



Electronic Real Estate Recording Task Force

2004 Report to the Legislature

February 2, 2004

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**2004 Report to the Legislature
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Electronic Real Estate Recording Task Force

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Electronic Real Estate Recording Task Force

Executive Summary

Electronic Real Estate Task Force (ERERTF) Status

The ERERTF has been authorized to establish statewide standards to be used as the foundation for electronic real estate recording in Minnesota. Since its inception in 2001 the Task Force has completed development efforts for e-recording standards. ERERTF is working to develop standards that will assure efficient, secure and consistent filing between any submitter and any county.

Standards were authorized by the Task Force in June of 2002 and soon after pilot counties were selected. Following pilot county selection, planning, development and testing efforts were underway. Pilot testing was broken into two phases in order to manage the technical complexities of filing between multiple technologies. Phase I pilot tests the e-recording of Satisfactions of Mortgage and Certificates of Release documents which are electronically recorded in the county Recorder's office. Phase II will include e-recording of the Mortgage, Deed, Certificate of Real Estate Value (CRV), Well Certificate and Assignment of Mortgage. These documents are filed at the Auditor, Treasurer and Recorder's offices which dramatically increases the complexity of this work. More specifically, the CRV will be filed electronically between the County and the Department of Revenue and the Well Certificate between the County and the Department of Health.

Since October 2003 Satisfactions of Mortgage and Certificates of Release documents have been electronically recorded in pilot counties using Minnesota's ERERTF standards. Over 1,800 have been recorded to-date. Phase II planning has already begun with the Task Force's Phase II Planning Committee. With the completion of Phase II, Minnesota will be the first state to completely automate the real estate recording process.

As reported by Joel Beckman, Property Records Director at Dakota County, "Dakota County currently has 10 staff people involved in processing a single document through various steps, and 30 days or more elapse between receipt of the document and filing in the county's database. A totally automated process will require minimal staff and the time to record a document will be reduced to less than one minute." Members of the public and private sector in real estate, as well as real estate consumers all benefit from the enhanced efficiency of this process.

As pilot activity progresses the Task Force is analyzing results in order to document best practices and lessons learned that will benefit other counties. Pilot testing will result in statewide standards that are of the highest usability and effectiveness. As stated by Bob Horton of the Minnesota Historical Society, "This initiative is the biggest e-government project underway in the state."

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Task Force History

Inception: In recent years, major changes in land development practices, mortgage financing, and conveyancing have increased the volume as well as the complexity of the documents that are presented for recording at recorder's offices throughout Minnesota. In addition, rejection rates have increased and so has frustration with some aspects of land records system.

The Minnesota Legislature, in Laws 2000, Chapter 391, authored by Senator Steve Kelley and then-Representative Tim Pawlenty, asked Secretary of State Mary Kiffmeyer to establish a task force to study and make recommendations on electronic filing of real estate documents.

Membership: The Task Force is a joint venture of public and private sector real estate stakeholders. Represented groups include: County Recorders, Auditors and Treasurers, members of the Senate and House, the State Planning Office, City Assessors, Fannie Mae, Builders Association of Minnesota, title companies, real estate attorneys, County Surveyors, the Realtors Association, the Land Management Information Center, the Department of Transportation, the Minnesota Historical Society, the American Society of Auditors, technology vendors, the Bankers Association, Department of Revenue, and faculty from Minnesota Law Schools. See Appendix A for ERERTF Membership List.

Definition: The Electronic Real Estate Recording Task Force ("Task Force", ERERTF) defined its mission as the need to study the current paper based system and the feasibility of an electronic mode of real estate recording. This study surveyed both public and private sector stakeholders to gather information on processes, concerns and considerations. Automated systems currently utilized in other states were assessed and comparisons were made to national recording standards.

Drafting: This analysis produced the ERERTF v.1.0 standards, which include the business rules for e-recording and definitions of the legal, technological, operational, and functional context for making such an e-government system work. This is probably the most far reaching and economically significant e-government initiatives now underway in the state.

Adoption: ERERTF Standards v1.0 were unanimously adopted by the Task Force membership at the June 13, 2002 ERER Task Force meeting. See Appendix B ERERTF Authorized Standards.



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Recommendation: The Electronic Real Estate Recording Task Force (ERERTF) Standards will be tested in pilots at a diverse subset of Minnesota Counties. From these pilots, the ERERTF can best demonstrate a practical and cost-effective alternative to the current paper-based filing process. The effectiveness of the standards will be evaluated and redrafted to reflect findings from these pilots. Upon the adoption of final filing standards and a final report, a recommendation will be made to the Minnesota legislature to adopt a final version of the standards as Minnesota's statewide methodology for electronic real estate recording.



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Summary of Revenue

ERERTF Surcharge Revenue: In Laws 2001, First Special Session, Chapter 10, Article 2, Sections 98-99, a .50 cent per transaction user fee charged to the filing of real estate documents at county offices was dedicated to a separate fund.

In 2003, legislation was passed that included all surcharge funds from both Abstract and Torrens transactions through June 30, 2004 (state government finance bill: Sec. 123). See Appendix C 2003 Legislation.

As of December 2003 monies collected equal \$2,293,148.55. From those monies \$25,000 is retained by the LCC for the provision of administrative services through June 30, 2004. See Project Funding and Expenses To-Date for a more detailed breakdown of this surcharge.

Private Sector Contributions: Since its inception in 2001 public and private sector entities have been heavily involved in the ERER Task Force. Private sector contributions to the Task Force in terms of volunteered time and resources are valued in excess of \$600,000 for the past three years. \$200,000 from this year included the following services:

From legal representatives of the ERERTF:

- Review and recommendation of legislative needs for on-going Task Force work
- Initial review and recommendation of patent issues
- Ongoing work with patent attorneys retained by Task Force
- Review and recommendations regarding vendor contracts for ERERTF
- Review and recommendations regarding schema standards
- Review and response to Uniform Real Property Act
- Professional input at ERERTF monthly meetings
- Professional input at Legal Subcommittee meetings
- Professional input at Executive Committee meetings of the ERERTF
- Total hours contributed are in excess of 250 hours for FY03.



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From private sector real estate representatives of the ERERTF:

- Work with patent attorneys retained by Task Force
- Review and recommendations regarding vendor contracts for ERERTF
- Review and recommendations regarding schema standards
- Review and response to Uniform Real Property Act
- Professional input at ERERTF monthly meetings
- Professional input at Executive Committee meetings of the ERERTF
- Professional input at Phase II Planning Meetings
- Total hours contributed are in excess of 400 hours for FY03



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Summary of Expenditures

The ERERTF budget was originally set at \$1,200,000 to fund the development and pilot testing of platform independent electronic real estate recording standards. The following is a summary of committed and expended funding. See Project Funding and Expenses To-Date for detailed breakdown of expenses.

