attorney opinion cost is in ND. In Florida that search fee is \$850. The closing fee is 1% of the purchase price. In Minnesota those abstracters along the Red River Valley do pretty much what ND does because it is a competitive market. In Minneapolis, St. Paul the search fee is anywhere from \$500 - \$750. No one in the US will give you title insurance without someone searching down that title and someone certifying the status of that title. So whether it is an abstracter searching it and an attorney examining it or a certified abstracter or licensed attorney there is going to be a fee for it and that fee is going to be greater than what it is in ND.

I agree Mr. Tomac if we came in here today and say give us a living wage so we can try to automate ourselves.

Opposition: None

Hearing closed.

## 2007 HOUSE STANDING COMMITTEE MINUTES

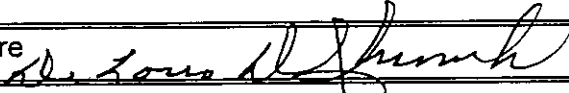
### Bill No. SB 2217

House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: March 22, 2007

Recorder Job Number: 5433

Committee Clerk Signature 

Minutes:

**Chairman Herbel** reopened the hearing on SB 2217.

**Rep. Kim Koppelman:** (Handed out proposed amendment) essentially after the hearing the Chairman Herbel and some others decided there were a couple of the increases that were pretty substantial percentage. During the hearing I looked back to 1993 and looked at the history of what the increases were then and looked at 2001 and they have been primarily inflation or maybe a little more or less depending on the year. The amendment does is changes ten to seven; that is a 67% increase right now. The next one instead of going 75 to 85 that would have been a 32% jump; and this brings it down to more inflationary. The other change on line 22; where we go from three to five; we would go from three to four. The other ones I thought we in line with normal inflation. I ask should be even do this and that is something we will have to decide.

Rep. Kim Koppelman made a motion to move the amendment; Seconded By Rep. Chris Griffin

Discussion:

Rep. Lawrence Klemin: I would ask the committee to resist these amendments. (Handed out US Department of labor index) I want to talk to you about the merits of doing this. I did not have anything to do with this bill. I am very well acquainted on how abstracting works. So

what I did was pulled out figures from the US Department of Labor. If we use those figures that Rep. Kim Koppelman just gave us on the amendment we would be just a little bit behind, even on inflation since 2001. The point is if you go back to 1993 you can see that the inflation has been a fairly steady graft going up so I made an assumption that is probably going to continue similar. I am wondering if it is really appropriate for us to say to these people and how they are going to stay in business or be able to sell out as they get older. Over the years we need the counties to increase the charges and do it to a point that they can afford to keep up with technology and costs involved. My point is I think we need to keep these companies in business and just giving them a cola is not reasonable. We have 53 counties; there are more abstract companies than that; in about six counties we have competition. These set in the statutes are maximums. The counties will go out of business where there is competition; most of them don't charge the maximum. The other 47 counties where there is no competition. This is not a monopoly that we created. Those counties can't afford to have more than one abstract company. We require them to do all these things. They have to maintain abstract liability insurance. They have all the overhead costs like we do and if we had to tell them you have to make a significant investment to maintain your title plat in your office and all we are going to allow you is a very minimum increase. Even though everyone else is getting increased costs and land values have gone up and a lot of that is a result of higher seller prices for landowners when they sell the property. When we look at the title costs with these people we say we are sorry, you can't get anything more than you did before. I think that is just not fair. These people are not getting rich as it is now. I can't think of any other business we have that the government says to a private business these are the exact fees that you may charge to your prime customers and not more. We don't do that to anyone else in this room, I am sure.

These people did not come in asking us to repeal the statute; they came in with something they thought was reasonable. I think that is reasonable.

**Rep. Donald Dietrich:** I can think of one fee and that is tax collection.

**Rep. Lawrence Klemin:** We limit the amount of fees that tax collectors charge to the person they are collecting from, but we don't limit the amount that they charge to their own customer.

**Rep. Steve Zaiser:** Since we are talking about repealing this section of law?

**Rep. Kim Koppelman:** I am not talking about repealing it. They did not ask that be done. I just want to scale it back so that the costs are not so drastic of an increase.

**Rep. Steve Zaiser:** I am concerned that we are micro managing this business.

**Rep. Kim Koppelman:** We have a lot of businesses that are regulated. We have an entire department of state government called the Public Service Commission that tells us how much other companies can charge for their services etc. There is nothing worse than a monopoly but this isn't a monopoly that the government has created. I think they deserve an increase and I am not opposed to the bill. We thought it was a large jump and we wanted to get it passed on the floor. The premise the Rep. Lawrence Klemin has is that we are not going to adjust this for 6 years so therefore we ought to adjust it high enough that it will last 6 more years. Discussed the fact that the man that testified from Richland County chose to go into this business so he made that decision and there is competition there for him.

