



LOCKEY & ASSOCIATES, LCC

BEST PRACTICES MANUAL

REVISED JANUARY 25, 2018

Lockey & Associates, LLC

Best Practices Policies and Procedures

Policy	Escrow/Trust Accounting
Purpose	Document escrow/trust internal controls are in place to meet requirements for the safeguarding of client funds and to minimize the exposure to loss of client funds.
Scope	These policies and procedures are for all of Lockey & Associates, LLC (hereafter referred to as "The Company") which only has one office. These procedures are to be followed by all employees and independent contractors where applicable.
Procedures	<p>Escrow funds and operating accounts are separately maintained.</p> <p>The Company maintains two (2) escrow/trust accounts for real estate and mortgage loan transactions. Escrow/trust funds The Company maintains under a fiduciary capacity are not comingled with The Company's operating funds or an employee or manager's personal account.</p> <p>Escrow/Trust Accounts Trial Balance</p> <p>A trial balance report depicting the balance of a customer's funds (the ledger) can be produced for each escrow/trust account at any time. This report depicts all individual customer file balances that do not have a zero balance. On a monthly basis, the legal assistant/accounting person reconciles the trial balance report from the DisplaySoft Software System (herein after called "DisplaySoft") to the bank balance on the account statement and reconciled ledger reports from the DisplaySoft (debits not cleared and deposits not cleared)and DisplaySoft register balance, creating a "three-way" reconciliation.</p> <p>Trial balance reports are produced for each escrow/trust account maintained by The Company, including recording accounts and underwriter premium accounts.</p> <p>Escrow/Trust Account Reconciliations</p> <p>It is the responsibility of the legal assistant/accounting person to reconcile the escrow/trust accounts. Account receipts and disbursement activity are reconciled daily (two-way). Monthly, a three-way reconciliation between the bank records, DisplaySoft records, and the trial balance is performed. This reconciliation is completed within 15 days of receipt of the bank statements.</p>

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A listing is kept in DisplaySoft of all escrow/trust accounts. Escrow/trust account reconciliations are performed by the legal assistant/accounting person who does not have check signing authority or the capability/authority to perform wire transfer transactions.

Each month escrow/trust account reconciliations are reviewed by company management and evidence of the review is documented. The escrow/trust account reconciliations are available to the title insurance underwriter at any time requested.

Escrow/trust account reconciling items are clearly noted on the reconciliations. These reconciling items are followed up and addressed by the legal assistant/accounting person with ten (10) days of completion of the reconciliation so as not to carry over on the reconciliations from month to month.

Escrow/Trust Accounts are properly labeled and maintained in insured institutions.

Escrow/trust bank accounts are appropriately designated as "escrow" or "trust" accounts. This designation is noted in the original banking agreements as well as on our check stock, deposit slips, and bank statements. Unless mandated by state regulation or directed by a customer with a signed agreement, escrow/trust accounts are maintained with insured financial institutions.

Dormant file balances.

Customer files that continue to hold funds after the settlement date are reviewed periodically to determine if any disbursements have been made. Management approval by the legal assistant/accounting person is required for any disbursement from an inactive escrow. An inactive escrow is defined as any escrow which has had no activity for the past six (6) months. By Maryland State Regulations The Company has to keep the account on their books for three years. At the end of that time the money can be escheated to the State once a year by October 31st. see procedures for escheating funds on the MD State Comptroller's website).

Banking Transactions conducted by authorized employees.

Via agreements with financial institutions, The Company management authorizes employees for escrow/trust bank account transactions. Wire transfer initiation and approval levels are set by The Company and reviewed for changes in staff routinely. Former employees are

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immediately deleted as signatories and authorized wire transfer individuals. A list of Authorized individuals is maintained in the Escrow Account Information Report. The individual(s) designated as the 'wire transfer administrator' to set-up and change online banking permissions has been authorized by management.

Authorized check signers and wire individuals maintain the escrow/trust accounting records, but they do not perform escrow/trust account reconciliations.

Positive pay, ACH Blocks, and international wire blocks are used.

The "Positive Pay" feature offered by our financial institutions is used on escrow/trust accounts. The Attorney/Owner reviews the positive pay exception report once a month. All positive pay reports are maintained, and any exceptions are documented and explained.

ACH blocks and international wire blocks are placed on all escrow/trust accounts to prevent unauthorized users from withdrawing funds from the escrow/trust account.

