

**Electronic Services System**  
**Iowa County Recorders Association**  
**County Land Record Information System (CLRIS)**  
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December 22, 2011

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On behalf of the Iowa County Recorders Association, the Electronic Services System, and the county land record information system I am pleased to present to you this report concerning the redaction of personally identifiable information from real estate records. This report was required by Senate File 465, an Act relating to identity theft protection and the county land record information system (CLRIS), which was approved by the Eighty-Third General Assembly in 2009.

Chapter 159, Section 13 of the Act required that a report be submitted to the General Assembly concerning the implementation of the legislation.

Sec. 13. REPORT TO THE GENERAL ASSEMBLY. On or before January 1, 2012, the governing board of the county land record information system shall submit a report to the general assembly. The report shall include a summary of the actions taken by the county recorders and the county land record information system relating to the redaction of personally identifiable information, a detailed financial accounting of the county land record information system, a detailed summary of expenditures made from the local government electronic transaction fund, and an analysis and recommendation regarding the continuance or discontinuance of the fee collected under section 331.604, subsection 3.

The report documents the actions taken to redact personally identifiable information, and provides a full accounting of how project resources have been allocated. As requested, the report also includes a recommendation concerning the electronic transaction fee. We respectfully recommend that the fee be continued, and that it be established at a rate of \$2.00 per document.

Thank you for the opportunity to share this information with the members of the General Assembly. We would be pleased to present this information to any appropriate legislative committee.

Sincerely,



Deborah K. Roberts  
Chair, ESS Coordinating Committee  
President, Iowa County Recorders Association, and  
Floyd County Recorder

**Executive Summary**  
**Report to the General Assembly**  
**County Land Record Information System**

**December 22, 2011**

Senate File 465, an Act relating to identity theft protection and the county land record information system (CLRIS), was approved by the Eighty-Third General Assembly in 2009. The legislation was primarily intended to provide for the prevention of identity theft by requiring that personally identifiable information be redacted from the images of real estate documents before being made accessible through a web site.

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This report provides a comprehensive review of the activities which have been undertaken since the enactment of Senate File 465, including detailed reports on the redaction project and the financial accounts of the county land record information system and the 28E organization charged with managing the system (the Electronic Services System). The report also provides an update to the General Assembly on the following issues: the electronic recording of real estate documents in Iowa; the policies and procedures adopted by the Electronic Services System to ensure that the county land record information system provides quality services and information; the status of counties which have declined to participate in the system despite a legislative mandate; and policies relating to the batch transfer of electronic records.

The key findings and conclusions which may be summarized from the report are as follows:

- The comprehensive redaction project authorized by the General Assembly has been carried out as proposed and within the authorized budget. Eighty-five percent of the more than 11.5 million documents have been processed, and the remainder will be completed by the end of fiscal year 2012.
- Registered users of the Iowa Land Records web site can again access more than 6.2 million documents recorded since 2003.
- More documents will be made accessible following the completion of various quality assurance activities, because commercial redaction services are not perfect. A redaction accuracy rate of 97% is expected. Registered users have been enlisted to help report any private information which may have been missed by the redaction process.
- The county land record information system has been reconfigured to segregate and prevent the disclosure of private information. Additional security measures have been implemented to monitor the activity of registered users who have access to document images.
- Financial resources for the redaction project and funding for the core operation of the county land record information system have been appropriately managed. The ESS Coordinating Committee has provided active oversight for all project resources, and the business of the Electronic Services System has been transparent and open.

- Financial transactions have been subjected to an annual audit since the beginning of the Iowa Land Records E-Submission service (electronic recording). The audit includes all physical assets such as the servers and data storage equipment used to operate the system.
- Project resources are being managed to provide for long-term sustainability for the county land record information system. However, substantial risks exist including concerns about funding for county system maintenance fees.
- The adoption of a permanent \$2.00 document fee structure would ensure long-term sustainability, reduce the financial burden on individual county budgets, and permit improved service and lower service fees for electronic recording.
- The State of Iowa and Iowa County Recorders are recognized as national leaders in the adoption of electronic document management systems.
- The Electronic Services System and the county land record information system are committed to the principles of adopting standards, policies and procedures to ensure consistent and high quality services throughout Iowa.
- The enforcement of standards, policies and procedures, including a requirement for participation by all Iowa counties will be an ongoing challenge for a system dependent on the cooperation of many individual County Officials and technical service providers. The General Assembly may wish to reinforce the importance of participating in a statewide system and following established policies and best practices.
- Current policies governing the batch transfer of electronic documents may create unintended outcomes as County Recorders and their customers seek to exchange information in a timely fashion while also conforming to expected privacy standards. The General Assembly may wish to examine these policies.

The General Assembly has explicitly requested an analysis and recommendation regarding the continuance or discontinuance of the fee collected under section 331.604, subsection 3. The recommendation to the General Assembly is as follows.

1. Continue the base level \$1.00 electronic transaction fee under section 331.604, subsection 3. This fee is the minimum level of financial support required to sustain the core services of the county land record information system.
2. Consider increasing the electronic transaction fee to \$2.00 to ensure the long-term sustainability of the county land record information system and to provide necessary resources for ongoing system enhancements. A comparison of recording fees with neighboring states shows that Iowa recording fees would remain among the lowest – notwithstanding a \$1.00 fee adjustment.

The ESS Coordinating Committee and the Iowa County Recorders Association wish to express appreciation to the Iowa General Assembly for the passage of Senate File 465 in 2009, and for the opportunity to carry out the redaction project while restoring an important service to the Iowa real estate industry.

# County Land Record Information System

**Iowa Land Records**

[iowalandrecords.org](http://iowalandrecords.org)

## Report to the General Assembly



**December 22, 2011**

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# Introduction

Senate File 465, an Act relating to identity theft protection and the county land record information system (CLRIS), was approved by the Eighty-Third General Assembly in 2009. The legislation was primarily intended to provide for the prevention of identity theft by requiring that personally identifiable information be redacted from the images of real estate documents before being made accessible through a web site.

Chapter 159, Section 13 of the Act required that a report be submitted to the General Assembly concerning the implementation of the legislation.

Sec. 13. REPORT TO THE GENERAL ASSEMBLY. On or before January 1, 2012, the governing board of the county land record information system shall submit a report to the general assembly. The report shall include a summary of the actions taken by the county recorders and the county land record information system relating to the redaction of personally identifiable information, a detailed financial accounting of the county land record information system, a detailed summary of expenditures made from the local government electronic transaction fund, and an analysis and recommendation regarding the continuance or discontinuance of the fee collected under section 331.604, subsection 3.

This report provides a comprehensive review of the activities which have been undertaken since the enactment of Senate File 465, a detailed financial accounting of the resources provided under the Act, and a series of recommendations concerning identity theft prevention and the long-term sustainability of the county land record information system.

# Redaction

## Overview

Iowa's 99 county recorders are charged by law with maintaining records affecting real estate (deeds, mortgages, tax liens, lien releases, covenants, and easements) and maintaining various other records (zoning ordinances, military records, vital statistics). Any member of the public may walk into an office of a County Recorder and view records relating to real estate, which under Iowa law are public records. Every County Recorder has records in paper as well as electronic form. The record includes some form of a viewable document (whether paper, microfilm, or electronic), and an index (with state-mandated information for locating records). All 99 county recorders are maintaining recently recorded documents electronically in commercial computer systems which archive the document image and an electronic index.

The purpose of placing real estate records in the public domain is to give notice about property ownership and the obligations of property owners and the institutions which provide financing for property transactions.

CLRIS provides a state-wide index and image repository for the available electronic records. CLRIS coordinates with the County indexing and imaging service providers and county IT departments to maintain a state of the art system for maintaining and providing online access to public land records. CLRIS also provides a pioneering process for electronic filing of land records.

There are currently 11.5 million documents archived in the Iowa Land Records image repository (approximately 46 million separate pages). Of these, 10 million documents have been processed to check for personally identifiable information and to redact such information when it is found. Nearly 214,000 documents have had personally identifiable information redacted.

The remaining 1.5 million documents are currently in some phase of the redaction process, and will be completed in the spring of 2012. The number of documents will continue to grow as new documents are recorded in Iowa's counties. Additionally, some counties will be digitizing records from prior years – and those documents will also need to be checked for any personally identifiable information.

Of the 10 million documents which have been processed to date, approximately 6.3 million documents for the period of 2003 to date are now available to registered users of the Iowa Land Records web site. Those documents have been processed and checked for personally identifiable information, and when any private information has been found it is redacted prior to posting on the web site. The 3.7 million processed documents recorded prior to 2003 are in some phase of quality review to ensure that every reasonable step is taken to prevent the unintentional disclosure of personally identifiable information.

## Personally Identifiable Information

Public real estate records are maintained by Iowa counties, and this function is a core responsibility for County Recorders. These records are maintained in two associated formats: an index which includes information about the document such as the party names, the document type, and legal description; and the document itself which may be in paper form or archived in an electronic format such as a TIF image.

Because the inherent purpose of recording real estate records is to give public notice about the responsibilities of individuals and organizations, it is necessary to include some information about those individuals and organizations in a real estate document. In recent history an individual's social security number was previously considered to be an acceptable way to uniquely identify their participation in a real estate transaction, and therefore such numbers were incorporated within the real estate documents and subsequently the images of those documents.

Over time, concerns have grown about the risks associated with identity theft, and the means by which criminals fraudulently obtain and use personally identifiable information. Policies relating to personally identifiable information in real estate documents have evolved and developed with these concerns. The legislative history concerning personally identifiable information reflects this policy evolution.

In 2002, the Iowa legislature first established a policy to prohibit the preparer of a real estate document from including a person's social security number. Specifically, House File 2365 (Chapter 1113, Iowa Acts) created a new Iowa Code section which prohibited preparers from including social security numbers in most real estate documents.

**Sec. 4. NEW SECTION. 331.606A DOCUMENT CONTENT — PROHIBITION OF INCLUDING SOCIAL SECURITY NUMBER.**

The preparer of a document shall not include an individual's federal social security number in a document that is prepared for recording in the office of county recorder. This section does not apply to a preparer of a state or federal tax lien or a military separation or discharge record that is prepared for recording in the office of county recorder. If a military separation or discharge record is recorded in the office of the county recorder, the military separation or discharge record shall not be accessible through the internet.

Later, in 2007, the Iowa legislature in Senate File 212 (Chapter 123, Iowa Acts) expanded this section to create an expanded definition of "personally identifiable information." Checking and saving account numbers, and credit and debit card numbers now joined social security numbers in the list of information prohibited from real estate documents.

Section 1. Section 331.606A, Code 2007, is amended by striking the section and inserting in lieu thereof the following:

**331.606A DOCUMENT CONTENT - PERSONALLY IDENTIFIABLE INFORMATION.**

**1. DEFINITIONS.**

a. "Personally identifiable information" means one or more of the following specific unique identifiers when combined with an individual's name:

(1) Social security number.

(2) Checking, savings, or share account number, credit, debit, or charge card number.

b. "Preparer" means the person or entity who creates, drafts, edits, revises, or last changes the documents that are recorded with the recorder.

c. "Redact" or "redaction" means the process of removing personally identifiable information from documents.