**Rep. Lee Kaldor:** I am thinking of some of the council that I represent. I know there are some rural counties that currently a slight adjustment doesn't accommodate what they have to do. I have not heard of any larger abstract companies taking over business across the lines. What Rep. Lawrence Klemin is saying, in urban populated counties where there are a lot of transactions, this is a limit and probably will not be reached, but in those counties where it is less likely or probably then an abstractor company will go out of business. I happen to know a

few of those abstracters that are getting close to retirement and probably won't have a sale for those abstract companies so I can see them laying behind that premise and I don't know if we want to address this every year. I think I think myself siding with Rep. Lawrence Klemin.

**Chairman Herbel:** Personally when Rep. Kim Koppelman and I were visiting about the fees. We were concerned they may not make it on the floor if the fee increase was too great. I think there is an issue and if this committee is comfortable with the bill as it is going to make it on the floor because we have a tendency sometimes we don't want to increase fees too much.

**Rep. Lawrence Klemin:** There is just not enough business even though there is no competition.

**Rep. Louis Pinkerton:** Both your arguments are good. If we averaged it out to 2013 they would have a small period where they would be making money toward the end. (discussed the handout and figures on it).

**Rep. Donald Dietrich:** Since I deal in real estate I am a little closer to abstracter and insurance and the costs involved. What is coming down the line is abstracters can not make any money in their business and they will so be switched to title insurance. The trend in ND now is in Grand Forks we close with title insurance. The testimony of one of the folks that was here they had closed on a fee on property and the abstracting was \$102. Another instance it was \$110 and \$160. If I was to put title insurance on a \$150,000 today it would be approximately \$400. If we don't give these folks some leeway, large title insurance companies will come in and then it will cost more. I have to resist the amendment. We do not need to force the hand of the abstracter.

**Rep. Kari Conrad:** There was no opposition to the fee when the bill was heard.

**Rep. Kim Koppelman:** I just want to get this bill passed and I am not married to the numbers so I do not care what you do.

Chairman Herbel did a voice vote and it failed on the amendment.

Do Pass Motion Made By Rep. Nancy Johnson; Seconded By Rep. Kim Koppelman

**Rep. Donald Dietrich:** My worry is if we don't give them an adjustment today these people will not be able to stay in business.

Vote: 14    Yes    0    No    0    Absent    Carrier:    Rep. Donald Dietrich

Hearing closed.



PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2217

Page 1, line 9, replace "ten" with "seven"

Page 1, line 11, replace "one hundred" with "eighty-five"

Page 1, line 22, replace "five" with "four"

Renumber accordingly

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO.**

House Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep. Nancy Johnson Seconded By Rep. Kim Koppelman

Representatives	Yes	No	Representatives	Yes	No
Rep. Gil Herbel-Chairman	X		Rep. Kari Conrad	X	
Rep. Dwight Wrangham-V. Chair	X		Rep. Chris Griffin	X	
Rep. Donald Dietrich	X		Rep. Lee Kaldor	X	
Rep. Patrick Hatlestad	X		Rep. Louis Pinkerton	X	
Rep. Nancy Johnson	X		Rep. Steve Zaiser	X	
Rep. Lawrence Klemin	X			14	
Rep. Kim Koppelman	X				
Rep. William Kretschmar	X				
Rep. Vonnie Pietsch	X				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Donald Dietrich

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

SB 2217, as engrossed: Political Subdivisions Committee (Rep. Herbel, Chairman)  
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2217 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2217

TESTIMONY OF DEAN A. RINDY SUPPORTING SENATE BILL 2217

Mr. Chairman and members of the committee:

My name is Dean Rindy, and I am here today to testify in support of Senate Bill 2217. I have been a member of the North Dakota State Bar Association for over 20 years, practicing primarily in real estate law. During these 20 years, I have had the opportunity to review thousands of abstracts from nearly every county in North Dakota, and for the most part, took for granted the quality of the abstracts I reviewed, and the cost for this quality product. Last summer, my partner and I opened an abstract company in Richland County. Our goal was to use the advances in technology to create a completely digital abstract office, where documents could be reviewed on a computer screen rather than in large books. Although I was always aware that there was a statute regulating the pricing of abstracts, it was not until we began exploring the possibility of opening our office in Richland County that I had actual first hand knowledge of the cost of such an operation.