Background checks.

Before an individual is hired, a background check (Criminal and credit) is performed by Maryland State Police. Every three (3) years a background check (including criminal and credit) is performed on existing employees who have access to escrow/trust account funds.

Escrow/trust account training.

The Company provides escrow/trust training quarterly to individuals handling customer funds and conducting escrow/trust reconciliations. The accounting manager conducts this training. All training and continuing education is tracked and maintained by the accounting manager.

Contact Office	Donald V. Lockey, Jr, Attorney/Owner
Approved Date	November 13, 2017
Commencement Date	November 13, 2017 Revised
Amendment Date	

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Date for Next Review	October 2019
Related References and Links	Policies and Procedures related to escrow accounting and trust accounts are kept in the attorney/owner's office. Banking agreements and wire transfer user reports are kept in the two-drawer filing cabinet by the copier. http://www.dpscs.state.md.us/publicservs/bgchecks.shtml

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Policy	Licensing
Purpose	To document mandated insurance licenses and corporate registrations (as applicable) do that Lockey & Associates, LLC is able to remain in good standing with each state(s) in which they conduct business.
Scope	These policies and procedures are for all of Lockey & Associates, LLC (hereafter referred to "The Company") which only has one office. These procedures are to be followed by all employees and independent contractors where applicable.
Procedures	<p>Licensing</p> <p>The Company maintains active agency Maryland Insurance Producer licenses as well as agent (employer, owner, producer, and notary) licenses. When necessary, The Company also maintains active non-resident state licenses.</p> <p>The following people are licensed in accordance with state specific (Subtitle 1 of Title 10 of the Insurance Article of the Annotated Code of Maryland) Maryland Insurance Administration Producer Licensing (see attached page from the above referenced agency for more specific details):</p> <ul style="list-style-type: none">Persons who give rate quotesPersons who discuss coverage and exceptionsPersons who make underwriting decisionsPersons who sign commitmentsPersons who sign policies <p>A tracking report (attached) is maintained by Lockey & Associates, LLC as a monitoring control and periodically reviewed by Legal Assistant/Accounting to help ensure the appropriate business professionals are licensed and renewed when necessary.</p> <p>Licensed individuals, along with their active licenses, have been communicated to each underwriter. The underwriter is notified when a license become inactive.</p> <p>Licensed individuals maintain the necessary continuing education requirements including any necessary ethics requirements (Attorneys are exempt from the continuing education requirements). Documentation is maintained to evidence the requirements have been met.</p>

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	The Company maintains and has on file the appropriate Maryland Land Title Association Policy Form License.
Contact Officer	Donald V. Lockey, Jr, Esquire/Owner
Approved Date	August 1, 2017
Commencement Date	August 1, 2017
Amendment Dates	
Date for Next Review	July 31, 2019
Related References and Links	The "licensing Monitoring Tracking Report" is kept in the attorney/owner's office. In the State of Maryland an attorney is not required to do the continuing education requirements. Copies of the active licenses (agency and agent) are kept in the two-drawer wooden filing cabinet in the office of the legal assistant/accounting person. Policies and Procedures related to licensing are kept in the attorney/owner's office.

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Policy	Privacy and Information Security
Purpose	Document a privacy and information security program (policies and procedures) to help ensure Lockey & Associates, LLC maintains written protocols for the protection of data and Non-public Personal Information (NPI).
Scope	These policies and procedures are for all Lockey & Associates, LLC (hereafter referred to as "The Company") which only has one office.
Procedures	<p>The Company has a formal privacy and information security program that is appropriate with the size and complexity, the nature and scope of The Company's activities and the sensitivity of the information in The Company's possession. As part of this program, The Company maintains a Privacy Policy Notice (see attached) that is posted on The Company's website and provided to customers and consumers for each order processed. Additional information about The Company's privacy and information security program is available to consumers and customers upon request.</p> <p>The Company policies associated with the privacy and information security program are given to all employees and the employees must acknowledge in writing that they have read and understand such policies. It is the responsibility of the legal assistant/accounting to help ensure The Company has received all employee acknowledgements.</p> <p>The Company makes an assessment yearly of the standards and requirements affiliated with The Company's information security program, including those set out in this policy and procedure document. This assessment is conducted by Old Republic National Title Insurance and a formal report on compliance is issued to The Company management.</p> <p>Physical Security of NPI</p> <p>The Company utilizes Maryland State Police as the information provider for background check and credit checks. The Company individuals who have access to NPI is restricted to authorized principals and employees who have undergone a formal background check and credit report process which identified no irregularities.</p> <p>Removable media devices, including but not limited to external hard drives, compact discs, magnetic tapes, and USB/flash drives are issued by The Company with approval of the attorney/owner. The use of Removable media devices is prohibited unless the attorney/owner has authorized</p>

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such use. Removable media is kept in a secure area and accounted for via being stored in a locked office when not in use.