The legislation not only prohibited preparers from including personally identifiable information in real estate documents, but it also provided a liability for damages of up to \$500.00 for each document presented for recording if the document included personally identifiable information.

It was during this period that policy makers began to consider the implications of efforts to make real estate records accessible online. The policy adopted by the Iowa legislature was to require County Recorders and the county land record information system to establish a procedure which would allow an individual to request that personally identifiable information be redacted. Section 331.606A, Subsection 3 provided as follows.

**3. REDACTION ON A RECORDER'S INTERNET WEBSITE.** If a document that includes an individual's personally identifiable information was recorded with the recorder and is available on the recorder's internet website, the individual may request that the recorder redact such information from the website. The recorder shall establish a procedure by which individuals may request that such personally identifiable information be redacted from the internet record

available on the recorder's internet website, at no fee to the requesting individual. The recorder shall comply with an individual's request to redact personally identifiable information.

This policy had been adopted and implemented by CLRIS in the spring of 2005, and it remained in effect until September, 2008.

As described in the next section, with the enactment of Senate File 465 in 2009 (Chapter 159, Iowa Acts), the policy further evolved from a standard of redaction upon request, to a more comprehensive requirement that electronic documents “displayed for public access on a website, or which are transferred to any person, shall be redacted prior to displaying or transferring the documents.”

The statutory definition of personally identifiable information remained the same as it was adopted in 2007. However, the definition of redaction was clarified to mean a “permanent” removal of information, and to allow for the “truncation” of personally identifiable information.

331.606A (1) c. “Redact” or “redaction” means the process of *permanently* removing all or a *portion* of personally identifiable information from documents.

“Permanent” removal of the information means that the information is indelibly obscured by black pixels, and made a permanent part of the document image.

It should be noted that the Recorder’s index, the database which catalogues all real estate records, does not include any personally identifiable information. Policies relating to privacy protection, therefore, do not apply to any index information provided by CLRIS or by any County Recorder.

### **History of Privacy Concerns and the ILR Redaction Project**

The Iowa Land Records web site became operational in January, 2005. During this initial period Iowa counties began the process of transferring images to the county land record information system (CLRIS). As more documents were received and available for posting on the web site, the Iowa Land Records governing board, then known as the CLRIS Task Force, engaged in discussions about privacy concerns – particularly with respect to social security numbers embedded within the images of some older documents. Based on these discussions the Task Force adopted a policy to redact social security numbers and/or birth dates posted on the Iowa Land Records web site upon request. The Task Force also decided to not display state and federal tax liens on the Iowa Land Records system until further notice. This decision was made in April, 2005.

Privacy discussions continued into 2006 when the Iowa Land Records governing board, now known as the Electronic Services System (ESS) Coordinating Committee, issued a Request For Information to vendors for the purpose of gathering information and preliminary cost estimates relating to redaction services and other topics. The Committee clearly recognized the challenge of balancing the benefits of providing online access to public records with concerns about possible identity theft if a social security number is viewed in the image of a public record. Responses were received from several vendors, but limited resources prevented further action. Throughout this period personally identifiable information was redacted on a case by case basis when reported to County Recorders or the Iowa Land Records staff.

As noted previously, in 2007 the Iowa legislature provided direction to redact personally identifiable information on a case by case basis. A process for redacting information upon the request of a citizen or County Recorder was in place during the initial history of the web site.

On September 2, 2008 a citizen affiliated with a privacy advocacy group reported to the Des Moines Register that a social security number was visible on a document displayed on the Iowa Land Records web site. Despite procedures for restricting access to tax liens and redacting other records upon

request, the concerns expressed by the public increased pressure to restrict access to images. Access to Mortgages and UCC documents was restricted on September 4, 2008, and then access to all images was restricted on September 10, 2008.

In November, 2008, The Iowa County Recorders Association and the ESS Coordinating Committee prepared a plan for a comprehensive redaction process and system reconfiguration. The plan was presented to the Association in a document titled Redaction Assumptions and Guidelines. The plan was approved by the Association, and it was used to guide steps to reconfigure the county land record information system and increase security as well as to develop a formal Request For Proposals (RFP) for redaction services. The RFP was published on December 22, 2008. That same month representatives of the Association and ESS Committee presented a legislative proposal to clarify policies relating to privacy protection and to secure resources for the comprehensive redaction project to an interim legislative committee.

While the proposed privacy legislation (Senate File 465) was pending before the General Assembly, the Iowa County Recorders Association and the ESS Committee evaluated responses to the redaction RFP. Contingent upon the approval of the pending privacy legislation, the evaluation process was completed, and a notice of intent to award a contract for redaction services to Computing System Innovations (CSI) was published on April 13, 2009.

Senate File 465 (Chapter 159 of the 2009 Acts) was approved on May 26, 2009, and became effective July 1, 2009. For the two year period between July 1, 2009 and June 30, 2011, a supplemental \$2.00 recording fee was implemented to provide resources for a comprehensive redaction project and to reconfigure the county land record information system for better security and long-term sustainability. The legislation also clarified requirements relating to personally identifiable information.

The county land record information system was migrated to a new secure hosting facility in the summer of 2009, and it was subsequently reconfigured to segregate and secure any records which had not been inspected for personally identifiable information. Such records would now be treated as confidential records not available to the public through a web site until the records had been processed and until the personally identifiable information was redacted from the document images. The system would also serve as a secure image repository for future disaster recovery needs.

During the period of August, 2009 through March, 2010, many documents were transferred from the counties to the county land record information system. CSI and CLRIS also established the methods for receiving, processing and returning the documents to be checked for personally identifiable information. In April, 2010, the process of redacting documents was officially kicked off. So-called "forward file" documents, documents recorded on or after January 1, 2010, again became accessible to registered users. The processing of "back file" documents, documents recorded before January 1, 2010, was also started, and many of those documents are now accessible through the Iowa Land Records web site.

As an additional measure to ensure that social security numbers would be redacted, the ESS Coordinating Committee administratively expanded the information which was to be redacted. Specifically, the decision was made to also redact all driver license (DL) numbers, because in prior years the Department of Transportation used social security numbers as the driver license number. The Committee also specified that alien registration numbers are to be redacted. A detailed description of the redaction rules established by ESS Coordinating Committee is provided in the Appendix.

### **Redaction Quality Assurance**

Most redaction services, including those provided by CSI - the company selected by the ESS Coordinating Committee - use a combination of optical character recognition (OCR) software and human inspection processes to find and verify the presence of personally identifiable information and to redact the information when it is found. The commercial services have used their experiences to refine the

process and in most cases achieve a very high success rate. For the redaction of personally identifiable information, the ratio of the number of redactions to the total number of personally identifiable information items is a key performance metric. A high ratio (or percentage) means that a large portion of the items of interest to identity thieves has been found and redacted. Most commercial services including CSI strive for a ratio of .97 (97%).

If the goal is to prevent the disclosure of any personally identifiable information (while still providing online access to public records), then it is necessary to confront the reality that even the most successful and high performing redaction services miss three percent of the information which should be redacted. It is also difficult to measure the success rate, because you can't know what you don't know. For our performance ratio, we know the numerator (number of redactions), but we can't know the total number of personally identifiable information items.

There are a number of factors that can affect the success of a redaction process. For example, if an image is of poor quality, low resolution, or speckled for any reason, it will be more difficult for optical character recognition software to "read" the document image and search for patterns which match personally identifiable information. Handwriting, improperly oriented text, or borders adjacent to text may also cause OCR software to miss information. Personnel assigned to review and validate information identified by OCR software or to redact information may simply make errors in processing.

For these reasons CLRIS has applied various strategies to check for information which may have been missed in the redaction process. The following is a brief summary of the steps which have been or are being taken to find personally identifiable information which may have been missed by the redaction process and to reprocess and redact the information before it is made accessible through the Iowa Land Records web site.

Date Range Restrictions. Legal restrictions on the inclusion of personally identifiable information became effective in 2003. Because the probability that personally identifiable information is included in documents recorded from 2003 forward is much lower than for prior years, it is also less likely that the information would be displayed in those documents after being processed by CSI. For this reason, all documents recorded on or after January 1, 2003 which have been checked for personally identifiable information have been approved for public access to registered users. Documents which have been redacted for this period are also eligible to be made public. As noted previously, the total number of documents which are accessible to registered users for this period is 6.3 million as of December 16, 2011

Cross Reference Prior Redactions. Prior to 2008 some counties had implemented local procedures for redacting social security numbers. While those counties may not have applied redactions under the expanded definition of personally identifiable information used today, prior efforts to prevent the disclosure of private information can be helpful in the current redaction process. For counties which maintained a record of prior redactions, CLRIS and local service providers have collaborated to cross-check the documents redacted by the county against the documents redacted by CSI. If a document was redacted by the county but not CSI, the document remains restricted and is returned to CSI for reprocessing.

County Redacted Image Inspection. After redacted documents are returned to CLRIS, the documents are inspected by either the County Recorder or CLRIS staff to verify that redactions were applied correctly. If any documents are incorrectly redacted, particularly if any personally identifiable information is missed, then the documents are to be returned to CSI for reprocessing. Redacted documents which have been inspected and are correctly redacted are made accessible to registered users.

Sampling Documents. The CLRIS image repository now includes about 11.5 million documents with an average of about four pages per document. This represents more than 46 million separate images which have been inspected, analyzed and redacted when personally identifiable information is found. As noted previously, about 214,000 documents have been redacted out of more than 10 million documents which have been processed so far. Therefore, 9.78 million records have been checked for personally identifiable information, but none was found.

The proportion of records redacted by CSI is in the expected range when compared with experiences in other jurisdictions in the United States, and it appears that CSI has met expectations for a commercial redaction service. But if 214,000 documents redacted represents an accuracy rate of 97%, then the expected number of documents with personally identifiable information to be missed would be about 6,619 documents. If that is true, then what more can or should be done to find and redact those remaining documents in addition to the steps already being taken to cross reference prior redactions?

CLRIS encourages County Recorders to select a random sample of their documents in the CLRIS system for each year and to manually inspect each image in the sample to determine if any personally identifiable information is found. Because the purpose of the sample is to find documents with personally identifiable information and not to perform research, a weighted systematic sample should be selected. Pre-2002 documents with a higher likelihood of including personally identifiable information should represent a higher proportion of the sample. Examples include mortgages, bankruptcy documents, UCC documents and tax liens. Otherwise documents could be selected randomly using a simple interval technique. The size of the sample may vary based on the number of documents recorded in a county each year. Larger counties might want to select a larger sample than smaller counties.

The purpose of sampling is not to conduct research, and selecting a sample size that is statistically significant is not required. It is not reasonable to expect that every document image should be manually inspected by a human – that is why a commercial redaction service (CSI) has been used. By selecting a common sense sample size and taking some time to inspect the documents processed but not redacted is one additional way to demonstrate that every reasonable step has been taken to ensure that personally identifiable information is not posted on the Iowa Land Records web site.

Other Quality Assurance Measures. The CLRIS staff will continue to explore other methods to identify documents which may include personally identifiable information, but were not redacted by CSI. Examples include image evaluation techniques which may identify low-quality, low-resolution images that may not be readable by OCR software, and methods to identify groups of documents which may include personally identifiable information based on common factors such as particular document preparers or document types within specified date ranges. These options will continue to be explored even after the images are posted on the Iowa Land Records web site for access by registered users.