With the advances in technology, we presently live in a "need it yesterday" society. This is also true in the real estate world. Clients expect results faster and better than ever before. Throughout the United States there are programs where all real estate transactions are conducted electronically, including the signing and filing of the documents. Minnesota is presently working on a pilot program in one county, and undoubtedly will expand the program to others. The county recorders throughout North Dakota presently image and retrieve recorded documents digitally. In 2001, North Dakota enacted chapter 9-16 to the North Dakota Century Code allowing for electronic

transactions. The technology is already in place for electronic closings and filing in North Dakota, and in the near future, electronic closings and filing will become a reality, if not the standard.

However, technology, as with everything else, is constantly changing and becoming more expensive. Abstracters and people who work in an abstractor's office have a very specialized knowledge and talent. They must understand the nuances of real estate law and be willing to read in detail every document that affects the chain of title. With the advances in technology, they must also now learn to operate the various software programs necessary to index and retrieve these documents. I am aware of some abstract companies that have an employee devoted solely to information technology.

In some of the more populated counties in North Dakota, there may be sufficient volume for abstract companies to keep up with the technology curve under the present pricing system. It has been my experience, however, that these counties have more than one abstract company and the market keeps the pricing below the statutory allowance. However, in some counties where the average annual orders may equal or be less than the monthly orders of an abstract company in a populated county, the present pricing schedule is inadequate.

The pricing schedule is a maximum. In those counties that have competition, I see very little change in the pricing of abstracts. In those counties where there is only one abstracter, the increase will provide some margin to invest in the technology necessary to provide the customer with a better, more efficient product, thereby further reducing the time it takes to produce the product.

Other proposed changes to the statute involve removing the mechanic's lien and mechanic lien notices from paragraph 5, as those items are now filed for record in the office of the county recorder and are not filed with the clerk of district court. Accordingly, they do not belong in paragraph 5. Also, I would propose deleting paragraph 6 in its entirety. If the miscellaneous instrument is worthy of inclusion in the abstract, it should be included as an entry and billed as a standard document. In the short time that I have been an abstracter, I have found this miscellaneous document provision to be both confusing and unnecessary.

For these reasons, I ask for a DO PASS vote on Senate Bill 2217.

Thank you for your time and consideration in this matter.

Political Subdivisions Committee Hearing  
RE: S.B. 2217

February 1, 2007

Mr. Chairman and Committee Members -

My name is Phyllis Sutherland, of Carrington, North Dakota. I am the President of the North Dakota Land Title Association, which is composed primarily of abstracters and abstract and title companies. On behalf of my association, I am here supporting Senate Bill No.2217 to increase our maximum fee schedule.

Since most counties in North Dakota only support one abstract and title company, our abstracting fees have been set by the legislature. This has worked very well for our association, even in the larger counties with competing abstract companies. In fact, the Abstracter's Board of Examiners, who oversee the abstracting industry in North Dakota, has been able to rely upon the fee schedule to crack down on the occasional overly zealous abstracter.

As you probably know, our last fee increase was approved in 2001. Also, in the past seven years, not only the cost of living, but the cost of operating a business has increased substantially; and the forthcoming rise in minimum wage will ultimately increase wages to retain higher paid key employees. With all the talk of keeping our most talented young people in North Dakota, higher wages and better benefits are a necessary factor to achieve this goal.

What has happened in the real estate market in the past seven years? The value of your home has probably increased by several thousand dollars. If you sell your house for this new valuation, the amount of commission the realtor will receive is proportionately increased as well. Also the lending institutions will be making more,



since the interest rates have risen for the borrowers in the past few years, including their fees. And yet abstracters are still working for the same wage since 2001.

Getting back to our proposed fee increase, an increase from \$75 to \$100 for the certification covering records in the several county offices searched, may not seem justified. However, consider that today searches are more complex and time consuming than even five years ago, partly due to technical advances made in some of the county offices. For example, to search names for judgments in the Clerk of Court's office, the Clerk in my county now has all the civil judgments, along with all the criminal judgments, on the same computer for searches. That should make it easy; but, in the past two months alone I have nearly missed two judgments; since the new computer name searching format is so exact that if the name being searched is misspelled or reversed on the judgment, the computer will not pick it up. Prior to this technology, I was able to visually scan the alphabetical judgment book; such as all the "a's", all the "b's", etc. But now every conceivable combination of a name must be entered into the computer; and the probability for missing a judgment is higher than ever. And that is just one county office. I love technology; but sometimes it is not compatible with what abstracters need to do; but abstracters also need to be flexible and adjust - which in turn could mean another investment in newer technology in our abstract offices - which means more expense again.