Other standard procedures for security NPI include closing paper files other than one currently being worked on, stow files away when away from workspace and lock desks and file cabinets at the end of the day. Hardcopy NPI that is transmitted outside The Company is done so using only secured envelopes and/or locked document bags.

Network Security of NPI

At the direction of the attorney/owner, The Company's designated Network Administrator grants appropriate access to The Company's various computer technology applications. The Company's file server or main central processing unit is housed in the attorney/owner's office. The Company's computer network utilizes up-to-date antivirus, antispysware, and data encryption software applications. The Network Administrator is responsible for such software maintenance.

Access to the Company's information technology computers and network is secured by individual and unique passwords. The Company utilizes a computer application that prompts employees to change passwords in regular frequencies every 30 days. All the Company's computers no matter, desktop or laptop run a "screen timeout" application causing automatic system to sign off when the system detects no activity for a period of one hour.

Disposal of NPI

The Company has defined and communicated to employees the types of data/information that falls into the NPI category. Any NPI data is disposed of accordingly. Paper records by shredding. Small shredders are available. When disposing of computers and portable storage devices, The Company uses a software application to erase/wipe clean the device.

Disaster Management Plan for NPI

The Company has a documented disaster management plan to help ensure adequate back-up, recovery, and business continuation procedures. The plan also includes required procedures for notification and response to security incidents and breaches. The Disaster Management Plan. The Company also maintains insurance coverage (type of insurance i.e. commercial property ins., business interruption ins., and cyber-security coverage, if applicable) for such circumstances. The disaster management plan is reviewed on an annual basis by the owner and updated as appropriate.

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	<p>Security Practices of Independent Service Providers</p> <p>If independent service providers for The Company receive NPI from the Company, the Company shares this policy document with the service provider and/or conducts appropriate due diligence of the NPI security measures of the service provider before transmitting the NPI data. Service providers are aware they must notify the Company regarding NPI security breaches of NPI data that has been transmitted.</p> <p>If security breaches occur, proper notification is provided to consumers and law enforcement in accordance with the Company's privacy and information security program and disaster management plan.</p>
Contact Officer	Donald V. Lockey, Jr, Attorney/Owner
Approved Date	
Commencement Date	October 3, 2015
Amendment Dates	
Date for Next Review	October 2019
Related References and Links	<p>Internal Company Policies:</p> <ul style="list-style-type: none">• More specific privacy and information security program policies are kept in the attorney/owner's office.• We also supply a Privacy Policy Notice from our Title Insurance Company with every closing.

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Policy	Document Recordation/Title & Settlement Pricing
Purpose	Document recordation and rate/pricing procedures and policies to assist Lockey & Associates, LLC in compliance with applicable contractual obligations and Federal and State Consumer Financial Laws.
Scope	Those policies and procedures are for all of Lockey & Associates, LLC (hereafter referred to as "The Company") which has only one office. These procedures are to be followed by all employees and independent contractors where applicable.
Procedures	<p>Pricing Procedures</p> <p>The Company utilizes rate manuals and online calculators, as appropriate to ensure correct fees are being charges for title insurance policy premiums, state-specific fees, and endorsements. Employees are aware of contractual and statutory rate and pricing requirements. Title Insurance policy premiums, state specific fees and endorsements are calculated in accordance with the title insurance underwriter or regulatory or promulgated rate manual through The Company's software and/or through the use of title insurance underwriter rate calculators. All applicable rate discounts, such as Simultaneous Issue, Reissue, Refinance, and Substitution rates are calculated in accordance with the requirements in the rate manual.</p> <p>When rate change bulletins are received, attorney/owner will communicate these rate changes to the appropriate parties and will test the accuracy of such changes and report the results to Company Management.</p> <p>Throughout the year a representative sample of closed files is subject to a post-closing review by the Settlement Manager to conclude if fees were correctly charged.</p> <p>Recording Procedures</p> <p>Submit or ship documents for recording to the county recorder (or equivalent) or the person or entity responsible for recording within two (2) business days of settlement.</p> <p>After review of county specific recording requirements documents are submitted for recordation by settlement manager. When available and economically feasible, document recordation will be processed electronically via E-recording. When E-recordings cannot be utilized or are not available and when the Company does not utilize an employee, documents will be shipped for recording. The Company ships documents using United Parcel Service (UPS), tracks all packages and maintains tracking information for twelve (12) months.</p>