### **Redaction Process Details**

During the initial period of the Iowa Land Records project, particularly from January, 2005 through September, 2008, a key assumption was that all records posted on the web site were “public” records. Notwithstanding the discussions about emerging privacy concerns, these were public records that could be accessed anonymously and unfiltered in any Iowa court house. Further, as a public entity established under Chapter 28E - as directed by the Iowa legislature - the Electronic Services System, a.k.a. Iowa Land Records or CLRIS, would be obligated by law to provide access to any public record in its possession. It was believed that the procedures established to redact personally identifiable information upon request (a policy affirmed by the Iowa legislature in 2007) would be sufficient to address any

privacy concerns. The events which unfolded in the fall of 2008 demonstrated that those assumptions were wrong.

The new assumption was that a higher standard of accountability now applied to every document. It was no longer acceptable to simply accumulate document images and make them available to the public via the internet. In essence, every document image (public record or not) must be presumed to be confidential until it was either demonstrated that it did not include personally identifiable information or that any personally identifiable information had been identified and redacted. This change in assumptions had significant implications for the configuration of the county land record information system. The importance of system and information security increased. It became necessary to establish a private image repository (not accessible to the public) for disaster recovery while also maintaining a public image repository for redacted images and the majority of images which did not include personally identifiable information.

Because of the significant changes in policy, and because the initial system equipment was nearing the end of the life cycle, the technical architecture for CLRIS was substantially changed. In order to fulfill the new standards and expectations, it was necessary to ask each county to again transfer all recorded documents in electronic format to CLRIS. For this reason, there have been three important phases in the CLRIS Redaction Project: Phase 1 – County Record Transfer; Phase 2 – CSI Redaction Processing; and Phase 3 – Public Access Restoration. The following is a brief description of each phase, which in many cases has been implemented concurrently.

### **Phase 1 - County Record Transfer**

Each county has been asked to transfer all records archived in an electronic format to CLRIS. This information transfer included both document images as well as updated index information. A total of 11,531,081 complete records have been transferred from Iowa counties and archived in the CLRIS private image repository as of December 16, 2011. There are 249,635 documents which are considered to be “incomplete” – meaning there is a problem with the transfer of either the document image (136,680 records) or the document index information (115,679 records) or both. There are a number of possible reasons for the incomplete records ranging from mismatched code values which prevent images from being linked to the correct index, to image compression or corruption issues. In each case CLRIS will continue to work with the county and the appropriate technical service provider to resolve the issues. The process of reconciling and clearing up data and image issues with each county is expected to continue through 2012. Document images cannot be redacted or checked for personally identifiable information until they are successfully received by CLRIS.

In addition to the incomplete documents, there are other document images and data in county archives which have not yet been transferred to CLRIS. It is difficult to estimate how many counties or images this represents. In some cases the quality of older images may be poor, or the electronic index information is incomplete. The long-term goal of the project is to transfer all electronic real estate records from each county to CLRIS, and to check those records for personally identifiable information and then make them available to registered users through the Iowa Land Records web site.

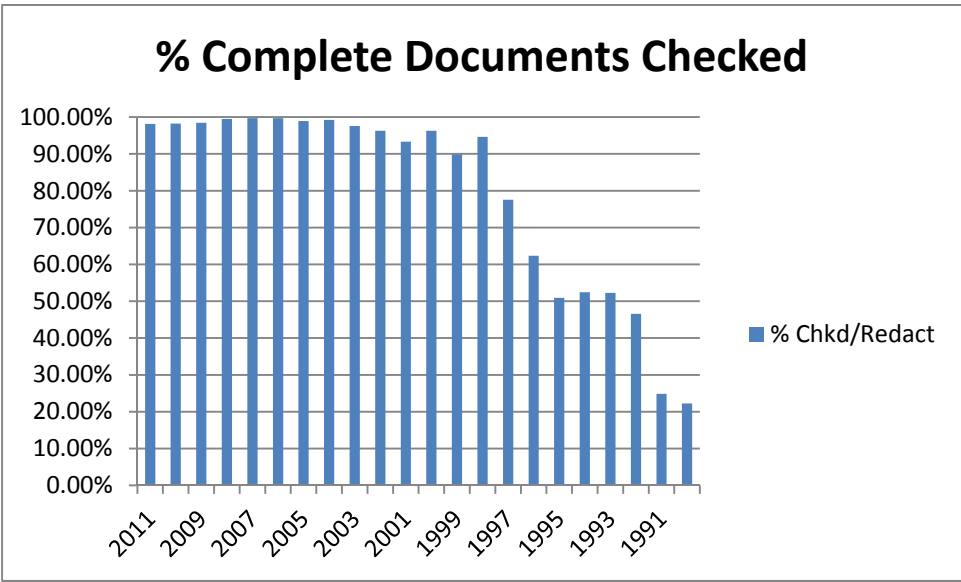
In an effort to document and catalogue any records not yet transferred to CLRIS, the ESS Coordinating Committee has established a Record Transfer Deferment Request process. Counties may request the deferment of the transfer of records for specified periods, subject to the approval of the Committee.

One of the secondary benefits of the new County Record Transfer process is that it has provided a more complete catalogue of records in electronic format. It has also identified some data and image quality issues which may exist in local document management systems. The identification of these issues will hopefully result in improved quality of data and images in the local records. An additional secondary benefit of CLRIS is that it provides a complete backup of all uploaded records and, therefore, a significant resource for disaster recovery and maintenance of land record integrity for every county.

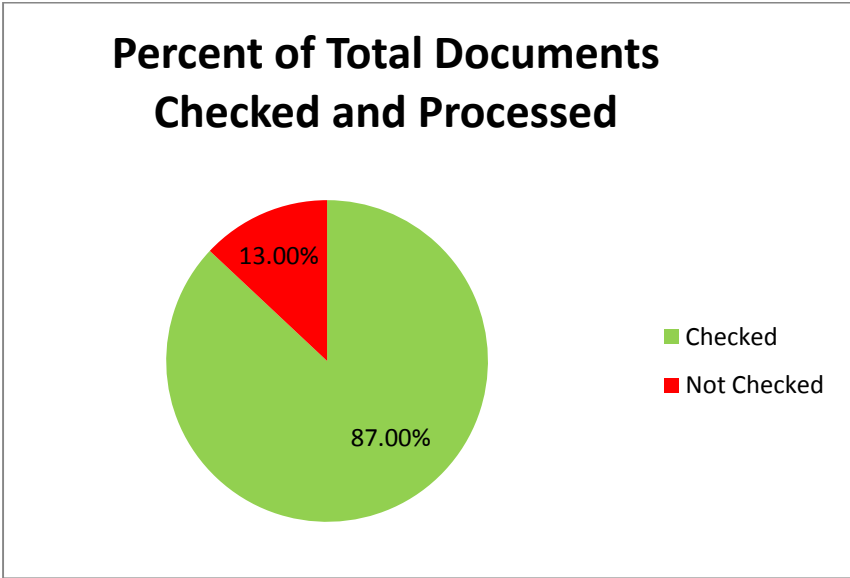
**Phase 2 - CSI Redaction Processing**

There are two primary document work flows relating to the process of checking records for personally identifiable information. The first and most important document work flow relates to the so-called “forward file” documents, documents recorded on or after January 1, 2010. This group of documents generally refers to all recently recorded documents. The demand for forward file document information is highest, because they may affect current real estate transactions. For example, it is usually necessary for a Satisfaction of Mortgage document to be recorded before a new Mortgage on a property can be completed. For this reason the processing of forward file documents has the highest priority. January 1, 2010 is simply an arbitrary date which was used at the beginning of the redaction process in 2010. Documents recorded on or after that date are “automatically” posted to the Iowa Land Records web site to ensure that they are accessible to registered users in a timely manner. These recently recorded documents are processed first by CSI and returned to CLRIS as soon as possible. Because they are current documents and it is illegal for preparers to include personally identifiable information, the risk of exposing such information is considered to be lower than it is for older documents. However, it should be noted that a total of 1430 documents recorded on or after January 1, 2010 have required redactions due to the presence of personally identifiable information (primarily social security numbers).

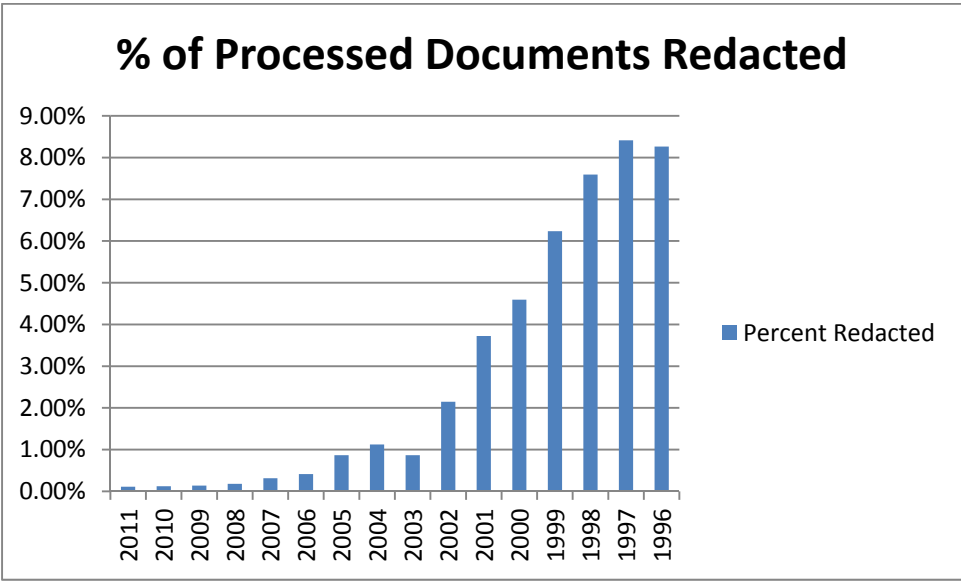
A second work flow relates to the processing of “back file” documents, documents recorded before January 1, 2010. Generally, back file documents have been processed in reverse chronological order, i.e., the most recently recorded documents are processed and checked for personally identifiable information first. To illustrate, of the 6.64 million complete records received from Iowa counties for the period between 2000 and 2009, more than 6.62 million (99%) have been processed and checked for the presence of personally identifiable information.



Approximately 1.5 million complete documents transferred by counties to CLRIS remain to be checked for personally identifiable information and redacted where appropriate. The processing of these records is expected to be complete by June 30, 2012.



As of December 16, 2011, nearly 214,000 documents have had personally identifiable information redacted. Of the total documents processed to date (10 million), about 2.1% have been redacted on average. As expected, most of the redactions have been applied to documents recorded prior to 2003 when restrictions on the presence of personally identifiable information in documents prepared for recording were enacted.



**Phase 3 - Public Access Restoration**

The final phase of the redaction process is to allow public access to the document images. After documents are processed by CSI and returned to CLRIS, the records may be made viewable on the web site at [iowalandrecords.org](http://iowalandrecords.org). Only registered users have access to document images. When registered users perform a record search on the web site, the search results are displayed in a columnar format. The availability of an image for viewing is indicated by the presence of an icon which appears as a document which is dog-eared in the upper right hand corner. If the icon is present but “greyed out” and

inactive, it means that CLRIS has received the document from the county, but it has not been made available for public access. This may be for various reasons such as the document has not yet been processed by CSI, or the document is being reviewed for quality control purposes.

