Artificial Intelligence Insights for the Title & Settlement Services Industry

ALTA
American Land Title Association

With Research Partner **big red M.**

Table of Contents

Executive Summary

I.   Report Overview

This report provides an overview of Artificial Intelligence (AI) and its potential impact on the title and settlement services industry. While opinions and perspectives will vary and because AI is evolving at an astonishing pace, this report is intended to capture a snapshot in time.

The objective is to provide foundational information for title and settlement professionals and ensure that everyone has an opportunity to learn more and leverage AI for the benefit of their employees, partners, clients, and customers.

The report offers three sections which provide an overview of AI, industry leader perspectives, and considerations for integrating AI into business operations.

II.   Key Takeaways

The title and settlement services industry, along with numerous other industries, stands at the cusp of a significant technological transformation with the evolution of AI. While AI offers immense potential for efficiency and innovation, successful integration requires a thoughtful, methodical approach. Companies that strategically embrace AI while focusing on human expertise and client relationships will be best positioned to thrive. Below are the key takeaways for successfully integrating an AI strategy within your organization:

1. Focus on incremental, purposeful AI integration that enhances rather than replaces human roles.
2. Prioritize human oversight and quality control in all AI-driven processes.
3. Invest in education for employees, clients, and customers to build trust.
4. Develop a strong ethical framework and ensure regulatory compliance.
5. Build resilience through backup systems and contingency planning.
6. Consider a phased approach to integration, especially for established systems.
7. Establish clear metrics to measure the success and ROI.
8. Stay informed about emerging AI trends and technologies.

Part One: AI Overview

I.   Introduction

Artificial Intelligence (AI) is one of the most transformative technologies of the 21st century, influencing every aspect of modern life. AI is defined as technology that enables machines to perform tasks traditionally requiring human intelligence, such as learning, reasoning, problem-solving, and language understanding. AI can operate in environments with varying complexity, from executing specific, clearly defined tasks to solving complex problems that require adaptive learning and reasoning. This overview explores the essence of AI, its evolution, key classifications, and the broad range of applications available and emerging today.

II.   AI History, Types, and Applications

AI as we know it dates back to the mid-20th century when visionaries like Alan Turing began exploring the potential of machines to simulate human reasoning. The term "Artificial Intelligence" was coined at the Dartmouth Conference in 1956, marking the start of formal research. Early efforts focused on symbolic reasoning and rule-based systems, but progress stalled during the "AI winters" of the 1970s and 1980s due to limited technology and high expectations. Advancements in machine learning reignited interest in the 1990s. By the 2010s, breakthroughs in deep learning and neural networks transformed AI into the powerful tool that is it today.

Types of AI include Narrow AI, General AI, and Superintelligent AI. These categories represent the progression from task-specific systems to theoretical machines capable of surpassing human intelligence. Narrow AI powers most AI applications today, driving advancements in automation, data analysis, and decision-making processes. Narrow AI includes Machine Learning, Natural Language Processing, Robotics, and Computer Vision.

Machine Learning (ML)

Machine Learning is a subfield of AI focused on developing algorithms that enable systems to learn from and make predictions or decisions based on data. ML includes techniques like supervised learning, unsupervised learning, and reinforcement learning.

Natural Language Processing (NLP)

Natural Language Processing focuses on the interaction between computers and human language, enabling machines to understand, interpret, and generate natural language. NLP

incorporates various techniques including text analysis, machine translation, and speech recognition.

Robotics

Robotics involves designing, constructing, and operating robots – machines that can perform tasks autonomously or semi-autonomously. Robotics combines AI with mechanical engineering to create systems capable of physical interaction with the environment.

Computer Vision

Computer Vision focuses on enabling machines to interpret and understand visual information from the world, such as images and videos. It involves techniques like image processing, object detection, and image recognition.

To learn more about the history and evolution of AI, see IBM's *History of AI*, which is periodically updated to reflect new information: https://www.ibm.com/think/topics/history-of-artificial-intelligence.