ERER Task Force Budget - \$650,000 Appropriated

| | |
|---|-----------------------|
| Project Coordination | 210,913.79 |
| Standards Development and Oversight | 409,674.19 |
| Task Force Member Expenses | 21,690.47 |
| Total Task Force Costs | \$642,278.45 |
| Task Force Funds Remaining | \$7,721.55 |
| ERER Work From Auxiliary Budget | |
| Schema Code Compliance | 30,000.00 |
| Object Oriented Work | 20,500.00 |
| Total Cost of Work | \$50,500.00 |
| ERER LCC Budget - \$75,000 Appropriated | |
| Total LCC Costs | \$75,000.00 |
| ERER Pilot Budget - \$500,000 Appropriated | |
| FY03 Pilot Expenses | \$10,400.00 |
| FY04 Pilot Expenses To-Date | \$12,500.00 |
| Phase I Pilot County Cost Committed | \$477,100.00 |
| Total Pilot Costs | \$500,000.00 |
| Total Costs of Phase I | \$1,267,778.53 |
| Funds Available for Phase II | \$1,017,648.55 |

Of the ERERTF Phase I costs, \$1,246,088.06 has been expended on or committed to work on standards development, pilot testing, or project coordination expenses; only \$21,690.47 has been allocated to the reimbursement of expenses of the 46 member Task Force. That results in 98% of Task Force expenditures dedicated to work on project coordination, standards development and pilot testing and only 2% of expenditures dedicated to member expenses such as mileage and travel.



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Benefits of Standards to Stakeholders

The benefits from e-recording to all stakeholders on the ERERTF are being assessed throughout Phase I and Phase II of pilot testing. The use of electronic recording standards will benefit new home owners who can more quickly file documents with their county. Government agencies will benefit as they can more quickly and with less error search for property information that is necessary to their agencies' function. Other benefits that standards bring include:

- **Establishing a level playing field for all counties to participate in electronic real estate recording.** Standards provide a means of communication that does not differentiate between small counties or large. Standards assure efficient, secure and consistent filing between any submitter and any county.
- **Providing an infrastructure independent standard which allows all participants to select the technology best suited to their needs.** Standards allow both the public and private sector to enhance existing technology or purchase new technology if desired for e-recording. Minnesota standards do not recommend or promote any single application or vendor.
- **Reflecting the combined needs of all stakeholders in real estate recording for Minnesota.** Standards were developed with combined input that included all 87 Minnesota counties, private sector lenders and filers, realtors, real estate attorneys, national standards groups and counties in other states that are involved in electronic real estate recording. This ensures that all interests and concerns are considered when developing and testing standards.
- **Allowing counties and Trusted Submitters to begin e-recording more quickly.** Standards establish a clear understanding of what is necessary when sending a document and what is necessary when receiving that document. The complexities of what information is required, what is necessary to ensure a legal and accurate recording, and what format is to be used are all managed through standards. Having completed the process of developing and testing standards the ERERTF frees stakeholders from the expense and time commitment necessary to successfully accomplish these tasks.
- **Providing paper and time savings in origination, closing, delivery and recordation of documents.** Electronic documents facilitate the Closing process through the use of electronic signatures, automated transfer between parties and standards which ensure information is accurate, consistent and secure. Delivery is enhanced through secure electronic transmission to county offices. Electronic recordation using standards ensures the accuracy of information and reduces the number of times manual intervention is required during the recording of

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documents at the county. Significant time savings are experienced throughout the electronic recording process.

- **Reducing number of document errors resulting from the ability to technologically manage and ensure recording requirements are met:** Document filings that had previously contained errors and were sent back to submitters for correction are dramatically reduced using electronic recording. Information accuracy is enhanced through the use of standards. Much of the validation work to ensure documents contain all the necessary information required by Minnesota counties is facilitated through the use of standards.
- **Allowing stakeholders to keep pace with ever increasing document volumes and document complexities:** Standards for e-recording provide a tool for counties and private sector preparers to manage documents in less time and with fewer rejections. E-recording standards facilitate and expedite the process by ensuring secure transactions are conducted and information requirements are being met. This reduces the amount of manual intervention necessary in both document preparation and document recording.



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Accomplishments

To-date the Task Force has covered significant ground in its efforts to establish standards for electronic recording of real estate documents in Minnesota counties. The ERERTF is currently in the process of pilot testing these standards. These pilot tests are a cooperative effort between private sector document submitters and filing offices at Minnesota county and state agencies. Standards serve as a framework to aid and promote interoperability between and within government and private sector technology systems.

The goal of pilot testing is to establish the highest level of workability for these standards as a means to effectively and efficiently record electronically with county offices. The ERERTF is currently in the early stages of Phase I of pilot testing but noticeable efficiencies are already apparent. Although much work is still needed to have a comprehensive picture of how well the standards will work, early results are encouraging.

Development of Standards: In June of 2002 electronic real estate recording standards were officially authorized by the ERERTF. This effort was accomplished using knowledge of real estate needs from all 87 Minnesota counties, private sector real estate partners, national groups involved in real estate recording and from counties in other states currently involved in electronic recording. ERERTF standards are infrastructure independent to allow for maximum flexibility and to promote the highest level of use. See Appendix B ERERTF Authorized Standards.

Definition of Pilot Testing: Testing these standards has been defined in a phased approach. Phase I pilot testing includes the electronic recording of a Satisfaction of Mortgage (acknowledgement of full payment of mortgage debt) and a Certificate of Release (notification of payment of mortgage debt). Both of these documents are typically single-page, simple documents filed within the Recorder's office alone. Phase II will include the electronic recording of the Certificate of Real Estate Value (CRV), Deed, Mortgage, Assignment of Mortgage and the Well Certificate and will take place in and between the Auditor, Treasurer and Recorder's offices.

Selection of Pilot Test Counties: Pilot counties were selected from a process of proposal and review. County proposals were reviewed and compared against criteria established to provide the best set of pilot counties for testing. Criteria included volume of filings at a county, back office technology and process, geographic location, ability to dedicate county project management, and ability to participate in Phase I and Phase II of testing. The counties selected for pilot testing the ERER standards were Dakota, Hennepin, Lyon, Renville and Roseau counties.



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Trusted Submitters: Pilot counties are also working with private sector partners, known as “Trusted Submitters” who also follow the standards to file electronically with pilot counties. The Task Force has established official contracts with all pilot counties to ensure all parties utilize the Task Force standards in their work. Contracts also ensure that pilot results are measured and reported in a consistent fashion and are regularly collected and reviewed during this process.

Phase I Testing Status: Phase I pilot testing is currently in progress in two counties, Dakota and Lyon counties. Roseau, Renville and Hennepin all estimate that they will begin pilot testing in February 2004. Dakota County began filing Satisfaction documents electronically with their Trusted Submitter, US Recording, representing U.S. Bank, in May of 2003. As of December 31, 2003 Dakota County has filed 1,809 Mortgage Satisfactions and 9 Certificate of Release documents with US Recording.

As reported by Joel Beckman, Property Records Director at Dakota County, “Dakota County currently has 10 staff people involved in processing a single document through various steps, and 30 days or more elapse between receipt of the document and filing in the county’s database. A totally automated process will require minimal staff and the time to record a document will be reduced to less than one minute.” Members of the public and private sector in real estate, as well as real estate consumers all benefit from the enhanced efficiency of this process. See Appendix D ERERTF Announcement of First e-Recording.

Lyon County has also electronically recorded Satisfactions from US Recording but volume has been low to-date. Lyon estimates that they will have additional submitters soon and their volumes will increase.