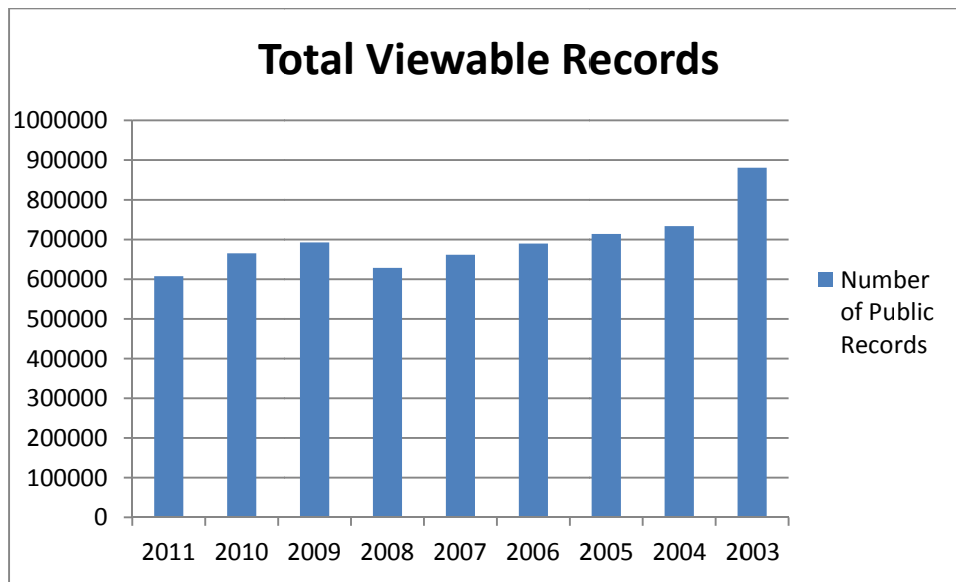
If the icon is absent from the search results display, it means that the county has not yet transferred the image to ILR.

If the icon is blue and the link is active, then a registered user is allowed to select the link and view the document. All documents posted on the Iowa Land Records web site are presented in PDF format, and can be viewed using the ubiquitous and free Adobe Acrobat Reader software.

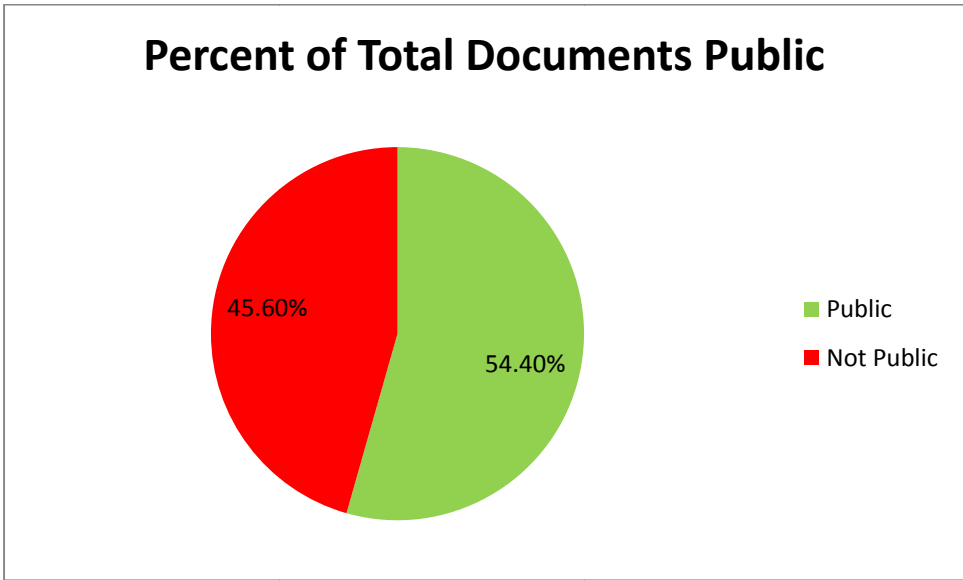
### Search Results Illustration

			2169	Bk: 901 Pg: 464	2009/12/31	<a href="#">Iowa</a>	RESIDENTIAL MORTGAGE NETWORK INC	Mortgage
			2173	Bk: 901 Pg: 484	2009/12/31	<a href="#">Iowa</a>	BENNETT GLENDA M	Mortgage
			2187	Bk: 2010 Pg: 12	2010/01/04	<a href="#">Iowa</a>	FARMERS TRUST & SAVINGS BANK	Mortgage

Most of the documents recorded after January 1, 2003 have been posted for registered user access. Additionally, recently recorded documents which are processed daily are made accessible as soon as they are returned from CSI to the ILR web site. The total number of documents which are accessible to registered users is 6,273,291 as of December 16, 2011.



The documents recorded after 2003 represent a significant proportion of the total number of electronic documents. More than half of all documents transferred to CLRIS are now available to registered users.



More records from prior years (2002 and earlier) will soon be made accessible to registered users following the completion of various quality assurance procedures. A report on the status of documents for each county is provided in the Appendix.

**Reporting Personally Identifiable Information**

No redaction system is foolproof. It is inevitable that at some point an authorized user may view a document image which includes personally identifiable information. However, as noted in the next section concerning other privacy protection strategies, registered users of the Iowa Land Records web site have a responsibility to help prevent identity theft and the dissemination of personally identifiable information. One way registered users are expected to do that is to immediately make a report to CLRIS about any document which may include personally identifiable information.

Registered users have three primary methods for reporting a case of personally identifiable information in a document image. They can send an e-mail to CLRIS at [support@clris.com](mailto:support@clris.com). They can also make a toll-free call to Iowa Land Records customer support by dialing (888) 790-2246. And they can also easily file a report with a click of a mouse when searching records at [iowalandrecords.org](http://iowalandrecords.org).

Below is a screen shot which illustrates how document search results appear on the Iowa Land Records web site. Active links in the left area of the screen allow registered users to see detailed document information or the document image. A new feature has been added to the far right column of the search results display. The yellow triangle is an active link which will allow registered users to click and report that a specific document includes personally identifiable information.

**Search Results**  
 Displaying all results of 6 results.

Select	Id#	Img	Number	Book & Page	Recording Date	County	Name	Document Type	PII
<input type="checkbox"/>			0728	Bk: 2009 Pg: 0728	2009/11/19	Clay		Affidavit - Non-Transfer	
<input type="checkbox"/>			0727	Bk: 2009 Pg: 0727	2009/11/19	Clay		Other	
<input type="checkbox"/>			0726	Bk: 2009 Pg: 0726	2009/11/19	Clay		Other	

When a report link is selected, a message and log entry is generated which will alert the CLRIS staff that a document may include personally identifiable information. CLRIS staff will inspect the document image, and if personally identifiable information is found, the image will be immediately restricted and then returned to CSI for reprocessing. If an inspection shows that no personally identifiable information is present, the report will be cleared and the image will remain available to registered users.

### **Other Privacy Protection Strategies**

In the early history of the Iowa Land Records web site, various measures were taken to minimize the exposure of personally identifiable information. State and federal tax liens were not displayed on the web site, and a procedure for redacting documents upon request was actively used. Registered users were informed in the web site Terms of Use of their responsibilities. For example, they were informed that “as a condition of your use of the Services, you will not use the Services for any purpose that is unlawful or prohibited by these terms, conditions, and notices” which includes land fraud and identity theft.

Given the increased expectation that more proactive steps be taken to prevent the dissemination of personally identifiable information, other measures have been implemented or are being developed to prevent fraud and identity theft. These include more active and direct notices to registered users of their responsibilities, more active monitoring of registered user search activities, and enhanced internal system security measures intended to thwart illegal or malicious use of the Iowa Land Records web site.

### **User Registration Agreement**

In the spring of 2011, all registered users of the Iowa Land Records web site were required to renew their registrations. As a condition for activating their accounts, all registered users were required to accept the responsibility to immediately notify CLRIS customer service about any personally identifiable information if found on the Iowa Land Records web site. They also were required to make a commitment to not distribute or disseminate any personally identifiable information if they find it on the web site, and to accept the Terms of Use and Privacy Policies adopted by the Electronic Services System. Iowa Land Records now has more than 16,000 registered users. The following is a screen shot of the registration form.



\* I will immediately notify Iowa Land Records customer service about any personally identifiable information I may find at iowalandrecords.org.

\* I will NOT distribute, share, or publicize any personally identifiable information which I may find at iowalandrecords.org.

\* I have reviewed the complete Terms of Use and Privacy Policies which are posted at iowalandrecords.org, and I agree to abide by those Terms and Policies.

\* The registration information I have provided is true and accurate, and I agree to keep it current. I understand that if the registration information I provide is false or misleading, or if I fail to update the information when it changes, then my access to iowalandrecords.org may be restricted.

\* I will accept e-mail notifications and updates from the following e-mail domains: clris.com and iowalandrecords.org.

### **Terms of Use and Privacy Policy**

The Terms of Use and Privacy Policy, which must be accepted by registered users as a condition for using the web site, was updated to include more explicit instructions concerning personally identifiable information. The following is an excerpt from the current Terms of Use.

As provided in Section 331.606A (Iowa Code), Iowa Land Records and the Iowa County Recorders Association have implemented a system for redacting personally identifiable information from document images. "Personally identifiable information" means one or more of the following specific unique identifiers when combined with an individual's name:

- (1) Social security number.
- (2) Checking, savings, or share account number, credit, debit, or charge card number.

Driver license information is also being redacted from document images.

Every reasonable measure is taken to redact personally identifiable information from document images before they are posted for public access through Iowa Land Records. However, no redaction system has been shown to be completely accurate. Because it is possible that some personally identifiable information may be unintentionally visible in a document image, all users of the site have the responsibility to help protect the privacy of persons whose records may be displayed.

Any personally identifiable information which may be found on any image posted on this web site is considered to be confidential. In the event that you discover any personally identifiable information posted on the Iowa Land Records system, as a condition for being a user of the site, you have the responsibility to immediately notify Iowa Land Records through the Customer Service link posted at [iowalandrecords.org/portal](https://iowalandrecords.org/portal) so that the information can be restricted or redacted. Additionally, each user of the site is expressly prohibited from distributing, sharing, or publicizing any personally identifiable information which may be found.

The complete text of the Terms of Use and Privacy Policy are posted at <https://iowalandrecords.org/portal/>.

### **CLRIS Reconfiguration**

The reconfiguration of the CLRIS system referenced previously involved more than simply relocating servers to a new hosting environment. Because CLRIS would now be expected to treat original document images as confidential information and to serve as a land record disaster recovery system, it was necessary to redesign the architecture of the system servers and storage equipment. Original unaltered document images are now segregated in a private image repository, and additional protective measures have been taken to increase system security. Those measures will not be disclosed in this report, but it is reasonable to state that the overall system security for CLRIS is much higher than it was prior to the restriction of images in the fall of 2008.