Part Two: Industry Leaders' Perspectives

I.   Methodology for Interviews

During August and September of 2024, BRM conducted 17 interviews with industry leaders from the title and settlement services industry regarding their experience with and perspectives on artificial intelligence (AI). The industry leaders were selected based on their experience and expertise. The semi-structured interviews covered six topics, allowing for a blend of open-ended and specific questions focused on their current use of AI technologies, challenges they've encountered, and their opinions on AI's future impact on the industry. Responses were recorded, transcribed and analyzed for recurring themes, trends and key takeaways. The industry leaders interviewed include individuals from:

- 10 Software Companies
- 5 Title Insurance Underwriters
- 2 Title Insurance and Settlement Service Agencies

II. AI Approaches and Goals

As AI becomes more mainstream ("Hey Siri, remind me to unload the dishwasher after work."), so does the recognition of its benefits within the title and settlement services industry, particularly in increasing productivity and streamlining operations. While it's understood that AI can positively impact operational efficiency by assisting with routine tasks such as data extraction, knowledge organization, and risk assessment, it is just as commonly recognized that there are limits to AI that need to be considered.

An overarching theme that emerged throughout the interviews is that while AI can enhance efficiency, human expertise and insight remain indispensable in overseeing AI outputs, managing complex decisions, and maintaining the personal touch that AI cannot replicate. As Matt Younkle from Pythonic describes it, *"AI is like an army of interns. Initially, you must watch over their shoulder and review the outputs. When you are implementing AI, it's really important to learn what these programs are good at, and where they might not be helpful."*

While there is excitement about AI's potential, business approaches surrounding its use are still loosely defined, if at all, due to the technology's relative newness in the industry. Software companies developing AI solutions are focused on addressing one or two specific aspects of the sophisticated and critical title insurance process with their products, rather than attempting to overhaul the entire workflow. There is a shared perspective that incremental integration is the right approach when deploying AI solutions. A champion of this intentional strategy is Denise Williams from Real Document Solutions, who notes *"There's no reason to completely change your business overnight. Take your time. You'll likely do more damage by trying to eat the whole elephant at once rather than one bite at a time."*

Underwriters and agents are exploring ways to integrate AI to increase efficiency without diminishing the crucial role of human expertise in the process – an aspect considered essential to maintaining trust and accuracy in the industry. The discussion with Marty Frame highlighted MyHome's approach to this delicate balance, *"We believe that 'high tech' and 'high touch' go hand-in-hand. If we can empower our people with a technology that can help them do their jobs twice as fast, that's twice the number of customers they can give great service to in the same amount of time — and that's a great outcome and experience for everyone."*

Overall, there is a sense of optimism surrounding AI within the industry; however, this optimism is coupled with a shared understanding that a cautious and thoughtful long-term approach is necessary when implementing the technology. Knight Barry Title Group has a well considered strategy, as Jason Wautier explained *"We're excited about the AI use*

cases we've explored and are now making sure it works for us from a business perspective, which can take time. We don't want to have it just to say we have it. There can be unintentional consequences if things are not properly thought through and if people jump in too quickly. Appreciating the need for strategic implementation, we are extremely optimistic that AI will help us in many ways in the future."

III.   Current Uses of AI

Industry leaders highlighted four key areas where AI is actively utilized in the industry which include extracting information; streamlining processes; organizing and presenting knowledge; and fraud detection.