Another change in the proposed fee schedule is the complete elimination of the miscellaneous instrument fee. This is a Godsend for our association - and the

consumer. There are so many different interpretations of this confusing fee for miscellaneous documents, that each abstract company has developed its own philosophy. For standard documents, such as deeds and mortgages, the current fee for abstracting each is a flat \$6. For miscellaneous documents (affidavits, name changes documents, powers of attorney, etc.), the abstracting fee may vary according to the length of the document, by 100 word increments. Therefore, some abstracters were charging \$1 for each additional 100 words as abstracted and some were charging \$1 for each additional 100 words as contained in the full document. So for a 10 page recorded document abstracted into 1 page, that makes a lot of difference. Therefore, some of the fee increase in this bill makes up for the loss of revenue from the miscellaneous document charge. Also, I should remind you, these are "maximum" fees; and many abstracters do not charge the full fee allowed.

Therefore, since this fee increase appears to be timely; and this bill addresses the issue in a fair and well thought-out manner, I urge you to give Senate Bill No.2217 a "do pass."

Thank you for giving me the opportunity to offer this testimony. I would now be happy to answer any questions.

Phyllis Sutherland, President  
North Dakota Land Title Association  
Manager of Foster County Abstract and Title Company, Carrington, N.D.

**TESTIMONY OF SUE COSGRIFF IN SUPPORT OF SB 2217**

**Mr. Chairman and members of the committee:**

**My name is Sue Cosgriff and I am the President of Cass County Abstract Company/Red River Title Services, Inc., in Fargo, ND. I have held my position with that company for approximately 21 years. I am currently a member of the State Board of Abstract Examiners; however, I am here to testify solely in an individual capacity and NOT on behalf of the Board.**

**I am here today to testify in favor of Senate Bill 2217, which calls for an amendment to Section 43-01.18 of the North Dakota Century Code, increasing the amount abstracters may charge for their product.**

**The abstract profession is one of few industries where prices are set by state statute. As we all know, the cost of goods and services are always on the rise. Salaries rise, price of goods we use in our business rise and technology requires us to invest substantial money to keep abreast of the ever changing technological market.**

**During the past 14 years we have seen only one increase in fees with that fee adjustment taking place August 1, 2001. I am not going to sit up here and give you facts and figures for the past 14 years as I am sure you are all aware that times have greatly changed during that period of time. I do, however, have some figures which reflect increases in our office expenses during the past six year period – since the date of the last increase.**

**During the past six years our office salaries have increased 29.4%. This figure was arrived at by measuring the salaries of 12 employees that worked for us in 2001 and the same 12 individuals that still worked for us through 2006. This figure does NOT include increased salaries of additional employees hired during that time.**

**Our rent has increased approximately 51.9% over that same six year period. At the expiration of our lease in June, 2005, the renegotiated rent was substantially higher than our previous lease.**

**Paper prices, miscellaneous supply prices, utilities, etc., have all increased dramatically throughout that product.**

**Technology is a must in our industry. In order to deliver our product to the consumer in a timely manner, we need to be constantly updating our equipment. Since August 1, 2001, we have spent approximately \$142,000 for hardware and \$88,000 for software.**

**We are also looking at an increase in the minimum wage. This will not directly affect many of the abstracters as in order to attract qualified employees, it is necessary to pay above the minimum wage scale. However, indirectly, the increase in the minimum wage will increase all salaries upward.**

**Another area that is often overlooked when discussing cost of doing business is the increase in abstracter's liability resulting from the increased value of real estate. If a consumer is damaged as a result of relying on an abstract of title, the abstracter may be held responsible for those damages. Our cost of abstracter's errors and omissions insurance has increased 60.5% during that six year period - and we have not filed any**

claims during that period of time. In addition, an abstracter could be held responsible if the damages exceeded the limits of the policy.

Our profit margins are rapidly diminishing. In the larger counties this can be somewhat offset by volume. However, in the more rural counties it is becoming harder and harder for companies to "run in the black". This will ultimately affect the consumer as it is becoming extremely difficult for abstracter's to keep their doors open. It is also making it hard for the abstracters to retire and sell their abstract companies as no one wants to purchase a company with no revenue and with no "light at the end of the tunnel" as the fees can only be increased through a change in legislation. If that abstracter is forced to just "close the door" and not sell their company, that county could be without an abstracter and this would create a serious problem for the consumer.