A new component of the user registration and log in process is now under development. One of the known issues with the current log-in process is that it can be manipulated by external automated systems which systematically log in and search for and retrieve records. This sometimes occurs notwithstanding the prohibition against such activity in the Terms of Use. To confront this issue, CLRIS is developing a "CAPTCHA" step to be incorporated with the registered user log-in process. A CAPTCHA system requires a user to enter matching characters which may be difficult for a machine to read. The following is an illustration of a CAPTCHA log-in screen.



Implementation of this registration step is expected to occur in the first quarter of 2012.

### **Registered User Activity Monitoring**

CLRIS will be developing additional user monitoring tools to track and evaluate the search practices of individual users. If activity is observed which is in conflict with the CLRIS Terms of Use and Privacy Policy, action may be taken to restrict access to the Iowa Land Records web site. These monitoring tools will be a component of ongoing system improvements through 2012.

The General Assembly may wish to consider policies which prohibit individuals from intentionally publicizing personally identifiable information. Given the redaction processes and other protections being put into place, any registered user who publicly discloses or disseminates any personally identifiable information found on the Iowa Land Records web site – even if it is only to make a political statement - will be in violation of CLRIS policies and they should be subject to penalty.

### **Redaction Epilogue**

The Electronic Services System and the Iowa County Recordors Association have taken every expected action to balance the public benefit of providing online access to real estate records while also working to prevent the disclosure of personally identifiable information and the risk of fraud and identity theft. If there are any further steps to be taken to provide access to legitimate users of real estate information while mitigating the risks of identity theft and fraud, it will be to require registered users to apply for permission to use the system and permit CLRIS to perform an application review which could include a criminal background check. If that is the next step then substantially greater resources will be required for these administrative tasks.

In 2008, CLRIS was in full compliance with all legal requirements to redact personally identifiable information upon request. When notified by the media that personally identifiable information was found in a document, access to the record was restricted and the document was redacted as required. Nevertheless, despite no evidence of fraud or identity theft, a demand was made to restrict access to all document images. CLRIS complied.

Over a two year period more than \$2 million will have been expended to implement a comprehensive redaction project and to increase system security. The redaction project is nearly complete and the measures proposed to the General Assembly in 2009 have been successfully implemented. There will be efforts to inform the media, policy makers and citizens about what has been done to prevent fraud and identity theft. The law adopted in 2009 has been carried out.

One thing is certain. After all of these efforts – someone, sometime will notify the media or a public official that a document with personally identifiable information has been found on the Iowa Land Records web site. This is inevitable, because no redaction system is perfect, and because there are individuals who will seek attention in the cause of privacy. What will the reaction be? It is hoped that all will appreciate the benefits of access to public records and recognize the effort that has been made to minimize the risks of fraud and identity theft.

# CLRIS Financial Reports

## Introduction

CLRIS and the Iowa Land Records project are funded by user fees. The primary user fee is a supplemental electronic transaction fee applied to all documents recorded by Iowa County Recorders. For most of the project history the supplemental electronic transaction fee has been set at \$1.00 per document. The fee was temporarily set at \$5.00 per document during the first year to provide start-up funding for the project. A temporary fee of \$3.00 per document was also implemented in fiscal years 2010 and 2011 to provide resources for a comprehensive redaction project.

In addition to the supplemental electronic transaction fee, CLRIS and the Iowa Land Records project have implemented fees for services associated with electronic recording services and point-of-sale debit and credit card transactions.

As noted previously, Chapter 159, Section 13 of the 2009 Iowa Acts includes a provision which requires the governing board of the county land record information system to submit a report to the general assembly which includes a detailed financial accounting of the county land record information system, a detailed summary of expenditures made from the local government electronic transaction fund, and an analysis and recommendation regarding the continuance or discontinuance of the fee collected under section 331.604, subsection 3. This section is intended to provide the requested information with a focus on fiscal years 2010 through 2012. This period relates most directly to the activities associated with the redaction project which was the principal subject of the legislation.

Three financial accounts will be reviewed. Fund 255 is the primary CLRIS project account managed through the Office of the State Treasurer. Fund 823 is an account managed through the Office of the State Treasurer on behalf of Iowa counties. Counties had been authorized to use a designated share of these funds for project-related expenses. Finally, a Treasury Management account maintained by the Iowa County Recorders to manage resources associated with electronic recording and point-of-sale electronic transactions. It is primarily a revolving account used to transfer payments for electronically recorded documents and point-of-sale debit and credit card transactions.

## Origin of Fund 255 and Fund 823

When the project was originally established in 2003 a supplemental \$5.00 electronic transaction fee was applied to all recorded documents during fiscal year 2004. The legislation provided that the funds were "to be used for the purposes of planning and implementing electronic recording and electronic transactions in each county and developing county and statewide internet websites to provide electronic access to records and information. As required by the enabling legislation, \$1.00 of the electronic transaction fee was managed through the State Treasurer's Office and this process continues today and is known as Fund 255. During that first year the remaining \$4.00 portion of the original \$5.00 electronic transaction fee was credited to a pooled local government electronic transaction fund and distributed equally to all counties. Because the bulk of the initial project funds were distributed equally to the 99 counties, the project faced the challenge of coordinating funds disbursed to those counties.

The solution was to ask each county to contribute a portion of their equal share of the pooled local government electronic transaction fund to create a statewide system. Each county was invoiced for their share of the project costs and those funds were deposited in accounts managed by the Iowa County Recorders Association to pay for the work of various information technology service providers. As a result of this process the \$4.00 portion of the original \$5.00 electronic transaction fee was now divided into two parts: the amount invoiced by the Association for payment to service providers for project costs, and the amount retained by each county for local project costs. These funds were the subject of legislation enacted in 2005 (House File 882). The legislation included two sections concerning these two portions.

Section 98 of the legislation affected the amount invoiced by the Association for payment to service providers for project costs. It stated that all “funds received, expended, or held by an association of elected county officers before, on, or after the effective date of this Act, to implement a state-authorized program, are subject to audit by the auditor of state at the request of the government oversight committees or the legislative council. All such funds received or held on and after July 1, 2005, shall be deposited in a fund in the office of the treasurer of state.”

The Association completed pending payments due to information technology service providers, and any unexpended and unobligated funds were deposited in the project fund (Fund 255) managed through the Office of the State Treasurer. Approximately \$218,000.00 was transferred to Fund 255.

Section 101, subsection 5 of House File 882 provided that the “fees collected, including those previously collected and deposited locally, pursuant to section 331.605C, shall be transferred to the treasurer of state for deposit into the local government electronic transaction fund.” This section affected the amount retained by each county for local project costs. The Committee and Association acted as an intermediary with the State Treasurer and consolidated any moneys retained by each county and then transferred those funds to the State Treasurer and deposited them in what is now known as Fund 823. Approximately \$668,000.00 was transferred to Fund 823.

For the period between July 1, 2004 and June 30, 2009, the supplemental electronic transaction fee was set at \$1.00 per document.

During the 2009 legislative session a bill (Senate File 465) was approved to temporarily increase the electronic transaction fee from \$1.00 to \$3.00 per recorded document. The additional \$2.00 per document was to be used for the purpose of “implementing and maintaining a process for redacting personally identifiable information contained in electronic documents that are displayed for public access through an internet website or that are transferred to another person.”

Effective July 1, 2011, the supplemental electronic transaction fee reverted to \$1.00 per recorded document and it will remain at that level unless it is changed by the Iowa General Assembly. Throughout the history of the county land record information system, project resources have been managed through the Office of the State Treasurer (Fund 255).

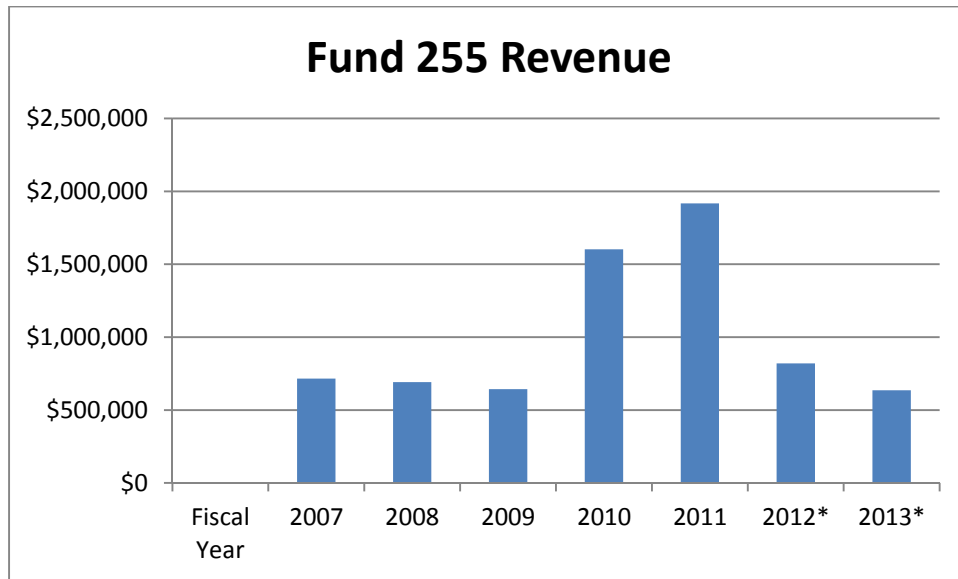
## **Fund 255**

Fund 255 is the primary source of funding for the operation of the county land record information system – also known as the Iowa Land Records project. Beginning in fiscal year 2005, the \$1.00 electronic transaction fee was established to provide for the ongoing costs of maintaining the county land record information system. The legislation was subsequently amended to state that the \$1.00 electronic transaction fee would be used for the ongoing costs of integrating and maintaining the system.

The ESS Coordinating Committee has established annual project budgets for Fund 255. Beginning in fiscal year 2007, the project budget was incorporated into a more formal accounting system, and since July 1, 2006 monthly financial statements have been presented for review and approval by the Committee.

Project revenue during the three year period between July 1, 2006 and June 30, 2009 declined following the general trends in the real estate industry. Total revenue from the supplemental electronic transaction fee dropped from \$715,000.00 in FY 2007 to \$643,000.00 in FY 2009. As a result of the additional \$2.00 supplemental fee for the redaction project, project revenue increased in FY 2010 to \$1.6 million and in FY 2011 to \$1.9 million. Because there is a lag between the time when a county collects the supplemental electronic transaction fee and the time when the funds are transferred from a county to Fund 255 in the State Treasurer’s Office, some revenue from the additional \$2.00 fee was deposited in

Fund 255 during the first two months of FY 2012. For this reason, adjusted project revenue for FY 2012 is estimated to be almost \$820,000.00. This lag effect will not be applicable in FY 2013, when project revenue is estimated to decline to \$636,000.00.



\*Projected Revenue

Adjusting for the lag time in fund transfers from counties to Fund 255, the total revenue generated by the additional \$2.00 fee during fiscal years 2010 and 2011 for the redaction project is estimated to be approximately \$2.45 million.

Information about project expenditures during this period is provided in the Project Budget section of this report.

**State Treasurer Management**

The ESS Coordinating Committee reviews all bills and invoices on a monthly basis. When approved, documentation is reviewed by a representative of the Committee and forwarded to the Office of the State Treasurer. Claims are processed in a manner similar to other monthly bills paid by the State of Iowa.