Extracting information and streamlining processes are closely interconnected, involving the retrieval of relevant data to compile the necessary documents for a settlement, while also identifying any inconsistencies or gaps in the information. Organizing and presenting knowledge is often achieved through AI-driven databases, which enhances the speed and quality of work and allows employees to spend time on strategic, cognitive tasks. Kevin Koon-Koon of Grid151 shares *"AI is not here to replace you – it is here to elevate you. By handling repetitive and mundane tasks, it frees professionals to focus on complex problem-solving, deeper expertise, and greater innovation."*

Fraud detection is a critical aspect of the title and settlement services industry, and many software company leaders are concentrating on leveraging AI as a primary tool to combat fraud, positioning it as their core product offering. Although the use of generative AI is on the rise in the industry, it remains in its early stages. While AI offers numerous opportunities, there are also challenges to address and several important factors to consider. RPost's Mike Rooney shares their unique view of AI *"We view AI as having both right-brain and left-brain characteristics. Cybercriminals are leveraging right-brain generative AI to rapidly spin up fraudulent websites with fake reviews, draft convincing emails that lack traditional red flags, create deep fakes, and much more, making scams increasingly difficult to detect. In response, left-brain analytical AI solutions are designed to combat these threats by analyzing vast amounts of internal and external data in real time to identify risks. By employing data-driven AI technologies, organizations* could potentially work to better *detect and defend against even the most sophisticated AI-powered threats."*

Despite the numerous ways in which AI can be utilized, Chris Hacker of ShortTrack made the important distinction that it should address an existing problem and should not be adopted just for the sake of being an early adopter, stating *"Find the appropriate use, and make sure there's a clear problem that you're experiencing."*

IV.   Value of AI

The value of AI is clear to many of the leaders interviewed; it can accelerate complex processes and execute them with fewer errors compared to human performance, particularly in repetitive tasks where computers excel. However, humans excel in critical thinking far beyond the capabilities of machines.

With the reduction of repetitive tasks, industry veterans will have more opportunities to engage their analytical skills. Individuals currently engaged in the most mundane tasks in the industry – such as data entry and file retrieval – will now have the chance to transition into analytical and quality control roles. Their familiarity with these processes positions them well to identify potential errors and improve overall accuracy. Kevin Nincehelser from Premier One offers a playful analogy comparing AI to the Iron Man suit, *"Tony Stark himself is very capable and smart, but with the suit he is even more capable. With AI, we'll be able to accomplish more."*

Rather than seeking to dictate how AI should be used to solve business problems, John Hamm of Stewart shared his methodology *"Allow AI to inform you of potential solutions to problems that you may not have considered before, while ensuring the focus remains on addressing well-defined challenges."* It is crucial for AI to work for you and align with your business plan, rather than forcing it into your operations, as this ensures a more effective integration that maximizes its benefits.

V.   Future of AI

With rapid developments in the technology, it's hard to predict exactly where AI is headed, at least for now. At the same time, AI is constantly advancing and reshaping its role, blurring the lines between today and tomorrow – essentially, the future is already here. As Hoyt Mann of Alanna.ai sees it, *"AI has taken the back seat for the last decade and now it's moved up to the front seat. It's now our navigator, it's like our copilot – an intelligent assistant."*

One of the biggest questions surrounding AI's future in the industry is how it can alter a company's staffing needs during fluctuations in market volume. The ability to leverage the technology may allow company owners to reduce their staffing demands during high volume while also not reducing headcount as much during low demand. AI won't replace humans in the industry, but some workers may need to transition into new roles. As with many technological shifts throughout history, those displaced by the machines often find themselves operating and managing the new technology. Paul Bandiera from First American believes *"The right conversation to have is around how we can use this powerful technology not to replace, but to evolve. When Excel was developed it didn't replace*

accountants, but it evolved the way the work was done and made business better. It redefined the role, and that's what we have here, how can we redefine and evolve?"

Additionally, the title and settlement services industry is a human-centric, expert- and relationship-driven industry. Buying a home is one of the most significant financial investments people make, and they value the reassurance and personal touch that only human interaction can provide – especially when challenges arise.