Summary: Much work has been accomplished to-date in planning and development at pilot counties for Phase I testing. The time initially estimated to begin testing was significantly shorter than what proved necessary. It has taken six, and in some counties close to eleven months longer to be ready to test Phase I documents. This time differential is due in part to new technology not being available as quickly as was earlier believed. The implementation of technology, in compliance with the ERER standards, has also proven to entail much more work than initially estimated.

But time savings and cost reductions already evident in initial testing demonstrate one example of how standards are helping Minnesota counties keep pace with increased document filings and increased complexity of real estate filings. Much has been learned from the current phase’s work that sheds light on the next phase of testing. However, until there are more counties electronically filing a significant volume from multiple submitters it is too early to determine how well standards are working and where they could to be modified to enhance their abilities. In reviewing the original Task Force work plan and its 37 considerations, the Task Force has determined that a complete testing of Phase I and Phase II is needed before any determination can be made on many of these



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issues. Results to-date are encouraging but are inconclusive until more work has been completed. See Appendix E Considerations Matrix v.2.

Additional time is required for effective work and testing in Phase II and much higher costs will result from this work for pilot counties. In light of this knowledge, work plans have been reviewed and adjustments have been authorized by the Task Force that reflect this new knowledge and understanding.





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Introduction

In Minnesota, county land record offices and private sector real estate entities have increasingly felt the effects of a changing industry. Some of the most significant changes affecting land record management today include:

- Increasingly complex divisions and subdivisions of once unimproved land are occurring. Land parcels are often subdivided vertically with air rights or subsurface rights sold separately from the surface estate. Timeshares, cooperatives, condominiums and common-interest communities are increasing in number and reflect how landowners today are becoming more creative and innovative in thinking about property rights.
- Along with these changes, legal descriptions are becoming more complex. Global positioning satellites (GPS) have considerably improved the process of locating points on the ground. This and other high tech equipment help land surveyors locate section corners and other measurements with great speed and accuracy. However, a legal description prepared in reliance on very precise modern methods of measurement is often in conflict with the historic or recorded legal description for that parcel of land.
- For most of Minnesota's history, local banks originated real estate loans in their communities and retained landowners' mortgage notes in their own investment portfolios. With the emergence of the secondary mortgage market, however, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and other secondary market participants now purchase residential loans soon after closing, pool them with other loans originated throughout the US, and sell interests in those loan pools to individual and institutional investors throughout the world. This has resulted in more pressure from secondary mortgage markets to get documents recorded more quickly.
- Just as the number of recordable documents per transaction has increased; the volume of real estate transactions has also risen dramatically in recent years. A strong real estate economy and low interest rates have spawned record numbers of home sales and other real estate transactions in Minnesota. Low interest rates have also precipitated a record amount of mortgage refinancing, further increasing the volume of documents that banks, lawyers, title companies, consumers, developers, and others present for recording in Minnesota's land record offices.
- Due to space limitations within county offices, Recorders often do not have the space or the staff to keep up with growing volumes. This in turn has lead to a backlog of real estate filings at the Recorder's offices. This can result in documents taking as

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long as 6 months to be fully recorded and returned to submitters. That can be compared to a 15 minute turnaround time for submitting, recording and the return of documents in electronic recording environments that are available today in a few counties in other states.

Today, stakeholders' demand for speedier transaction times exacerbates the pressure that these trends in land development, mortgage financing, and conveyancing have imposed on Minnesota's county land record offices in recent years. The paper-based system currently in place in Minnesota's county land record offices, itself a vestige of colonial recording practices that are almost 400 years old, simply cannot keep pace with twenty-first century developments.





Overview and Approach to Standards Development

Overview of Standards Methodology

The approach to developing electronic recording standards was outlined in the Task Force's 2001 Work plan Report to the Legislature. This process followed closely the three principles of standards development as outlined by the American National Standards Institute (ANSI) as published at: www.nssn.org/ans_process.html

ANSI principles for standards development were followed and are reflected in the Task Force's plan and approach to standards development.

I) Due Process: allowing any person to participate and express a position for consideration. The ERERTF actively sought and welcomed stakeholders from all areas to participate in open monthly meetings and all other discussion mediums.

II) Openness: an interested party has the opportunity to participate in the consensus process. The ERERTF surveyed stakeholders from all levels of real estate interest and knowledge and publishes all discussions and findings on its web site at: www.commissions.leg.state.mn.us/lcc/erertf.htm.

III) Balance: development activity should have a balance of interests and not dominated by any single interest category. A wide diversity of interests and concerns make up the membership of the Task Force including: County Recorders, Auditors and Treasurers, members of the Senate and House, the State Planning Office, City Assessors, Fannie Mae, Builders Association of Minnesota, title companies, real estate attorneys, County Surveyors, the Realtors Association, the Land Management Information Center, the Department of Transportation, the Minnesota Historical Society, the American Society of Auditors, technology vendors, the Bankers Association, Department of Revenue, and faculty from Minnesota Law Schools.

Standards provide a baseline – that is, a level playing field - that allows entities to communicate efficiently, securely and consistently regardless of their technology infrastructure. Standards allow for any electronic real estate document partner to quickly gain the knowledge and expertise necessary to electronically record with all counties implementing a system using standards. In the Task Force's 2001 Report to the Legislature a project plan outlined the steps to developing these standards.



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Standards Development and Testing

The Task Force's project plan for development and testing was organized under the following breakdown.

Assess and identify needs, considerations and concerns: The initial tasks of this plan were to survey counties and assess current processes, identify needs and concerns for future automation and investigate systems in other states. Several counties in other states are currently involved in some level of an e-government solution regarding real estate. Orange County, California has an automated system of recording using a leading technology vendor in this field. Project teams at Orange County, Broward County, Florida, Fairfax County, Virginia, Salt Lake County, Utah and Maricopa County, Arizona were interviewed to assess their electronic filing systems.

Other states' initiatives, however, involve only single county based initiatives. Minnesota has the first statewide initiative to develop, test and recommend standards for electronic real estate recording. Other counties may be ahead of Minnesota in their work but only Minnesota has taken the time to include the private sector, all 87 the counties in the state, national organizations, and other Minnesota government agencies in the processes of assessing needs and establishing a standard solution.

Identify Features / Index Standards: After a thorough assessment of needs and after researching solutions in place in other counties around the United States, standards were developed. Minnesota chose to establish standards rather than identify a specific technology to meet their needs. Standards, in contrast with a specific technology solution, allow for interoperability and infrastructure independence, through the adoption of a set of rules, conditions or requirements agreed to and used by all users in the system. If a county or private sector's technology can meet or exceed expectations laid out in standards, then it will be able to successfully operate within the system. Minimum expectations or standards allow for the freedom to work with existing technology or new technology that fits the purchasers' complete technology needs. The electronic real estate recording process will never be dependent on one vendor or one technology.

Pilot test and recommendation of Standards: Following the approval of standards by the ERERTF, pilots were scheduled. Pilot testing serves to highlight the strengths and weaknesses of these standards. As private sector entities work with pilot counties, issues will be revealed - quickly in some cases and over time in others. Watchful assessment of pilot activity currently takes place through status reports submitted by pilot counties to the Task Force and through regular meetings with pilot counties to further identify and discuss issues. Standards will be reassessed throughout the pilot project time frame and adjustments to standards will be made, where necessary, by the Task Force. A finalized standard will be recommended to the legislature as a consideration for statewide use.