**Audit**

Because Fund 255 is managed through the Office of the State Treasurer, the annual audit of the fund is conducted by the Office of the State Auditor. While the ESS Coordinating Committee has occasionally been called upon to answer questions about individual claims or trends in revenues, no issues have been brought to the attention of the Committee concerning any claims or payments.

**Reserve Funds**

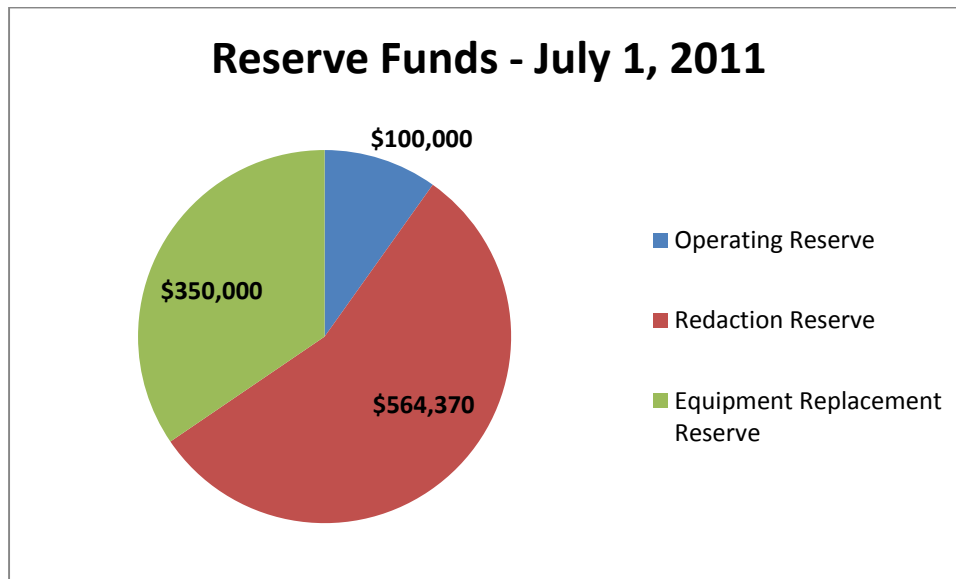
The ESS Coordinating Committee established three reserve funds effective July 1, 2011. These funds were established to ensure that sufficient resources would be retained to complete the comprehensive redaction project and to pay for future redaction activities, to provide resources for future equipment replacement, and to provide a general operating reserve for unanticipated expenses.

Equipment Replacement Reserve. An equipment replacement reserve fund in the amount of \$350,000.00 was established. A reserve is necessary to provide for the future replacement of servers, electronic storage equipment and related equipment when the current equipment reaches the end of their life cycle. In future years if the project operating budget is limited and insufficient to cover the

expense of new equipment, the equipment replacement reserve will help ensure the ongoing operation and sustainability of the system.

**Operating Reserve.** To address any unanticipated events or expenses during the current fiscal year, an operating reserve in the amount of \$100,000.00 was established. This reserve represents approximately 15 percent of the project budget approved for fiscal year 2012.

**Redaction Reserve.** Because the comprehensive redaction project will not be fully completed at the end of fiscal year 2011, a special redaction reserve has been established. Any unexpended funds from the additional \$2.00 electronic transaction fee that was created for the redaction project was placed into this reserve to ensure that sufficient resources would be available to complete the project in fiscal year 2012. The amount of the reserve as of July 1, 2011 was \$564,370.00. Unlike the equipment replacement reserve, it is expected that expenditures for redaction activities will occur through the remainder of fiscal year 2012.



### Fund 823

As described previously, Fund 823 is an account administered through the Office of the State Treasurer on behalf of the participating counties. When the project was originally established, each county received an equal share of the funds generated by \$4.00 of the supplemental \$5.00 electronic transaction fee which was in effect in fiscal year 2004. Except for funds voluntarily contributed by the counties to create the Iowa Land Records system, the counties were allowed to retain the remainder of those funds for project-related expenses. Legislation enacted in 2005 required the counties to remit any balance of funds to the State Treasurer's Office. Since that time the individual counties have been allowed to use their share of Fund 823 for project related expenses. There is no revenue coming in to Fund 823 and no interest is accrued. When a County fully expends their share of the funds – that County's portion of the Fund 823 activity is closed. Because these funds are administered on behalf of the individual counties, there is no budget for Fund 823.

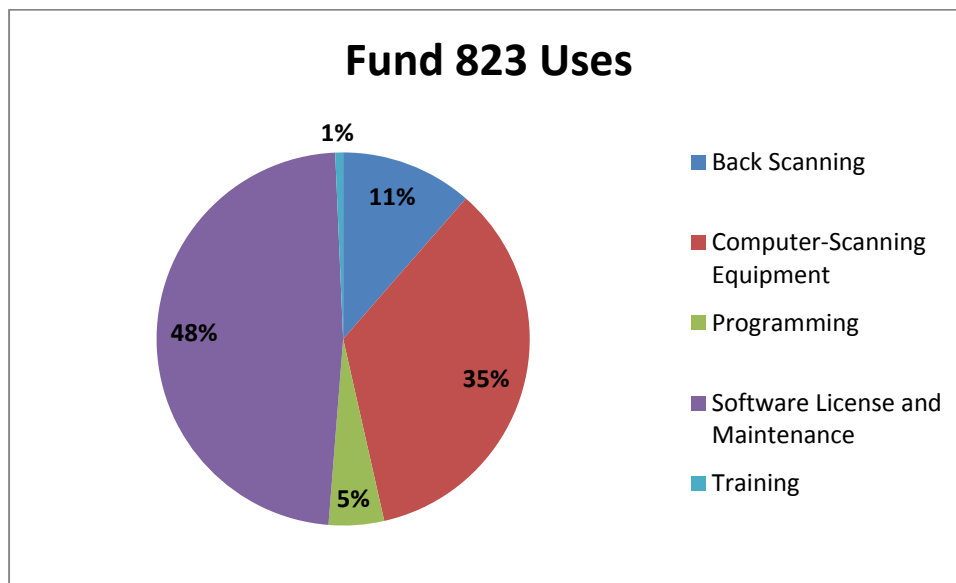
The initial amount deposited in Fund 823 on behalf of the participating counties was approximately \$668,000.00. As of November 30, 2011, about \$44,000.00 remained in the account. Counties with unexpended balances include: Bremer, Butler, Cherokee, Clarke, Franklin, Hamilton, Humboldt, Jefferson, Keokuk, Mahaska, Marion, Monona, Pottawattamie, Poweshiek, and Washington. The

highest balances remain for Humboldt and Washington, which each have a balance of more than \$9,000.00.

Counties were provided with the flexibility to use these resources in a variety of ways provided that the purpose had some relationship to the CLRIS project. Based on the policies adopted by the ESS Coordinating Committee, authorized uses included the following:

- Computers, monitors, scanning equipment and multifunction office systems.
- Computer software, or software development and consulting services provided by local indexing or imaging service providers.
- Conversion of paper documents or various forms of microfiche to digitized images (Back Scanning).
- Other equipment, services or activities deemed appropriate by the ESS Coordinating Committee.

Of the expenditures tracked in the updated accounting system since June 1, 2006, resources from Fund 823 were primarily used to either purchase or update local equipment, or to defray the cost of local project-related maintenance fees paid to the service providers who provide indexing and imaging services. In recent years counties have been asked to underwrite local maintenance services as project resources from the base \$1.00 electronic transaction fee have been insufficient to fully fund this expense.



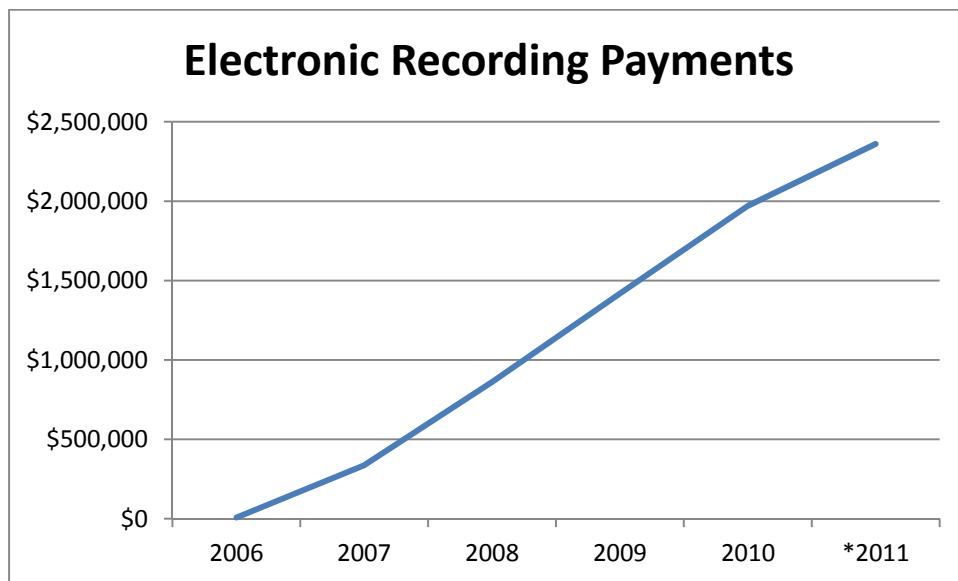
### Bank of America Treasury Management

A Treasury Management account with Bank of America was originally established at the inception of the Electronic Submission service (electronic recording). If customers were to submit documents for recording electronically, it was necessary to provide the means for electronic payment. The payment options developed for the E-Submission service included ACH (electronic funds transfer), credit and debit cards, and “draw down” accounts which allow customers to deposit funds in advance and then expend the funds for subsequent transactions. The Treasury Management account is used as a central depository for collecting recording fees and then disbursing the moneys to the appropriate counties. The account is also used to receive and disburse funds associated with other transactions in County Recorder offices. In some instances the account has been used to receive assessments charged to counties for project-related expenses such as local maintenance costs or local programming costs. It is also used to help cash flow various activities to ensure that vendors and employees receive timely

payment. In summary, the ESS Coordinating Committee uses the account as a revolving fund or working capital fund. As such there is no “budget” for this operating account. The following is a brief description of the various activities managed through this account.

### **Electronic Recording Payment**

Nearly 76,000 electronically submitted documents were recorded in calendar year 2010 and more than 86,000 documents have been processed in calendar year 2011 through November 30. The recording fees processed through the Treasury management account were nearly \$2 million in 2010 and they are projected to be more than \$2.5 million in 2011. Nearly one quarter of these recording fees were in the form of real estate transfer taxes. Since the E-Submission service was started in 2006, nearly \$7 million in recording fees have been processed electronically. These recording fees are passed through the Treasury Management account and do not include any additional service fees for the E-Submission service.



\*Through November 30, 2011

### **Point of Sale Credit and Debit Card Transactions**

In August of 2009 the Electronic Services System initiated a project to enable credit and debit card payments in the individual County Recorder offices. Previously County Recorders were only able to accept cash or checks in payment for various services ranging from marriage licenses to boat registrations to recording real estate documents. Customer payments made through the ESS over-the-counter (OTC) credit/debit card system are deposited in the Treasury Management account and then disbursed to the appropriate counties via an ACH transfer. Nearly \$575,000.00 in over-the-counter credit or debit card transactions were processed in calendar year 2010, and a comparable level of activity is projected for 2011. These transactions are passed through the Treasury Management account and the amounts do not include any additional convenience fees for the OTC credit/debit card service.