VI.   Challenges of AI

The primary concern is not about how AI is currently used or will be used in the future, but rather the importance of implementing it correctly and appropriately. Industry leaders emphasize the need for careful planning, ethical considerations, and proper oversight to ensure AI is integrated in ways that maximize its potential while minimizing risks. Avoiding misuse or unintended consequences requires a deliberate, thoughtful approach. Robert Zwink from Razi emphasized *"There's danger when adopting AI at scale without taking the time to develop a strategy. Have principles in place around when it's appropriate to use it, and when it's not."*

Industry experts outlined several significant challenges in AI implementation and adoption. The first is AI's tendency to "hallucinate," or generate incorrect results. In a complex industry, such errors can disrupt entire transactions and erode trust. Another major hurdle is the need for significant investment and technical sophistication for companies considering AI solutions. Paul Hurst of First American cautioned *"There are precursors to using this technology. You can't just take AI and layer it on top of legacy systems, processes, technology, and people. It's important to make the upfront investments to get the right information in the right format and the right processes in place in order for it to be successful."*

Another challenge is the varying laws, regulations, and local customs across 50 states and more than 3,600 counties. Even if every step were digitized, training AI to interpret the differences across numerous jurisdictions and companies is a massive undertaking.

Lastly, AI brings with it the heightened threat of wire fraud and cybercrime. The same technology that can drive innovation can also be exploited by criminals, adding another layer of complexity to its implementation.

As the industry leaders have made clear in this report, AI still has a long road ahead in the title and settlement services industry. While the future is unfolding now, many challenges remain to be addressed. Those interviewed stressed the importance of taking a methodical approach to integrating AI at different stages of the title and settlement process. *"There's*

so many things AI may be able to do" Jason Nadeau of Fidelity National Financial argues *"Just don't get too far out in front of your skis just yet, be thoughtful and start simple."*

A careful strategy ensures that the most critical aspect of the industry isn't overlooked: the dedicated professionals who are passionate about their work, and the customers they serve.

Part Three: Developing Your AI Approach

How can you develop the right plan that considers the likely future of AI in the title industry and addresses key factors like human-centric integration, the importance of ethics and compliance, resilience planning, and practical steps for phased implementation, especially if you have established systems?

This section discusses the future of AI in the title and settlement services industry and provides an outline for its safe and effective adoption. Key points include:

- **Incremental Integration:** Use AI to enhance efficiency rather than replace human interaction, with a focus on gradual, purposeful integration.
- **Efficiency Enhancement:** Determine how AI can improve data entry, document verification, and fraud detection, leading to time and cost savings.
- **Human Oversight:** Ensure continuing human oversight and quality control in AI-driven processes, especially to mitigate risks of AI errors or "hallucinations."
- **Transparency and Compliance:** Plan to provide transparency in the use of AI for employees, customers, and consumers to build trust and understanding of AI's role in title services. Alongside transparency, maintain strong ethical standards and regulatory compliance in AI adoption, particularly regarding data privacy and bias prevention.
- **Resilience Planning:** Ensure business continuity in case of potential AI disruptions or failures.
- **Established Systems Integration:** Leverage opportunities to integrate AI with existing systems, including phased adoption and cloud-based solutions.
- **Performance Measurement:** Establish clear KPIs to measure the success and ROI of AI implementations.
- **Future-Proofing:** Stay ahead of AI trends and maintain competitiveness in a rapidly evolving technological landscape.

I.   The Future is Incremental, Not Revolutionary

AI will not entirely replace most of your staffing needs since it is best at repetitive tasks and not capable of critical decision making that demands empathy, trust, and complex problem-solving skills. As Tom Cronkright from CertifID pointed out, *"We insure the most significant asset in people's lives, and AI will provide opportunities for efficiency and access to information, but I don't believe it will replace the need for human interaction and expertise at critical points in the transaction."*

II.   Enhancing Efficiency: AI's Key Value Proposition

The future of AI in the title industry is undeniably tied to its ability to enhance efficiency.

The most impactful and immediately useful applications of AI will likely be in data entry, document verification, and fraud detection. AI's potential to reduce errors and speed up processes will benefit title companies by saving time and money.