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Independent Development and Assessment of Standards: A contract was awarded in January of 2002 to BenNevis, Inc. to lead the standards development process. BenNevis, Inc. was selected for their experience with standards development, using XML and XML schemas.

After the completion of the standards development a second technical contract with SKYTEK Consulting Corporation, (formerly Navis Group, LLC) was awarded. SKYTEK was retained in February 2003 in order to manage pilot testing and assist the Task Force in its evaluation of the standards. SKYTEK Consulting provides the Task Force with an independent review of the standards to ensure they are given proper and thorough scrutiny as pilot counties work with them.

Updated Project Plan: The original project plan has been updated to reflect changes in timelines and resource requirements. A phased approach to implementation and testing has been incorporated.



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ERERTF Project Plan

| | Task Name | Duration | Start | Finish | % Complete |
|---|---|----------|------------|-----------|------------|
| | Phase I Pilot Testing | 541 days | 6/5/2002 | 6/30/2004 | 83% |
| ✓ | Planning and Budgeting for Phase I – 5 Pilot Counties | 389 days | 6/5/2002 | 12/1/2003 | 100% |
| ✓ | Select Pilot Counties | 68 days | 6/5/2002 | 9/6/2002 | 100% |
| ✓ | Budget Requirements – Phase I Work | 68 days | 6/5/2002 | 9/6/2002 | 100% |
| ✓ | Select Trusted Submitters | 68 days | 6/5/2002 | 9/6/2002 | 100% |
| ✓ | Procurement – Phase I | 68 days | 6/5/2002 | 9/6/2002 | 100% |
| ✓ | Project Planning and Scope | 389 days | 6/5/2002 | 12/1/2003 | 100% |
| | Development and Implementation of Phase I - 5 Pilot Counties | 385 days | 9/9/2002 | 2/27/2004 | 39% |
| | Design | 385 days | 9/9/2002 | 2/27/2004 | 70% |
| | Develop and Train | 385 days | 9/9/2002 | 2/27/2004 | 23% |
| | Conduct Validation of Schema Compliance at Each County | 150 days | 8/4/2003 | 2/27/2004 | 50% |
| | Conduct Work to Align Schema with Object Oriented Approach | 85 days | 11/3/2003 | 2/27/2004 | 8% |
| | 2004 Report to the Legislature | 54 days | 12/9/2003 | 2/20/2004 | 30% |
| | Conduct Phase I Pilot Test - 5 Pilot Counties | 287 days | 5/27/03 | 6/30/2004 | 48% |
| | Phase II Pilot Testing | 193 days | 10/6/2003 | 6/30/2004 | 21% |
| | Planning and Budgeting for Phase II | 100 days | 10/13/2003 | 2/27/2004 | 21% |
| * | Development and Implementation of Phase II - 5 Pilot Counties | 105 days | 10/6/2003 | 2/27/2004 | 0% |
| * | Conduct Phase II Pilot Test - 5 Pilot Counties | 88 days | 3/1/2004 | 6/30/2004 | 0% |

* The timeline for milestones and deliverables in Phase II is aggressive due to the legislated end of the Task Force in June of 2004. It has been the experience of the Task Force in the past two years of planning, implementing and testing that technology thought to be readily available has been slow to meet the needs of e-recording in Minnesota.

* In addition, having standards that technology vendors must comply with has proven to be both a positive and a negative for Minnesota pilots. As a positive, standards present consistency and level expectations for public and private partners. However, standards

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also present additional work and testing for technology vendors. This work has required additional time and attention from pilot counties and the ERERTF to ensure workable solutions are in place. This has resulted in a slower than expected implementation time for all counties. Finally, contract negotiations between pilot counties, the ERERTF and the LCC have proven to take longer than anticipated which resulted in additional delays.

It is expected that Phase II filing of the Deed, Mortgage, Assignment of Mortgage and Certificate of Real Estate Value (CRV) will experience the same time lags in implementation. The Task Force has also approved the use of the Mortgage Industry Standards Maintenance Organization (MISMO)'s mortgage schema which has been delayed for use until the fourth quarter of 2004. See Appendix F Letter from MISMO Regarding e-Mortgage Schema and Appendix G Summary of e-Mortgage Status detailed by SKYTEK regarding MISMO's letter.

In light of these unforeseen yet unpreventable delays the ERER Task Force has approved the motion to request a two year extension of the Task Force. A request for this extension will be presented to the 2004 legislature. The Task Force project plan will be updated as needed after the 2004 session.





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FY03 Project Status

Finalized Selection of Pilot Counties

At the March 31, 2003 Task Force meeting the ERERTF finalized selection of pilot test counties with the authorization to add Roseau to join Dakota, Hennepin, Lyon and Renville as a pilot county. For the testing process counties were solicited for their participation. The criteria for selecting which counties would be best for pilot testing were defined by the Pilot Subcommittee. See Appendix H Pilot County Evaluation Criteria for a full list of criteria used. In summary, these criteria included a review of the volume of filings at a county, back office technology and process, geographic location, ability to dedicate county project management, and ability to participate in Phase I and Phase II of testing.

Pilot County Funding and Distribution: The Pilot County Contract Review Committee recommended funding for these counties' pilot initiatives, as identified in the Task Force legislation. The following is a breakdown of the funding proposed by the Pilot County Contract Review Committee as authorized by the Task Force.

| Pilot Phase I Funding Recommendation | | | | | | |
|--|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Cost Item | Hennepin | Dakota | Renville | Lyon | Roseau | Total |
| Back Office Integration | \$153,125 | \$0 | \$0 | \$0 | \$0 | \$153,125 |
| One-Time Costs for Training, Installation and Conversion | \$0 | \$33,000 | \$10,000 | \$33,000 | \$4,000 | \$80,000 |
| 21 mos. Of Software Cost Assuming a 3 Year Life | \$0 | \$23,333 | \$67,082 | \$13,125 | \$41,500 | \$145,041 |
| 18 mos. Of Hardware Cost Assuming a 3 Year Life | \$0 | \$7,500 | \$7,500 | \$10,000 | \$4,500 | \$29,500 |
| Total | \$153,125 | \$63,833 | \$84,582 | \$56,125 | \$50,000 | \$407,665 |
| Contingency (10% of Fund + Unused Portions) | | | | | | \$69,935.00 |
| Total Funds Allocated | | | | | | \$477,600 |



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This funding grid represents a reserve of 10% of the \$500,000, plus unused portions of the total as a contingency fund. Pilot counties will be reimbursed for out-of-pocket on-time costs for training, installation and conversion. They will also be reimbursed for contract labor at a rate of 50% and for the "lease costs" of the software. Lease cost was calculated by the committee assuming that the software has a 3 year life, and basing the lease time as being from October, 2002 thru June, 2004 (the remaining life of the Task Force). This results in a formula of 21/36 times the price of the software. Hardware was reimbursed in a similar "lease cost" calculation. Here it is assumed that the hardware will be acquired in January, 2003, thus a "lease" of 18 months was used.

Private Sector Submitting Partners (Trusted Submitters): Private sector submitters were selected by pilot counties and are termed Trusted Submitters in the ERERTF Standards. County proposals include the identification of Trusted Submitters as partners for county's pilot. Each Trusted Submitter:

- is legally able to transact real estate business in Minnesota,
- has established a letter of intent with the county that will be accepting the electronic real estate records,
- has agreed to follow the Minnesota Electronic Real Estate Recording Standards as part of the contractual agreement, and
- has performed a test submission with the county to prove that the Standards have been followed.