### **County Project Expenses**

As noted previously the Treasury Management account has sometimes been used to receive assessments charged to counties for project-related expenses. In fiscal year 2012 CLRIS coordinated efforts to extend maintenance agreements with local technology service providers to maintain systems for exchanging data and images with CLRIS. The ESS Coordinating Committee has established master agreements with each service provider and negotiated the maintenance fees to be paid for those services. In this instance each county was invoiced for their share of the expense, and county payments

were deposited in the Treasury Management account. The total amount of payments from the counties was \$242,489.00 for fiscal year 2012, and these moneys were used to pay the local service providers.

This practice is expected to continue while it is necessary for counties to contribute local funds to support the operations of the CLRIS system. The projected county assessment for local maintenance costs in fiscal year 2013 is estimated to be \$253,436.00. Counties will be invoiced for their assessment amount, and the funds will be initially deposited in the BOA Treasury Management account and then paid to the applicable local service providers.

### **Bank and Merchant Service Charges**

There are several direct banking and merchant service expenses associated with the operation of the online payment system and the OTC credit/debit card payment system. These expenses are comprised of three elements: Bank of America Treasury Management service charges, VISA/Mastercard merchant service expenses, and Hewlett-Packard payment gateway service fees.

**Treasury Management Service Charges.** The Bank of America Treasury Management account is best described as a “full analysis account”. By definition the account handles a high volume of transactions, and the bank is providing an important service by facilitating electronic fund transfers from customers and to the participating counties. The projected cost of these bank service charges for calendar year 2011 is estimated to be \$10,700.00 or about \$890.00 per month.

**VISA/Mastercard Merchant Service Expenses.** Like other businesses and enterprises, accepting payment through credit and debit cards means that there are associated merchant and interchange fees. Credit and debit card payments are most frequently made in over-the-counter transactions in County Recorder offices throughout Iowa. Online transactions associated with the ILR E-Submission service and electronic recording which are paid with credit or debit cards represent a smaller proportion of the merchant and interchange fees paid by CLRIS. The projected cost of merchant and interchange fees for calendar year 2011 is estimated to be \$13,500.00; \$11,000.00 for over-the-counter transactions and the remainder for online transactions.

**HP Payment Gateway Fees.** Payment gateway fees relate to the service of facilitating the exchange of information between financial institutions and credit and debit card companies. CLRIS provides information to a third-party gateway service which in turn initiates ACH, credit or debit transactions with customers, and initiates the deposit of funds into the Bank of America Treasury Management account. Hewlett-Packard (formerly EDS) is the payment gateway provider for CLRIS. The projected cost of payment gateway services for calendar year 2011 is estimated to be \$19,000.00.

### **Service Fees**

**Record Search Fees.** Under the provisions of the 2005 Iowa Acts, Chapter 179, Section 101, Subsection 1, County Recorders “shall not collect fees for viewing, accessing, or printing documents in the county land record information system until authorized by the general assembly.” Stakeholders and policy makers believed that the ongoing \$1.00 electronic transaction fee was intended to cover the cost of operating the land record database and online search engine, and that searching and retrieving the land records should not require the payment of additional fees.

This “no-cost” online search service provides a substantial benefit to the registered users of the Iowa Land Records web site, especially in comparison with other public and private land record systems. For example, the Georgia Superior Court Clerks' Cooperative Authority provides online access to real estate documents at <http://www.gsccca.org/Account/default.asp>. There is a \$11.95 per month subscription charge plus a charge of \$0.50 for each page printed. The private Tapestry system developed by Fidlar Technologies provides access to real estate records at <https://tapestry.fidlar.com/Tapestry2/Faq.aspx>.

All searches cost \$5.95 each and printed images cost \$.50 each. The Iowa Court Information System provides access to Iowa court records at <https://www.iowacourts.state.ia.us/>. ICIS charges a \$25.00 per month subscription fee.

**E-Submission Fees.** CLRIS is authorized to charge fees to defray the costs of services provided by third-party service providers and other fees required to enable electronic payment including but not limited to merchant fees, Treasury Management fees, and professional service fees. This authorization relates to the Iowa Land Records E-Submission service.

For E-Submission services when payment is made through ACH electronic funds transfer, the standard service fee of \$1.50 per document is charged regardless of the number of pages in the document. For credit/debit card payments the service fee is \$1.50 per recorded document plus the product of .01865 times the transaction amount. Customers who use a “draw down” account pay a service fee of between \$0.90 and \$1.50 per document. Most customers use the ACH method of payment. The Iowa Department of Revenue is the largest “draw down” customer. Only a small number of customers pay for E-Submission services with a credit or debit card. The total projected revenue from E-Submission service or convenience fees in calendar year 2011 is estimated to be \$130,000.00.

**Point of Sale Convenience Fees.** For the point-of-sale credit/debit card payment system, the standard service fee is \$1.50 per transaction plus the product of .01865 times the transaction amount, or \$2.00 per transaction, whichever is greater. The total projected revenue from the point-of-sale debit/credit card convenience fee in calendar year 2011 is estimated to be \$24,000.00.

#### **Uses of Service Fee Revenue and Net Income**

While the Bank of America Treasury Management account primarily serves as a revolving fund, the service and convenience fees associated with the ILR E-Submission service and the point-of-sale credit/debit card payment system do generate some net income which is maintained in the account. In calendar year 2010, net income from the point-of-sale convenience fee was \$14,068.00. Net income from E-Submission service fees was \$75,874.00 for the period. Total net income from the service fees was \$89,942.00. Net income is determined by calculating the gross revenue from each fee, and then deducting the direct expenses for payment gateway fees, merchant fees and bank service fees.

For calendar year 2011, the net income from the point-of-sale convenience fee is projected to be about \$7,300.00 – about half of the net income amount when compared with 2010. This reduction in net income is the result of a service fee reduction approved by the ESS Coordinating Committee in January, 2011. Net income associated with the E-Submission service fee is projected to exceed \$100,000.00 in 2011 as the volume of electronically process documents has increased.

In addition to covering the basic payment system expenses described previously, income from E-Submission service fees may be used to address other activities associated with operation of the payment system. Under the policies adopted by the ESS Coordinating Committee, the E-Submission service fee may be used for any of the following purposes.

- Accounting and Audit Fees
- Project Management Fees
- Revolving Fund Cash Flow Balance

**Accounting and Audit Fees.** The ESS Coordinating Committee has engaged Gegner Company PC to provide accounting and tax preparation services, and Denman & Company, LLP to provide auditing services. If needed, expenses associated with these services could be paid with income from the E-Submission service fee. Currently these expenses are paid from the project account, Fund 255.

**Project Management Fees.** One of the key responsibilities of the Iowa Land Records Project Manager is to manage all financial aspects of the Electronic Services System and the county land record information system, including accounts receivable and accounts payable and to work with the financial service providers and the Association Treasurer as required. The Project Manager is expected to provide for the monthly reconciliation of bank accounts and preparation of monthly financial statements. For this reason, a portion of the cost of project management services is paid from E-Submission service fee income.

**Cash Flow.** On any given day, ILR may be required to distribute recording fees to the counties in amounts of up to \$50,000 or more. As the ILR E-Submission service continues to expand that threshold will grow. ILR must maintain sufficient funds in the Bank of America Treasury Management account to cover the daily distribution of funds to counties. Because of the way the ACH system works, ILR may not receive payments from authorized customers for 3, 4 or more days. The only source of revenue to establish the necessary fund balance to manage cash flow is the E-Submission service fee.

### **Future Uses of E-Submission Service Fee Revenue and Net Income**

The primary intent of the E-Submission Service fee is to provide the resources necessary to operate and properly manage the payment systems required to facilitate electronic transactions. If the adoption of electronic recording continues to grow, additional net income may be generated. A portion of that net income will need to be retained in the account for cash flow purposes, because as volume increases so does the size of payments which must be distributed daily to Iowa counties. At the point where operating expenses and cash flow needs are fulfilled other options for the use of the net income may be explored.

Two primary options are being considered. First, as was the case with the Point of Sale Convenience Fee, it may be possible to reduce the amount of the service fee if it can be shown that operating expenses and cash flow needs can be met. Second, in the future it may be possible to allocate a portion of the net income for county project expenses. As noted previously, the projected county assessment for local maintenance costs in fiscal year 2013 is estimated to be \$253,436.00. This is a significant burden on the budgets of County Recorders.

Net revenues and the current cash balance in the Bank of America Treasury Management account are not yet sufficient to either reduce the E-Submission service fee, or to help defray the cost of county project expenses.

### **Fixed Assets**

The equipment used to host the county land record information system including the necessary servers and data storage equipment are held as an asset by the Iowa County Recorders Association and the Electronic Services System. Resources from Fund 255 were used to acquire the equipment, but the Association and ESS possessed and controlled it. For this reason, the Association lists the equipment and any accumulated depreciation on the balance sheet to ensure that the assets are reported and that appropriate accountability structures are in place. Assets are specified in the annual audit reports.

### **Oversight and Audits**

Since calendar year 2006, the Bank of America Treasury Management Account and physical assets of the Electronic Services System have been audited annually by Denman & Company, LLP. The Iowa County Recorders Association has also filed tax returns since the inception of the Iowa Land Records E-Submission service to ensure that income and expenses were appropriately reported as a non-profit organization. Tax returns have been prepared by Gegner Company PC. The annual audits have consistently affirmed that accounts are appropriately reported and that appropriate control procedures are in place. Copies of the annual audit of the Bank of America account are provided in the Appendix.

As noted previously, audits of Fund 255 and Fund 823 are conducted by the State Auditor through the Office of the State Treasurer.

The ESS Coordinating Committee has established a Finance Subcommittee to assist with financial oversight of all project accounts. The Finance Subcommittee meets monthly and reviews the balance sheets, profit and loss statements, reconciliation reports and bank statements for each account. All bills and invoices are also reviewed. Financial reports and bills are forwarded by the Finance Subcommittee to the ESS Coordinating Committee for action. The ESS Coordinating Committee and the Finance Subcommittee take their oversight function very seriously, and they are actively engaged in the review of how project funds are managed.

## **Project Budget**

Fund 255 is the primary source of funding for the operation of the Electronic Services System and the county land record information system. This report relates to the period of July 1, 2009 to present, the period when the electronic transaction fee was set at \$3.00 per document for the purposes of implementing the redaction project. Information about the project budget is provided in three sections.

- Overall project income and expenses for the period of July 1, 2009 through June 30, 2011 when the additional fee was in effect.
- Income associated with the additional \$2.00 electronic transaction fee amount, and how those additional resources were used to implement the redaction project and related system changes.
- The fiscal year 2012 project budget and long-term funding and sustainability issues.

## **Project Income and Expenses – FY 2010 and FY 2011**

Project revenue from the \$3.00 electronic transaction fee was \$1.6 million in fiscal year 2010 and \$1.9 million in fiscal year 2011. Variances in income are associated with a lag time in the deposit of funds from the counties into the Fund 255 account in the Office of the State Treasurer as well as fluctuations in the real estate market. Project income is directly affected by changes in the economy.