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	<p>Timely response to recording rejections and verify recording is filed of record.</p> <p>The Company maintains a Recording Log to monitor all recordings. After documents are sent for recordation The Company maintains contact with the appropriate personnel and parties to resolve any problems. The Company updates the Recording Log with information about outstanding recordings and rejected recordings, status, and resolution. After documents are recorded, detailed information such as book, page, instrument number, time and date are included in the transaction file. Each week attorney/owner reviews and signs off on the log.</p>
Approved Date	Donald V. Lockey, Jr, Attorney/Owner
Commencement Date	October 3, 2015
Amendment Dates	
Date of Next Review	October 2019
Related References and Links	<p>The Recording Log is kept in the settlement manager's office.</p> <p>We utilize Old Republic's online rate calculator.</p> <p>The Post Closing Reviews are kept in the settlement manager's office.</p>

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Policy	Title Policy Production/Premium Remittance
Purpose	Maintain written procedures related to title policy production, delivery, reporting and premium remittance to the insurer to help ensure Lockey & Associates, LLC meets its legal and contractual obligations.
Scope	These policies and procedures are for all of Lockey & Associates, LLC (hereafter referred to as "The Company") which only has one location. These procedures are to be followed by all employees and independent contractors where applicable.
Procedures	<p>Policy Inventory</p> <p>The Company receives its policy inventory directly from the insurer. A Policy Inventory Report is maintained to track and monitor all of the paper and/or electronic policy numbers allocated to The Company. When policies are issued to customers, they move into an 'issued' status within the Policy Inventory reports.</p> <p>The following items are included in the Policy Inventory report:</p> <ul style="list-style-type: none">• The date paper and/or electronic policies are received by or allocated to the company• The file number associated with each policy number• Unused policies• Voided policies• Policy numbers assigned, but not yet reported to the insurer• Policy issued, but not reported to the insurer <p>In addition to the Policy Inventory report, The Company has a tracking system that identifies files that have closed for which policies have not been issued.</p> <p>Paper policy stock is kept locked up. Electronic policy stock is limited to authorized users with login and passwords.</p> <p>Policy inventory duties have been clearly defined and are the responsibility of the settlement manager. We can reconcile our policy inventory records with the insurer's records.</p>

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	<p>Policy Issuance</p> <p>Policies are issued to customers (lender and/or purchaser) within thirty (30) days after the end of the month that the transaction is disbursed. Electronic (or manual) logs (attached) are maintained within the software system to monitor all orders that have closed and disbursed in which final policies have not been issued.</p> <p>If the Company does not have any outside settlements perform the settlement/closing, the order tracked and monitored by the settlement manager to help ensure the documents are received back within Thirty (30) to Ninety (90) days after disbursement.</p> <p>If a short-form lender's policy is issued, it can be delivered immediately after disbursement; however, monitoring procedures are still in place to help ensure the necessary documents are recorded.</p> <p>Premium Remittance and Policy Reporting</p> <p>In accordance with contractual or statutory obligations on a monthly basis, the Company reports to the insurer all title insurance policies (including endorsements), premiums and other fees as contractually obligated. Reporting is performed using the attached policy register report that has been approved by the insurer or via electronic upload through the insurer's electronic reporting web-based system. Physical copies of the policies are emailed (or mailed) to the insurer.</p> <p>A policy register report is maintained by our office when it performs policy production.</p> <p>Premium remittance duties have been clearly defined and are the responsibility of the settlement manager. We are able to reconcile the premiums and fees we charged to our customers with the premiums and fees remitted to our insurer.</p>
Contact Officer	Donald V. Lockey, Jr, Attorney/Owner
Date Approved	
Commencement Date	October 3, 2015
Amendment Dates	