Pilot County Contracts with the Electronic Real Estate Recording Task Force (ERERTF):

Pilot counties were required to sign a contract with the ERERTF that governs their participation in pilot testing. The contract is necessary to inform all parties of expectations and concerns, formalize their roles and set the parameters of the pilot. Each county also has a signed Letter of Intent with each Trusted Submitter. This letter ensures that the county has an established relationship and presumption of volume to ensure a valid test of these transactions. It also ensures that Trusted Submitters understand the full commitment of time and resources necessary for participation. County contracts were completed as of December 2003 with the signing of a contract with Hennepin County.



Electronic Real Estate Recording Task Force

Pilot Planning and Implementation

Pilot counties have conducted planning sessions with internal divisions and IT teams. In order to quickly gain expertise in electronic filing technologies counties have engaged technology consultants to assist in development, implementation and sharing of knowledge with internal resources. Both Dakota and Lyon Counties partner with Fidler Software, Renville County partners with TriMin Systems, Inc. and Ingeo Systems, Inc., Roseau County partners with West Central Indexing, LLC and Hennepin County partners with Perficient, Inc.

The ERER Task Force has retained SKYTEK consulting to assist with the measurement of pilot activity, evaluation of standards based on feedback from pilot testing, review of pilot results against national interests, Minnesota legislative interests and business needs. SKYTEK will also document and develop an implementation guide for Phase II work and will assist pilot counties in their development of Phase II project plans.

Standard Pilot Measurements: An initial deliverable from SKYTEK which resulted from meetings with pilot counties was the enhancement of measurement criteria of pilot testing with a series of baseline measures. This document was reviewed and approved by the Task Force in January of 2003 and later updated and approved in April of 2003. See Appendix I Pilot Testing Measurements with Baseline Items. This baseline information ensures that a comparison of before and after scenarios is possible and results can be compared across pilot counties.

Standard Reporting: To effectively monitor and assess ongoing activity SKYTEK has also developed a template for reporting status from pilot counties. This template was reviewed and approved by the Task Force at the May 2003 meeting. See Appendix J Pilot Status Report Template. This template ensures all pilot counties are reporting the same information in the same manner. This standard method of information reporting ensures consistent and reliable comparison of results between pilot counties.

Other: A template has also been designed to ensure consistent and complete information when counties invoice for payment during pilot development, testing and implementation. At the July, 2003 Task Force meeting a template for invoicing for payment was reviewed and authorized. See Appendix K Invoice and Payment Terms Template.

In addition to reviewing documented status and pilot results, SKYTEK conducts pilot county user group meetings both monthly and at necessary intervals to discuss technical issues. As a result of these discussions best practices and other findings are shared between pilot members and with the Task Force. This serves to increase knowledge and understanding throughout pilots and Task Force members. See Appendix L Pilot County Status Reports and Findings To-Date.

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Pilot Testing and Measurements

The ERERTF's original work plan identified the need to test standards. Testing will allow for a review of how standards operate in different counties that experience different recording volumes, use different technology, have different staff levels, and work with different private sector partners. It will also review how these standards work in private sector title companies, banks and mortgage companies. From these tests, the ERERTF will learn how the standards work in platform neutral, real environments.

Update and Authorization of Schema Standards: Schema documents based on ERERTF standards were reviewed by pilot county officers and their technology vendors and other interested members including real estate attorneys and Trusted Submitters. A final version of the Satisfaction and Certificate of Release and CRV documents were authorized and approved as version 3.0 by the Task Force at the August 14, 2003 Task Force meeting. See Appendix M Deed and Assignment of Mortgage Schema Changes and Appendix N CRV Schema Changes for discussions and explanations of schema as approved.

Schema Change / Version Control: Change control information was documented for all version changes from version 1.0 through 3.0 by BenNevis. Detail of what changes were made and why are thoroughly documented. The Task Force approved final updates to these documents at the December 2003 meeting. See Appendix O Schema Version Control Documentation for complete detail of changes. On-going changes to schema will be defined using an electronic difference tool to capture changes and document details.

Phased Approach to Pilot Testing: Pilot testing of electronic real estate recording is being conducted in a phased approach. Phase I consists of electronically filing a Satisfaction of Mortgage (acknowledgement of full payment of mortgage debt) and the Certificate of Release (notification of payment of mortgage debt). Both of these documents are typically single-page, simple documents filed within the Recorder's office alone.

It is a recommendation of the Phase II Planning Committee that Phase II be broken down into three sections; Phase IIA, Phase IIB and Phase IIC. Phase IIA will include the Assignment of Mortgage document. Phase IIB will include the Mortgage document which travels through the Auditor, Treasurer and Recorder's offices. And Phase IIC will include the Deed, the Certificate of Real Estate Value (CRV) and the Well Certificate. The CRV will be filed with the Department of Revenue and the Well Certificate will be filed as an image with the Department of Health.



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Pilot Test Counties: The ERERTF has identified five counties to participate in testing ERERTF standards. Pilot counties have contracted with the Task Force and agree to comply with the established standard in place, work with private sector submitters who will in turn follow the standards, manage the County project that automates their current document recording systems and report regularly to the Task Force on their status.

As a result of these contracts with the Task Force, pilot counties and private sector partners are working to upgrade and implement automated processes to support the filing of electronic real estate documents from origination to complete recordation. Currently Dakota and Lyon counties accept electronic Satisfactions from their Trusted Submitter US Recordings, headquartered in St. Paul, Minnesota. As reports and feedback are submitted the Task Force, the standards are being continuously evaluated for issues and concerns.

Summary of Pilot Testing To-Date: The ERER Task Force established baseline measurement for Pilot Counties in order to better understand and assess the impacts of electronic recording vs. today's paper based processing. The Task Force established the criteria with the five pilot counties submitting baseline measurements for both Satisfaction of Mortgages and Certificates of Release.

The criteria determined by the Task Force include the following:

- Number of Satisfaction and Certificate of Release Documents Processed in one year
- Number of Steps Involved in Processing Satisfaction Document (From receipt of Satisfaction until it is returned to submitter)
- Staff Hours Spent Processing Satisfaction, Per Document
- Number of Satisfaction Documents Rejected (in 30 consecutive calendar days)
- Average Number of Days From Date of Receipt to Date Indexed for Satisfaction
- % of recorded Satisfaction documents mailed back to submitter Estimate for one year



Electronic Real Estate Recording Task Force

Based on the assessment of Pre- Pilot baseline measurements, the following information summarizes Satisfaction of Mortgage filings for the five pilot counties:

- The total number of satisfaction documents processed in one year by all five pilot counties is **175,680 paper documents**
- The number of steps involved in the manual process range from **6-8 steps**
- The percentage of Satisfaction documents rejected in one year averages **1%**
- The average number of days from date of receipt until indexing of a document **ranges from 2-43 days**
- The number of documents mailed back to the submitter in one year **ranges from 25%, 35% to 100%, depending on the county**

Based on the assessment of Pre- Pilot baseline measurements, the following information summarizes Certificate of Release (COR) filings for the five pilot counties:

- The total number of COR documents processed in one year by the five pilot counties is **40,469 paper documents**
- The number of steps involved in the process range from **6-8 steps**
- The percentage of COR documents rejected in one year averages **1%**
- The average number of days from date of receipt until indexed **ranges from 2-43 days**
- The number of documents mailed back in one year **ranges from 25%, 35% and 100%, depending on the county**

As several pilot counties are still under development, two counties have implemented and are underway in production processing. From the initial analysis recorded over the past few months, the total number of electronically recorded Mortgage Satisfaction was 1,716 along with 4 Certificates of Release processed through December, 2003.