We want to make sure that we are able to provide the very best service for the consumer. In order to do that we need to

**make sure that we hire the very best talent available, have the very latest in technological hardware and software and have the tools available to us to provide a timely, quality product to the consumer.**

**For these reasons, I ask for a DO PASS vote on Senate Bill 2217.**

**Thank you for your time and consideration in this matter.**

**I will answer any questions you may have at this time.**

Political Subdivision Committee Hearing  
RE: S.B. 2217

Mr. Chairman and Committee Members-

My name is Howard Malloy. I am President of Bismarck Title Company. Bismarck Title Company is a business located in Bismarck, ND, which provides abstracting, title insurance and real estate closings in Burleigh County, ND. I am also the chairman of the legislative committee for the North Dakota Land Title Association, and a registered lobbyist for that association.

I am testifying today in support of Senate Bill 2217. You have heard from other people testifying in support of this bill about the need for a fee increase due to ever increasing costs of doing business. I will not bore you by going over more numbers intended to further make that point. What I will tell you is that Bismarck Title Company would not be in business in Bismarck today if we had to rely solely on revenue generated by abstracting real estate titles. Title insurance, title search and closing revenue greatly enhance the profitability of the title industry in Bismarck. Unfortunately for those abstract companies across the state that don't write title insurance or perform real estate closings, because of the rural nature of the counties in which they operate, and a low or nonexistent demand for those services, these revenue sources are not available and these companies rely primarily on abstract continuations for their business. Since most counties in the state have only one abstract company, it is important that these businesses remain viable.

As real property values increase, most fees charged by other participants in the real estate industry also increase. Real estate commissions, as a percentage of the sales price, increase. Loan amounts, as a percentage of the sales price, increase. Loan fees, as



a percentage of loan amounts, increase. Abstract fees, the primary source of income for most abstract companies across the state, are set by the legislature, and have not increased with the rest of the industry.

The legislature has the power to give these people a raise, and I respectfully request Mr. Chairman and members of the committee that you give Senate Bill 2217 a "do pass" vote.

Thank you. I am happy to answer any questions you may have.

Howard L. Malloy  
President, Bismarck Title Company  
Chair, Legislative Committee, North Dakota Land Title Association



# **North Dakota Farm Credit Council**

AgCountry FCS • FCS of Grand Forks • FCS of Mandan • FCS of North Dakota

Testimony by Steve Tomac  
Executive Director, NDFCC

SB 2217

February 1, 2007

Mr. Chairman and members of the Senate Political Subdivisions Committee, on behalf of the four Farm Credit associations in North Dakota I appear in opposition to SB 2217. There are several reasons for our opposition:

1. The increases asked for in this bill seem small in numbers but as a percentage are huge. While we understand that costs have risen in the past six years, to increase the cost per entry by 67% and cost per certification by 33% seems irresponsible.
2. The fee increase is really a consumer issue; however, the combination of SB 2217, SB 2218, and SB 2119 makes it an industry issue. I'll have more comments on SB 2218 at that hearing but I hope the Committee will understand the impact the combination of these three bills may have. A fee increase bill along with the mandates in SB 2218 has a negative impact. Besides requiring more services at higher fees, it doesn't encourage the industry to modernize. This combination leads the industry in the wrong direction.

Farm Credit continues to believe that consumers should have a choice between abstracting and title insurance. Allowing fees to increase without asking the industry to modernize only perpetuates the present system.

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 [www.fcsdirect.com](http://www.fcsdirect.com)

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 [www.farmcreditmandan.com](http://www.farmcreditmandan.com)

**FCS of North Dakota**

3100 10<sup>th</sup> Street SW  
 Minot, ND 58702  
 701-852-1265 • 800-264-1265  
 [www.farmcreditnd.com](http://www.farmcreditnd.com)

#1

TESTIMONY OF DEAN A. RINDY SUPPORTING SENATE BILL 2217

Mr. Chairman and members of the committee:

My name is Dean Rindy, and I am here today to testify in support of Senate Bill 2217. I have been a member of the North Dakota State Bar Association for over 20 years, practicing primarily in real estate law. During these 20 years, I have been involved in real estate transactions in over 15 states, and I have had the opportunity to review thousands of abstracts from nearly every county in North Dakota. For the most part, I took for granted the quality of the abstracts I reviewed, and the cost involved in producing this quality product, and also the fact that the title evidence produced in North Dakota was by far the least expensive and most accurate of the various states where I have closed real estate transactions. Last summer, my partner and I opened an abstract company in Richland County. Our goal was to use the advances in technology to create a completely digital abstract office, where documents could be reviewed on a computer screen rather than in large books. Although I was always aware that there was a statute regulating the pricing of abstracts, it was not until we began exploring the possibility of opening our office in Richland County that I had actual first hand knowledge of the cost of such an operation. Based upon this first hand knowledge, I can testify that not only is this amendment warranted, it is long over due.