As Darren Louie from Proof observed, *"AI is going to change access to information, it's going to change our ability as humans to do new things and complete new tasks that were not previously possible."*

Start by identifying staff doing non-revenue producing work that is highly repetitive – such as document extraction, fraud detection, and customer service. These are likely to be the areas you will find solutions that may add efficiency in the near term.

III.   Human Oversight and Quality Control

No AI system is perfect, and the risk of AI hallucinations (incorrect or misleading outputs generated by AI) presents a significant challenge, especially in an industry as detail-oriented as title and settlement services.

To mitigate the risks, you will need to develop processes to quality check the work product.

IV.   Transparency and Compliance

One often overlooked but crucial aspect of AI integration is the need for education and transparency. To foster trust, companies should communicate clearly about how AI is being used and emphasize that human oversight remains central to the process.

Charlotte Brown of Qualia recommends an open dialogue to *"help clients understand AI's role as a tool that enhances service quality rather than removes human interaction and expertise."*

Given the sensitive nature of the data handled in title and settlement services, AI adoption must be also rooted in a strong commitment to ethics and compliance. AI systems may require access to significant amounts of personal and financial information, which raises concerns about privacy and data security. Ensuring AI systems comply with laws and regulations addressing data privacy is crucial for maintaining trust with clients and avoiding legal risks.

AI bias is another ethical concern. If AI systems are trained to use biased or faulty data, they may inadvertently introduce biases or mistakes into decision-making processes, creating legal and reputational challenges. Addressing these risks through regular audits, transparency, and using explainable AI (XAI) systems helps ensure that AI aligns with ethical standards.

V.   Resilience in the Face of Disruption

While AI promises many benefits, companies need to prepare for the possibility of technological disruptions or AI system failures.

A resilient AI strategy will include backup systems, fail-safes, and contingency plans to ensure smooth operation.

Alan Chang of Title Financial Corporation stressed that "*companies avoiding AI will face higher costs and slower turn-times, but those who adopt it recklessly may suffer from breakdowns in client trust and security.*"

By implementing cybersecurity measures that address AI-specific vulnerabilities and ensuring that manual processes can be reactivated, when necessary, companies can balance the benefits of AI with robust risk management strategies.

VI.   AI Integration with Legacy Systems

Many title companies effectively use established systems that may not immediately accommodate advanced AI tools. While some companies may undertake a full digital transformation project, others will benefit from a phased approach to AI adoption.

One solution is to use AI-powered cloud services, which allow companies to benefit from AI without the need for a complete infrastructure overhaul.

Providing a step-by-step roadmap for gradual AI adoption – perhaps starting with easier-to-integrate tools like AI for order routing, document processing, fraud detection, marketing messaging, and sales collateral – will help companies evolve responsibly. It is important to integrate AI components and solutions thoughtfully and at an appropriate pace.

VII.   Measuring Success and ROI

Key Performance Indicators (KPIs) and metrics will help track the impact of AI on operations. Areas to measure include:

- Efficiency gains in document processing and fraud detection.
- Reduction in errors or client questions related to AI-driven processes.
- Expense reductions from reduced manual labor and improved workflows.
- Customer satisfaction, particularly in how AI-driven interactions affect their experience.

Tracking these metrics will help title companies measure the Return on Investment (ROI) of AI investments and refine their strategies over time.

VIII.   Staying Ahead of AI Trends

Finally, the pace of AI development means that today's best practices will soon be outpaced by the implications of newer innovations. It's crucial for companies to remain agile and stay informed about emerging AI technologies. Companies should consider establishing a dedicated AI task force or appointing a leader responsible for monitoring AI advancements and updating the company's approach accordingly.

In the title and settlement industry, education and articles from vendor partners, state land title associations, and ALTA will continue to be a good starting point for news and information about AI products and services.

Additionally, staying connected to AI research or working with vendor partners can give companies early access to groundbreaking AI tools and innovations, ensuring they remain competitive as the technology evolves.

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