Benefits: Early analysis of current pilot volumes presents encouraging results. The following includes benefits indicated in current pilot tests:

- The number of steps involved in the recording process **can be reduced to 1 step in the electronic world**
- The percentage of documents rejected was **reduced by 83%**
- The average number of days from date of receipt until indexed is **reduced to same day turnaround**
- The number of documents mailed back in one year is **reduced to 0**

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As more counties and Trusted Submitters are added and the volumes continue to grow, the significance of the benefits of electronic recording will become even more apparent.

Implementation Findings and Best Practices: Additionally the EREER Task Force and pilot counties have reported issues, risks and mitigation strategies as they are encountered. This vital information is submitted, documented and tracked along with best practices developed from pilot initiatives. See Appendix L Pilot County Status Reports and Findings To-Date. This information will be extremely helpful as other new counties and Trusted Submitters begin to engage in electronic recording. Some examples of issues identified include:

- Challenge for out-state counties and internet service providers being able to provide secure connections
- Addressing complexity of managing multiple Trusted Submitters using different digital signature models
- Security risks encountered from multiple Trusted Submitters and protocols
- Integration with internal county systems including numbering systems and slip printers
- County project management, sponsorship and resource availability
- Need for additional Trusted Submitters to perform testing and increase the volume of processing

This information is also being tracked, gathered and organized through Implementation Findings and Best Practices documentation. While still in the early stages of implementation, some examples of Best Practices identified at a high level included the following:

- Need for the software vendor to have an integrated knowledge of your county recorder's requirements and processes
- Consideration for using a proven Trusted Submitter during your final testing.
- System maintenance can be simplified through the use of an Integration Broker as part of the system architecture.
- Virus scanning software is an important piece to ensure and protect the integrity of the system.
- Internal security checks and full network security sweeps should be performed prior to loading the final software components during implementation.

As pilot county implementations continue to progress, resolutions and mitigation strategies are being developed to address issues.



Electronic Real Estate Recording Task Force

Pilot Compliance with Standards: In order to ensure pilot tests were conducted using the correct version of schema and conducted in compliance with the standards, the Task Force identified the need to analyze pilot county technology. Verifying that pilot counties were in compliance, would by default, validate that Trusted Submitters were also in compliance. Any document sent that was not in compliance with the schema would be rejected by the county's system.

The Task Force requested SKYTEK to conduct this work for a fixed bid. SKYTEK submitted a proposal to conduct this work and this work was authorized by the Task Force at the July 2003 meeting. See Appendix P SKYTEK Contract for Schema Compliance Work.

To ensure compliance with the Minnesota standards SKYTEK is conducting vendor application and validation reviews for each pilot county. "Vendor" means an organization supplying e-recording technology that facilitates and follows the ERERTF standards or the County if a County owns or is building the County's own technology that follows the ERERTF standards for e-recording. SKYTEK presented its approach to testing, a report template of pilot county compliance and work plan for this deliverable at the August 2003 ERERTF meeting. See Appendix Q Approach – Report Template – Work Plan for Schema Compliance Contract for complete documentation.

Reviews of the county vendor applications are performed by submitting a number of valid and erroneous XML documents developed per the ERERTF Standards, then comparing the actual results with the expected results. Any variances are then discussed and addressed by the pilot county and vendor. This testing ensures the ERERTF Standards are being utilized. This third party review also adds measures to ensure the implementation of a quality product.

Results of this work to date include approval of one vendor, WCI, which is currently implementing at Roseau County. Vendor reviews are currently taking place with Fidlar and Ingeo. The cost of the validation tests and compliance reviews are \$6,000 per Pilot County or vendor.

Enhancements to ERERTF Schema: Based on feedback from the existing pilot counties and vendors along with input from results of the validation and compliance testing, SKYTEK proposed enhancements to the ERERTF schema at the October 2003 Task Force meeting. These enhancements are targeted to improve reusability of elements throughout the schema documents, increase consistent use of element names and increase overall usability and platform neutral characteristics of schema documents. See Appendix R Schema Enhancement Recommendations for a description of findings.



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These changes were approved by the Task Force for an improved version 3.0 of the ERERTF schema. See Appendix S SKYTEK Contract for Schema Enhancement Work.

Version 3.0 of the schema at first contained instances of elements that meant different things in different places. In the more object-oriented approach now approved and adopted, elements remain consistent throughout an XML document.

SKYTEK Consulting approached the work with the following guidelines:

- If two objects are named the same, but mean something different, make different objects
- If two objects are the same thing, reuse the object
- Instances of trade-offs may be needed to receive the full benefit from the reusability that XML Schema provides
- Utilize MISMO and PRIA naming conventions and standards as much as possible

The Task Force concluded that the easier the schemas are to work with, the faster public and private entities will adopt e-recording. The decision was made to move forward during Phase I to ensure the changes were made at the appropriate time to allow for benefits gained during the Phase II implementations. In addition to making it easier for Phase II implementation, new implementations will benefit from schema that are easier to understand and work with. This will lead to increased productivity when implementing and using schema, easier future maintenance, less chance of error and greater consistency. The cost of this work was \$20,500. See Appendix T Project Plan and Task Detail for Schema Enhancement Contract.

Authorizing and Recommending Standards: Following pilot testing of Phase I and Phase II documents the ERERTF will gather information that will be used to modify and enhance the standards. A post-pilot version will be approved for members' use. As required by Laws 2000, Chapter 391, the Task Force will present to the Minnesota legislature recommendations regarding the implementation of standards for electronic filing and recording of real estate documents. A Maintenance Committee has been identified by the ERERTF as necessary to continue support of e-recording and the enhancement of standards after the Task Force has completed its responsibilities.



Electronic Real Estate Recording Task Force

Phase II Planning

Phase II discussions and planning began in October of 2003 with the establishment of the Phase II Planning Committee. Planning includes the assessment of the work effort, costs and issues unique to Phase II work. These include items such as the technical integration of multiple county and state offices, the management of increasingly complex index information and the management of fees and taxes. Because of these additional complexities Phase II is estimated to take more time and cost significantly more than Phase I.

Cost Estimate: Cost estimates of Phase II work, due to the increased technical complexity of integrating multiple state and county offices is estimated to be as much as three times the cost of developing a system to file a document in Phase I. In Dakota County for example, Phase I development costs to enable electronic recording of a Satisfaction equaled \$96,150. The development costs for a Deed in Phase II at Dakota are estimated at \$241,950. Similar differences are calculated for the Mortgage document. See Appendix U Detailed Cost Estimates for Phase II Pilots.