With the advances in technology, we presently live in a "need it yesterday" society. This is also true in the real estate world. Clients expect results faster and better than ever before. Technology, as with everything else, is constantly changing and becoming more expensive. Abstracters and people who work in an abstracter's office

have a very specialized knowledge and talent. They must understand the nuances of real estate law and be willing to read in detail every document that affects the chain of title. With the advances in technology, they must also now learn to operate the various software programs necessary to index and retrieve these documents. With ever increasing salaries in all other areas of the employment sector, it is becoming more and more difficult to retain these quality people.

At the Senate committee hearing on this Bill there was testimony that the proposed increase was too great in percentage to the existing pricing schedule. While it may appear on a percentage basis, viewed in a vacuum, that the increase is significant, when you look at the total increased dollars involved, you will see how insignificant the increase really is, and why this increase is long over due.

The average abstract update for the sale of property usually includes a mortgage, mortgage assignment, mortgage satisfaction, and a deed transferring the title. If you add a home equity mortgage which many people have, the average abstract update consists of five (5) documents or entries. The total increase from six to ten dollars per entry is a 66% increase, but amounts to only an additional \$20.00.

In a typical sale, the abstracter will need to check the name of the seller(s) and buyer(s) for judgments. Again, in a usual husband and wife to husband and wife transaction, this involves four (4) names. The increase from three to five dollars is again 66%; but only increases the cost of updating the abstract by \$8.00.

Each abstract only has one certification per update, so that increase, again when examined on a percentage basis may be 33%, but that increase only adds \$25.00 to the cost of updating the abstract. So, when you take all the increases contained in the

proposed amendment, the average cost of updating an abstract in a sale transaction will increase by approximately \$50.00. On a refinance, this amount would be reduced to less than \$40.00.

The pricing schedule contained in the statute is a maximum that can be charged. Moreover, this pricing schedule is the same whether the transaction involves the sale of a \$100,000.00 piece of property or a \$10,000,000.00 piece of property. However, the risk involved to the abstracter increases significantly. Unlike realtors, lenders, and others involved in the real estate transaction, the abstracter assumes the same risk and receives the same compensation, regardless of the loan or sale amount. Abstracters fees do not increase based upon an increase in land values, but an increase in land value does increase the abstracters' liability exposure. Thus, while most residential and agricultural land has more than doubled in value over the last 16 years; (thereby doubling the revenues that the realtors, lenders, and others in the real estate transaction enjoy), abstracters have been locked into a fee schedule that has resulted in no increases in revenue while the costs of operation has increased dramatically.

For example, I looked back at the sale of a quarter section of farmland that I was involved in back in 1994. That farmland sold for \$735 per acre. The real estate broker's commission for the sale was 6%, or \$7,056.00. The cost of updating the abstract was \$102.00. I was involved in the sale of that same land last year. It sold for \$2,250 per acre. The broker's commission for the sale was 7%, or \$28,000.00. The cost of updating that abstract was \$111.00. If the increases being proposed had been in effect at the time of this second sale, the cost to update the abstract would have been \$160.00 (Five entries, two names and one certification). Thus, when looking at the entire transaction, any

argument that the proposed increase in abstracting fees is unjustified based upon consumer protection just isn't supported by the numbers. I use this example not to suggest that the realtor fees were not warranted in the transaction, but to illustrate just how insignificant the increase really is when viewing the entire transaction.

Other proposed changes to the statute involve removing the mechanic's lien and mechanic lien notices from paragraph 5, as those items are now filed for record in the office of the county recorder and are not filed with the clerk of district court. Accordingly, they do not belong in paragraph 5. Also, the amendment would delete paragraph 6 in its entirety. If the miscellaneous instrument is worthy of inclusion in the abstract, it should be included as an entry and billed as a standard document. In the short time that I have been an abstracter, I have found this miscellaneous document provision to be both confusing and unnecessary.

For these reasons, I ask for a DO PASS vote on Senate Bill 2217.

Thank you for your time and consideration in this matter, and I will entertain any questions you may have.

# 2

Political Subdivisions Committee Hearing  
RE: S.B. 2217

March 9, 2007

Mr. Chairman and Committee Members -

My name is Phyllis Sutherland, of Carrington, North Dakota. I am the President of the North Dakota Land Title Association, which is composed primarily of abstracters and abstract and title companies. On behalf of my association, I am here supporting Senate Bill No.2217 to increase our maximum fee schedule.