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Date for Next Review	October 2019
Related References and Links	<ul style="list-style-type: none">• The Policy Register Report is kept in the settlement manager's office.• The Policy Inventory Report is kept in the settlement manager's office.• Below please find the document link to Maryland state-specific policy issuance timeliness regulations:

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Policy	Professional Liability Insurance
Purpose	Document procedures for review of professional for review of professional liability coverage (error and omissions insurance, fidelity, and surety bond) and so that Lockey& Associates, LLC has financial capacity to cover its professional services obligations.
Scope	These policies and procedures are for all of Lockey & Associates, LLC hereafter referred to as "The Company") in one location. These procedures are to be followed by all employees and independent contractors where applicable.
Procedures	<p>The Company is required by contract obligation and federal law to maintain errors and omissions insurance. Under Maryland State Law a Maryland attorney practicing at a Maryland law firm who is admitted to practice before the Maryland Court of Appeals does not have to fulfill the title bond requirements. The legal assistant/accounting and the attorney/owner is responsible for tracking and renewing this insurance coverage. The Company furnishes copies of the insurance policy to their title underwriter(s), including all endorsements, and proof of payment of the current premium.</p> <p>Professional Liability Insurance Coverage - Errors and Omissions</p> <p>The Company carries professional liability insurance for errors and omissions in accordance with The Company's contractual obligations in the amount of at least \$1,000,000 issued by Wesco Insurance Company, a company acceptable to our title insurance underwriter. This comprehensive liability policy has a deductible of no more than \$1,000 per loss. A copy of the most current policy is attached.</p> <p>Fidelity Bond Coverage</p> <p>Or obtained without obligation as a general good business practice. We do not currently have Fidelity Bond Coverage.</p> <p>When requested by the customer or required by state regulation, The Company will issue an insurer's Closing Protection Letter (CPL) in connection with the settlement funds and issuance of a title insurance policy. This CPL will be issued via the insurer's automated Closing Protection Letter system. When required by state regulation The Company</p>

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	<p>will set aside funds in a statutory indemnity fund to cover fidelity losses not otherwise covered by the protections afforded by the insurer.</p> <p>Surety Bond Coverage</p> <p>Surety bond coverage is not required by the State of Maryland or contractual obligation. Surety bond coverage can be obtained without obligation as a general good business practice. The company does not carry surety coverage.</p>
Contact Officer	Donald V. Lockey, Jr., Attorney/Owner
Date Approved	
Commencement Date	October 3, 2015
Amendment Dates	January 2018
Date for Next Review	October 2019
Related References and Links	<ul style="list-style-type: none">• Under the 1986 amendments to the Liability Risk retention act of 1981, a risk retention group is a special purpose insurance company owned solely by its policyholders, which may write only liability insurance-including E & O coverage.• The insurance fidelity insurance policy is located in the two-drawer wooden filing cabinet behind the legal assistant/accounting person's desk.• A copy of our policy is attached.

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Policy	Consumer Complaints
Purpose	To establish a process for receiving and addressing consumer complaints to help insure that Lockey & Associates, LLC addresses any instances of poor service or non-compliance.
Scope	These policies and procedures are for all of Lockey & Associates, LLC (hereafter referred to as "The Company" in our only location. These procedures are to be followed by all employees and independent contractors where applicable.
Procedures	<p>Maintain a standard consumer complaint form that identifies information that connects the complaint to a specific transaction.</p> <p>The Company has a standard consumer complaint for (attached) and uses this to record any/all consumer complaints. As circumstances warrant, supporting documents are attached to the complaint form which provide additional information including communications, facts or specific details. Management documents approval on completed consumer complaint forms.</p> <p>Single point of contact for consumer complaints and process for routing consumer complaints to appropriate personnel.</p> <p>The Attorney/Owner is the single point of contact at The Company for consumer complaints. The nature of the complaint determines to which appropriate personnel the complaint will be forwarded, if necessary.</p> <p>Log of consumer complaints that includes whether or how the complaint was resolved.</p> <p>The Company maintains a Consumer Complaint Log (attached) with information on all consumer complaints and their status. Company Management will periodically review, date and sign-off on the Consumer Complaint Log.</p>
Contact Officer	Donald V. Lockey, Jr., Attorney/Owner
Approved Date	
Commencement Date	October 3, 2015

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Amendment Dates	
Date for Next Review	October 2019
Related References and Links	The Consumer Complaint Form is kept in the attorney/owner's office.