Document Bundles: Documents sent in bundles from Trusted Submitters are also unique to Phase II. An example of a document bundle is a mortgage refinancing which can consist of a Satisfaction, the new Mortgage and often an Assignment of Mortgage document. Another example is a new home purchase which can consist of a Satisfaction, Deed, new Mortgage, Assignment of Mortgage and a Home Equity Line Mortgage. Discussions on the preferred filing order of documents in a bundle, rejection instructions for one or all documents in a bundle and fee instructions are all issues unique to document bundles.

It has been recommended by the Phase II Planning Committee to test the sending of a transmittal letter with all bundles. This letter would accompany all bundles and contain specific instructions regarding these issues. The Task Force discussed and authorized the use of a transmittal letter with document bundles at the January 2004 Task Force meeting.

Complex Index Information: The Task Force is also discussing the best manner of dealing with complicated and lengthy legal description in an electronic format. Standardizing and formatting this information electronically when historically it has always been received in paper form are issues that submitters and recorders have concerns about. The Phase II Planning committee is recommending that a fully electronic legal description should be transmitted to the county.



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Phase II Breakdown: Because of the many documents involved in Phase II, a more exact breakdown of documents for testing has been defined. Phase II will be broken into three sections; Phase IIA, Phase IIB and Phase IIC as recommended by the Phase II Planning Committee and authorized at the January 2004 Task Force meeting.

Phase IIA will include the Assignment of Mortgage document which is filed in the County Recorder's office, similar to the Satisfaction document. Phase IIB will include the Mortgage document which travels through the Auditor, Treasurer and Recorder's offices. And Phase IIC will include the Deed, the Certificate of Real Estate Value (CRV) and the Well Certificate. When a CRV for a parcel is filed by a Trusted Submitter they will access a web site hosting the CRV and enter the appropriate information for their filing. When the CRV is filed with the county's Auditor's Department the county will access the CRV identified and complete the necessary filing information on the web site. The Well Certificate will be filed as an image with the Department of Health.

Additional County Participation in Phase I: The Task Force has determined that there are other Minnesota counties with a strong interest in participating in e-recording. The Task Force discussed this at the December 2003 meeting and additional county feedback has been requested. The Task Force recommends allowing additional counties to participate in Phase I filings with the stipulations that they use vendor software that has been validated as compliant with standards, will allow changes to standards as authorized by the Task Force, will supply some minimal reporting data and participate without the financial support of the ERERTF. See Appendix V Task Force Meeting Minutes and Proposed Language for this discussion.

Summary: Much work has been accomplished to-date in planning and development at pilot counties for Phase I testing. Phase I has taken much longer than estimated to complete but throughout the implementation of Phase I much was learned that will benefit work in Phase II.

Phase II incorporates multiple technologies to be integrated for a single recording between technology in the Auditor, Treasurer and Recorder's offices. Documents filed in Phase II contain more complex information that present challenges to both submitters and recorders. And, many of the considerations the Task Force initially set out to answer depend on Phase II initiatives to successfully address.

In reviewing the original Task Force work plan and its 37 considerations the Task Force has determined that a complete test of both Phase I and Phase II is necessary before any determination can be made on many of these issues. Test results to-date are encouraging but are inconclusive until more work has been completed. See Appendix E Considerations Matrix v.2.

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Additional time is required for effective work and testing in Phase II and much higher costs will result from this work for pilot counties. In light of this knowledge, work plans have been reviewed and adjustments have been authorized by the Task Force that reflects this new knowledge and understanding. At the Task Force's December 2003 meeting it authorized that a request be to the legislature for a two year extension in order to complete its work.





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Patent Issues Affecting Task Force

The ERERTF standards make reference to two patents (Nos. 5,872,848 and 6,085,322) which were originally owned by Arcanvs, a Utah company. It was identified in the standards that these patents involve some level of electronic notarization of electronic documents. The Task Force has to assess if it is infringing on either patent or if by following the ERERTF standards a participant is forced to infringe on the patent. It decided to obtain the legal opinion and advice of a patent attorney regarding these patents. See Appendix W Arcanvs Patent Language. At the September 2003 meeting the ERERTF authorized the LCC to present an RFP to patent attorneys for an opinion on this issue.

A limit of \$5,000 was allocated to this work. Because of this limit the Task Force was not required to conduct a full RFP process. The Task Force asked for suggestions of qualified law firms to conduct this work and to provide an opinion to the Task Force. Of those recommendations submitted by Task Force members the following three firms responded: Schwegman, Lundberg, Woessner and Kluth, Kinney and Lange, Merchant and Gould.

The Attorney General's office was asked to review these responses and provide an opinion on who could best complete the work. Greg Huwe from the Attorney General's office reported that he had no doubt that any of the three were entirely capable of performing the requested services to a high standard of competence. Cost became the deciding factor. The law firm of Kinney and Lange was approved by the Task Force at the November meeting. See Appendix V Task Force Meeting Minutes for a discussion on this topic. See Appendix X Kinney and Lange Contract for Patent Opinion.

Since being awarded this contract Kinney and Lange have provided the Task Force with updates regarding their work and have presented questions as they proceed.

See Appendix V Task Force Meeting Minutes for January 2004 minutes which discuss Kinney and Lange's findings to-date.



Electronic Real Estate Recording Task Force

Project Funding and Expenses To-Date

Current Financial Status: In Laws 2001, First Special Session, Chapter 10, Article 2, Sections 98-99, a .50 cent per transaction user fee charged to the filing of real estate documents at county offices was dedicated to a separate fund. This amount was appropriated and is available to the ERERTF until June 30, 2004. \$650,000 is appropriated to the Task Force and \$500,000 is appropriated for the development and implementation of pilot testing electronic real estate projects in diverse counties. \$50,000 is appropriated to the LCC for the provision of administrative services to the preparation of requests for proposal or the disbursement of funds for payment of expenses of the ERERTF.

In 2003, legislation was passed that included all surcharge funds from both Abstract and Torrens transactions through June 30, 2004 (state government finance bill: Sec. 123). From those monies \$25,000 is retained by the LCC for the provision of administrative services through June 30, 2004. See Appendix C 2003 Legislation.

As of December 31, 2003 monies collected equal \$2,293,148.55. Total costs for Phase I of ERERTF equal \$1,267,778.53 and funds available for Phase II equal \$1,017,648.55.

The following spreadsheet provides detail on a breakdown of expenses for the ERERTF project.