Since most counties in North Dakota only support one abstract and title company, our abstracting fees have been set by the legislature. This has worked very well for our association, even in the larger counties with competing abstract companies. In fact, the Abstracter's Board of Examiners, who oversee the abstracting industry in North Dakota, has been able to rely upon the fee schedule to crack down on the occasional overly zealous abstracter.

As you probably know, our last fee increase was received in 2001 and during that time not only the cost of living, but the cost of operating a business has increased substantially; and the forthcoming rise in minimum wage will ultimately increase wages to retain higher paid key employees. With all the talk of keeping our most talented young people in North Dakota, higher wages and better benefits are a necessary factor to achieve this goal.

The proposed fee increase from \$75 to \$100 for the certification covering records in the several county offices searched, may not seem justified. However, consider that today searches are more complex and time consuming than even five years ago for a variety of reasons, including upgrades in courthouse technology. Don't get me wrong, I love technology; but sometimes it is not compatible with what

abstracters need to do. So abstracters also need to be flexible and adjust - which in turn could mean another investment in newer technology in our abstract offices - which means more expense again.

Another change in the proposed fee schedule is the complete elimination of the miscellaneous instrument fee. This is a Godsend for our association - and the consumer. There are so many different interpretations of this confusing fee for miscellaneous documents, that each abstract company has developed its own philosophy. For standard documents, such as deeds and mortgages, the current fee for abstracting each is a flat \$6. For miscellaneous documents (affidavits, name changes documents, powers of attorney, etc.), the abstracting fee may vary according to the length of the document, by 100 word increments. Therefore, some abstracters were charging \$1 for each additional 100 words as abstracted and some were charging \$1 for each additional 100 words as contained in the full document. So for a 10 page recorded document abstracted into 1 page, that makes a lot of difference. Therefore, some of the fee increase in this bill makes up for the loss of revenue from the miscellaneous document charge. Also, I should remind you, these are "maximum" fees; and many abstracters do not charge the full fee allowed.

Since this fee increase appears to be timely; and this bill addresses the issue in a fair and well thought-out manner, I urge you to give Senate Bill No.2217 a "do pass."

Thank you for giving me the opportunity to offer this testimony. I would now be happy to answer any questions.

Phyllis Sutherland, President  
North Dakota Land Title Association  
Manager of Foster County Abstract and Title Company, Carrington, N.D.



**TESTIMONY OF SUE COSGRIFF IN SUPPORT OF SB  
2217**

**Mr. Chairman and members of the committee:**

**My name is Sue Cosgriff and I am the President of Cass County Abstract Company/Red River Title Services, Inc., in Fargo, ND. I have held my position with that company for approximately 21 years. I am currently a member of the State Board of Abstract Examiners; however, I am here to testify solely in an individual capacity and NOT on behalf of the Board.**

**The abstract profession is one of few industries in our state where prices are set by state statute. The title search is the back bone of the real estate transaction. Without clear title, the transaction cannot take place.**

**Each real estate transaction involves several entities within the real estate profession. The fees of the other entities involved in each transaction increase automatically as their fees are based on the fair market value of the property being sold or mortgaged. The realtor's commission is based on the value of the property sold and the banker's commission is based on the dollar amount of the mortgage. We all know what the value of real estate has done over the past six year period.**

**The abstract fee is based on the number of entries that are placed in the current update of the abstract of title. Senate Bill 2217 would increase the cost of an abstract**

**for a \$100,000 home containing four entries about \$35.00 to \$40.00. However, since our fees are NOT based on the valuation of the property/mortgage, this would be same increase on a commercial transaction valued at \$30,000,000 if four documents were added to the abstract of title. The abstracter is liable for any errors or omissions in the product.**

**During the past 14 years we have seen only one increase in fees with that fee adjustment taking place August 1, 2001. I am not going to quote facts and figures as to our company's increase in our cost of operations for the past 14 years as I am sure you are all aware that times have greatly changed during that period of time. I do, however, have some figures which reflect increases in our office expenses during the past six year period – since the date of the last increase.**

**During the past six years our office salaries have increased 29.4%. This figure was arrived at by measuring the salaries of 12 employees that worked for us in 2001 and the same 12 individuals that still worked for us through 2006. This figure does NOT include increased salaries of additional employees hired during that time.**

**Our rent has increased approximately 51.9% over that same six year period. At the expiration of our lease in June, 2005, the renegotiated rent was substantially higher than our previous lease.**

**Paper prices, miscellaneous supply prices, utilities, etc., have all increased dramatically throughout that period.**

**Technology is a must in our industry. In order to deliver our product to the consumer in a timely manner, we need to be constantly updating our equipment. Since August 1, 2001, our company has spent approximately \$142,000 for hardware and \$88,000 for software.**

**We are also looking at an increase in the minimum wage. This will not directly affect many of the abstracters as in order to attract qualified employees, it is necessary to pay above the minimum wage scale. However, indirectly, the increase in the minimum wage will increase all salaries upward.**

**Another area that is often overlooked when discussing cost of doing business is the increase in abstracter's liability resulting from the increased value of real estate. If a consumer is damaged as a result of relying on an abstract of title, the abstracter may be held responsible for those damages. Our cost of abstracter's errors and omissions insurance has increased 60.5% during that six year period – and we have not filed any claims during that period of time. In addition, an abstracter could be held responsible if the damages exceeded the limits of the policy.**

**Our profit margins are rapidly diminishing. In the larger counties this can be somewhat offset by volume. However, in the more rural counties it is becoming**

**harder and harder for companies to "run in the black". This will ultimately affect the consumer as it is becoming extremely difficult for abstracters to keep their doors open. It is also making it hard for the abstracters to retire and sell their abstract companies as no one wants to purchase a company with no revenue and with no "light at the end of the tunnel" as the fees can only be increased through a change in legislation. If that abstracter is forced to just "close the door" and not sell their company, that county could be without an abstracter and this would create a serious problem for the consumer.**

**We want to make sure that we are able to provide the very best service for the consumer. In order to do that we need to make sure that we hire the very best talent available, have the very latest in technological hardware and software and have the tools available to us to provide a timely, quality product to the consumer.**

**For these reasons, I ask for a DO PASS vote on Senate Bill 2217.**

**Thank you for your time and consideration in this matter.**

**I would be happy to answer any questions you may have at this time.**

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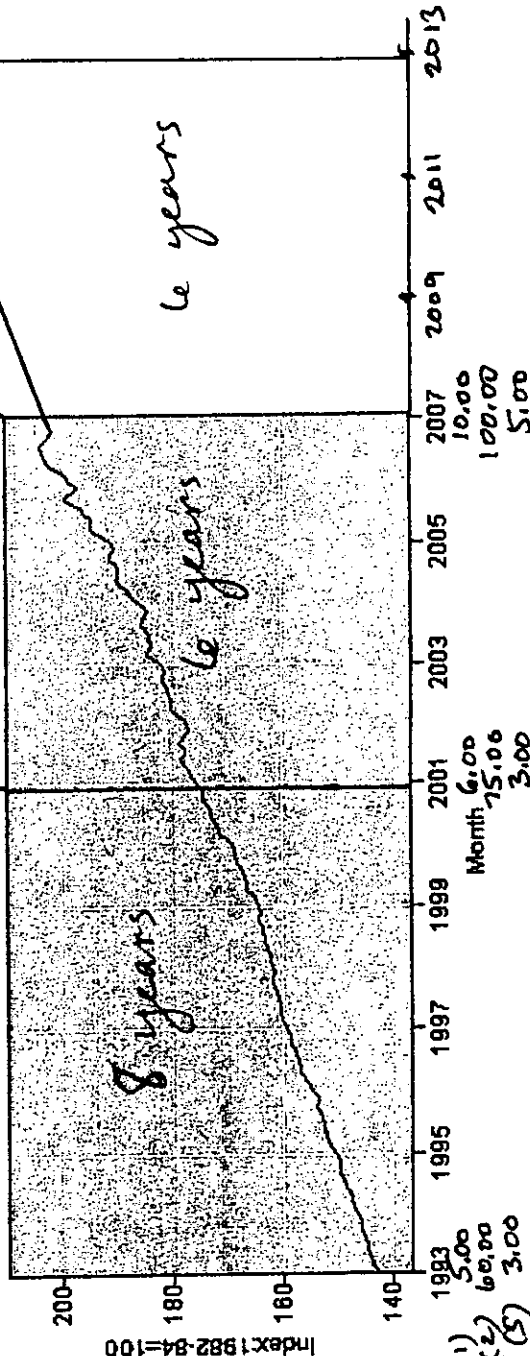
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**Consumer Price Index - All Urban Consumers**

Series Id: CUUR0000SA0, CUUS0000SA0  
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Area: U.S. city average  
Item: All items  
Base Period: 1982-84=100

8.96  
107.48  
5.37



SB 2217  
Abstracter Fees