Electronic Real Estate Recording Task Force

ERER Task Force Budget - \$650,000 Appropriated

| | |
|---|-----------------------|
| FY02-03 Task Force Member Expenses | \$8,307.22 |
| Consulting Expenses for Project Coordination | \$116,539.39 |
| Consulting Expenses -Standards Development | \$368,447.93 |
| Total Task Force Expenses | \$493,294.54 |
| FY04 Task Force Member Expenses | \$424.64 |
| Consulting Expenses for Project Coordination | \$24,560.80 |
| Consulting Expenses for Standards Development | \$17,500.00 |
| Task Force Expenses To-Date | \$42,485.44 |
| Total Expenses FY02-FY04 | \$535,779.98 |
| Committed Expenses FY04 | |
| Task Force Member Expenses Committed | \$12,958.61 |
| Standards-Research-Operations Exps Committed | \$93,539.94 |
| FY04 Task Force Costs Committed | \$106,498.55 |
| Total Task Force Costs | \$642,278.53 |
| Task Force Funds Remaining | \$7,721.47 |
| ERER Work From Auxiliary Budget | |
| Validation of Schema Compliance at Pilot Counties | \$17,600.00 |
| Schema Alignment with Object Oriented Approach | \$5,000.00 |
| Costs Committed | \$27,900.00 |
| Total Cost of Work | \$50,500.00 |
| ERER LCC Budget - \$75,000 Appropriated | |
| FY02 & FY03 LCC Expenses | \$50,000.00 |
| FY04 LCC Costs Committed | \$25,000.00 |
| Total LCC Costs | \$75,000.00 |
| ERER Pilot Budget - \$500,000 Appropriated | |
| FY03 Pilot Expenses | \$10,400.00 |
| FY04 Pilot Expenses To-Date | \$12,500.00 |
| Phase I Pilot County Cost Committed | \$477,100.00 |
| Total Pilot Costs | \$500,000.00 |
| Total Costs of Phase I | \$1,267,778.53 |
| Funds Available for Phase II | \$1,017,648.55 |

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ERERTF Budget Summary: Of this budget, \$1,246,088.06 have been expended on or committed to work on standards development, pilot testing, or project coordination expenses; \$21,690.47 has been allocated to the reimbursement of expenses of the 46 member Task Force. That means 98% of Task Force expenditures have been for work on project coordination, standards development and pilot testing and only 2% of expenditures have been devoted to member expenses such as mileage and travel.

Task Force expenses for FY03 equaled \$175,190.55. These expenses for the Task Force included the costs of a Project Coordinator, technical consulting which manages pilot testing and assists the Task Force in its evaluation of the standards, technical review of pilot technology to ensure compliance with ERERTF standards as adopted, technical work to enhance schema to enhance usability, mileage reimbursement for members and travel expenses outside of Minnesota for members.

\$25,000 was appropriated to the LCC for expenses incurred in FY03. This covers publication and management of consulting requests for proposals and all fiscal and accounting activities including those associated with payment of expenses and budget reporting.

Pilot county expenses for FY03 equaled \$5,000 for the review of a second proposal for pilot testing standards by Roseau County. \$12,000 was expended in FY04 for the synchronization of all schema with PRIA standards where applicable. \$12,500 was expended in FY04 to pilot counties for work completed in planning and development. The remaining \$465,100 in the account will be distributed to pilot counties as identified in Pilot County Funding Distribution.

An Auxiliary budget was created for funds dedicated to additional activities. To-date \$50,500 have been dedicated to additional activity authorized by the Task Force. These activities and budgets are:

Schema code compliance tests for county vendor technology to ensure compliance with ERERTF standards. All five pilot county vendors will be tested for having systems that provide counties with schema compliant recording. The cost of this service is fixed at \$30,000.

Providing a consistent object oriented approach to ERERTF standards' schema. The cost of this service is fixed at \$20,500. Total auxiliary work is budgeted at \$50,500.



Electronic Real Estate Recording Task Force

Electronic Real Estate Recording Task Force (ERERTF) Revenue

The following revenue chart identifies receivables from the .50 cent user fee collected at County Recorder's offices throughout Minnesota.

Surcharge Revenue Through December 2003

| | FY02 | FY03 | FY04 | Surcharge Total |
|-----------------|--------------|----------------|--------------|------------------------|
| Abstract | \$485,023.25 | \$909,168.75 | \$573,989.75 | |
| Torrens | \$0 | \$142,216.50 | \$182,750.30 | |
| | \$485,023.25 | \$1,051,385.25 | \$756,740.05 | \$2,293,148.55 |





Electronic Real Estate Recording Task Force

On-Going Project Communication

The ERERTF has reported its status via the Task Force's web site, through the distribution of meeting minutes and materials, and through presentations to various groups.

In FY03 the Task Force had several opportunities to present its objectives and work status. In July of 2003 the Task Force responded to the National Coordinating Council on Uniform State Law (NCCUSL) which is currently working on a draft of a Uniform Real Property Electronic Recording Act. The Task Force felt that its experience and progress to-date in this area could prove useful to the NCCUSL as it prepares its legislation. See Appendix Y ERERTF Comments Regarding NCCUSL Draft.

Beth McInerny, the ERERTF Project Coordinator was authorized by the Task Force to present these comments at a drafting committee meeting of the NCCUSL members working on the act. That presentation took place in November of 2003.

The ERERTF was also invited to present at the November 2003 annual convention of the NECCC where there was a discussion of cross boundary integration. Joel Beckman of Dakota County and Jeff Carlson of US Recording were authorized by the Task Force to report on their work in the pilots.

The following is a breakdown and description of different areas on ERERTF home page that provide useful information regarding the Task Force and electronic recording in general. This information includes the following and is located at www.commissions.leg.state.mn.us/lcc/erertf.htm.

- ERERTF meetings are held on a monthly basis, typically on the 2nd Thursday of each month. Meetings are held at the Minnesota Counties Insurance Trust (MCIT) building. See Upcoming Meetings page at <http://www.commissions.leg.state.mn.us/lcc/erertfmeetings.htm>.
- Meeting minutes, and meeting materials are located on the Meeting Minutes page at <http://www.commissions.leg.state.mn.us/lcc/erertfminutes.htm>.
- Other resources identified by the ERERTF regarding electronic real estate filings and initiatives are located on the Resources on the Web page at <http://www.commissions.leg.state.mn.us/lcc/erertfresources.htm>.

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- Subcommittee activities and documentation are located on the Subcommittees page at <http://www.commissions.leg.state.mn.us/lcc/subcommitteescontent.htm>.

The ERERTF invites the legislature and the public to visit its web site for more details about this important e-government initiative.





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List of Appendixes

All of these Appendix items are located for review on the EREER web site:
<http://www.commissions.leg.state.mn.us/lcc/erertflegreport2004.htm>.

Appendix A: ERERTF Membership List

Appendix B: ERERTF Authorized Standards

Appendix C: 2003 Legislation

Appendix D: ERERTF Announcement of First e-Recording

Appendix E: Considerations Matrix v.2.

Appendix F: Letter from MISMO Regarding e-Mortgage Schema

Appendix G: Summary of e-Mortgage Status

Appendix H: Pilot County Evaluation Criteria

Appendix I: Pilot Testing Measurements with Baseline Items

Appendix J: Pilot Status Report Template

Appendix K: Invoice and Payment Terms Template

Appendix L: Pilot County Status Reports and Findings To-Date

Appendix M: Deed and Assignment of Mortgage Schema Changes

Appendix N: CRV Schema Changes

Appendix O: Schema Version Control Documentation

Appendix P: SKYTEK Contract for Schema Compliance Work

Appendix Q: Approach – Report Template – Work Plan for Schema Compliance Contract

Appendix R: Schema Enhancement Recommendations

Appendix S: SKYTEK Contract for Schema Enhancement Work

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Appendix T: Project Plan and Task Detail for Schema Enhancement Contract

Appendix U: Detailed Cost Estimates for Phase II Pilots

Appendix V: Task Force Meeting Minutes and Proposed Language

Appendix W: Arcanvs Patent Language

Appendix X: Kinney and Lange Contract for Patent Opinion

Appendix Y: ERERTF Comments Regarding NCCUSL Draft