Total project expenses were \$1.4 million in fiscal year 2010 and \$1.5 million in fiscal year 2011. Net income for the two-year period was \$587,000.00. This balance has been carried forward into fiscal year 2012 primarily for the purposes of completing the redaction project. As noted previously approximately 1.7 million complete documents transferred by counties to CLRIS remain to be checked for personally identifiable information and redacted where appropriate.

In addition to activities specifically associated with the redaction of personally identifiable information from document images, the county land record information system has experienced two significant structural changes since July 1, 2009 and these changes are reflected in the financial reports.

Equipment and Hosting. Prior to July 1, 2009 the computer equipment, storage devices and bandwidth services were hosted at the offices of ABC Virtual (ABCV) in West Des Moines. ABCV was originally selected through a competitive RFP process in 2004 to help develop the county land record information system. During the initial development period the hosting arrangements with ABCV were established with the understanding that the equipment and intellectual property were owned by the Iowa County Records Association and therefore hosting services could be changed at a future date. In the summer of 2009 several factors influenced the decision to relocate equipment and services to a different location.

- The equipment was nearing the end of its life cycle.
- Hosting and system security requirements would be much higher in the future, because document images would be treated as confidential until they are processed and redacted if necessary. Not only did the hosting facility need to be more secure, but the system itself needed to be reconfigured to segregate private information.
- There were changes in personnel and the business relationship with ABCV.

The county land record information system was relocated to an independent secure facility provided by LightEdge Solutions including the location of backup equipment in a secure facility outside of Iowa. New equipment was also purchased and for a period of time the old system was maintained while the new system was built. Hosting expenses actually declined from fiscal year 2010 to fiscal year 2011 as the transition was completed.

Staffing. Until the end of fiscal year 2009, technical development and support services were provided almost entirely by ABCV personnel. Long term planning based on the assumption that project income could be limited to the \$1.00 electronic transaction fee in future years prompted the evaluation of whether it would be more cost effective to develop internal technical staff and rely less on third-party companies and technical developers. It was determined that building internal staff capacity would be the most cost-effective and sustainable model in the long run. While a significant amount of technical work to reconfigure the CLRIS system was performed by third party contractors including ABCV, Alliance Technologies and Source Allies, the ESS Coordinating Committee began the process of transitioning to internal support systems with the hiring of a full-time developer in the fall of 2009. The investment in system reconfiguration and the transition to internal technical staff is clearly reflected in the expenditures reported for the two-year period.

The Fund 255 Profit and Loss statements for fiscal year 2010 and fiscal year 2011 are provided in the Appendix.

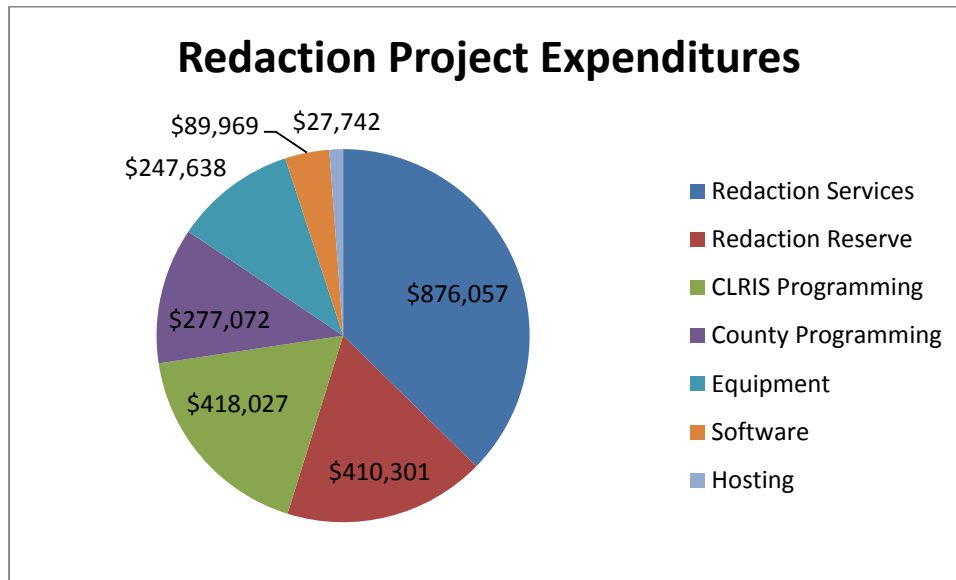
#### **Redaction and System Reconfiguration**

The total income generated by the additional \$2.00 electronic transaction fee during the two-year period was \$2,346,806.

During the initial two year project period \$876,057.00 was expended to process documents and redact personally identifiable information. As noted previously, Computing System Innovations (CSI) is the service provider which is processing the documents. Reserve funds carried forward into fiscal year 2012 will be used to complete the redaction process for any remaining documents provided to CLRIS by Iowa counties.

The purchase of updated servers and storage equipment and related equipment cost approximately \$247,638.00, and various software updates and software maintenance fees cost \$89,969.00. System reconfiguration and software programming required to fulfill new business requirements and security standards cost \$418,027.00. The operation of a duplicate hosting environment as CLRIS transitioned from old equipment to new equipment cost an additional \$27,742.00. Finally, technical service providers for county indexing and imaging systems were also compensated for programming changes at the local level and for their assistance in transferring document images from the county systems to CLRIS. The cost for these local services was \$277,072.00. System reconfiguration costs related to redaction and increased security objectives totaled \$ 1,060,448.00. This excludes expenses associated with redaction project services provided by internal CLRIS staff during the period.

The total expenditures directly associated with document redaction and the required system reconfiguration during the period was \$1,936,505.00. The balance of \$410,301.00 has been carried forward into fiscal year 2012 and placed in the reserve account to complete the redaction project.



**FY 2012 Budget**

Current law provides that funding for the CLRIS project in fiscal year 2012 and succeeding years will be provided by the \$1.00 electronic transaction fee. The budget adopted by the ESS Coordinating Committee projected that total project revenue for the fiscal year would be \$637,200.00. As noted previously, actual revenue for the year is exceeding projections due to the lag in the transfer of funds from counties to Fund 255 in the Office of the State Treasurer.

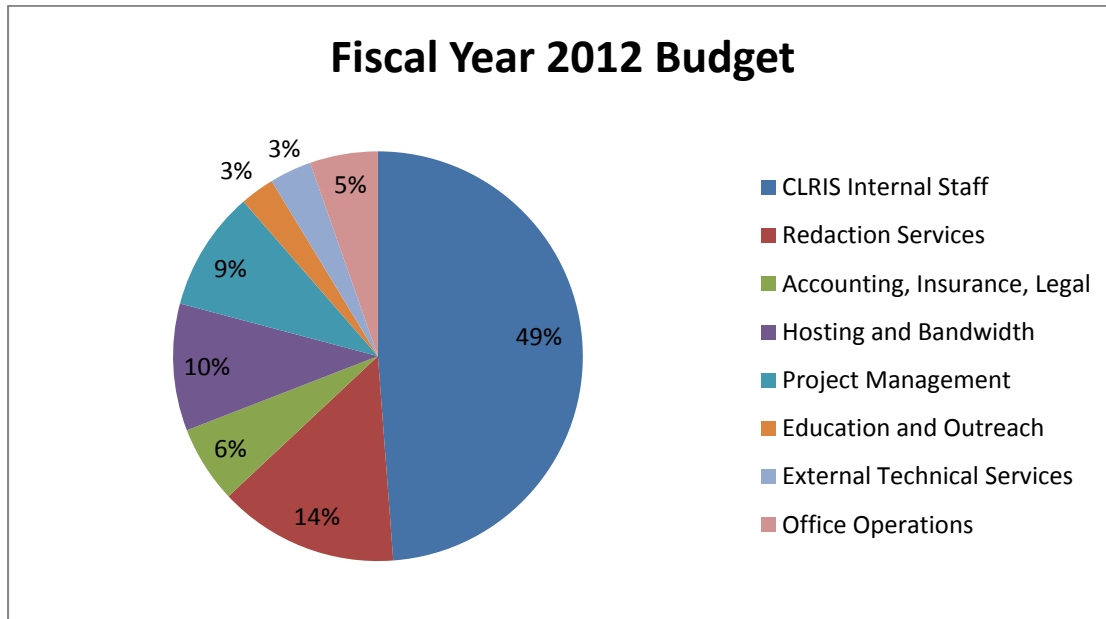
The ESS Coordinating Committee has established expenditures for fiscal year 2012 at a level which can be sustained in future years. Some of the adjustments which have been made to live within the expected resources are as follows.

- One half of the expense for Project Management services has been transferred to the Bank of America Treasury Management account as allowed by policy. - \$60,000.00
- The retainer for Brick Gentry legal services has been reduced by half. - \$12,000.00
- One full-time developer position will remain unfilled until resources are available - \$80,000.00
- Counties were required to pay the full cost for local service provider maintenance for CLRIS systems. - \$242,489.00
- While an equipment replacement reserve has been established, no current budget resources are being set aside for the reserve.

The primary cost centers included in the fiscal year 2012 budget are as follows.

<b>Fund 255 Fiscal Year 2012 CLRIS Project Budget</b>	
CLRIS Internal Staff	\$309,297.00
Redaction Services (CSI – forward file)	\$90,000.00
Accounting, Insurance, Legal	\$38,700.00
Hosting and Bandwidth	\$63,500.00
Project Management	\$60,000.00
Education and Outreach	\$17,124.00
External Technical Services	\$21,000.00
Office Operations (office, phone, internet, supplies)	\$34,020.00
<b>Total</b>	<b>\$633,641.00</b>

The Fund 255 fiscal year 2012 budget is provided in the Appendix.



### **Long-Term Sustainability**

Chapter 159, Section 13 of the 2009 Iowa Acts directed the governing board of the county land record information system to conduct an analysis and make recommendations regarding the continuance or discontinuance of the fee collected under section 331.604, subsection 3. For fiscal year 2012 and succeeding years the electronic transaction fee is set at \$1.00 per document. Project revenue for fiscal year 2013 and succeeding years is projected to be \$636,000.00. The actual amount of project revenue from the \$1.00 electronic transaction fee will fluctuate with the real estate economy.

### **Sustainability Assumptions**

The county land record information system as currently structured can be sustained at a core services level for a number of years given the following assumptions.

- It is assumed that the \$1.00 electronic transaction fee is maintained. This is the base level of funding required to sustain the project for the long-term. The fiscal year 2012 budget and operational structures have been established to provide the necessary information technology and customer support staff to maintain the system with modest future incremental improvements. The absence of this minimum source of funding would mean the termination of the project and the county land record information system.
- It is assumed that individual counties will be willing to continue to allocate an average of \$2,600.00 per year (plus inflation) to pay for the necessary local maintenance expenses required to integrate and transfer information to the county land record information system. If county budgets are unable to pay this expense in future years, resources from the \$1.00 electronic transaction fee are insufficient to cover this expense. The transfer of real estate documents from counties to the county land record information system will cease, and it would no longer be possible to process electronically submitted documents through CLRIS.
- The estimated maintenance fees for FY 2013 beginning July 1 are as follows: \$2251.00 for counties supported by a single service provider for both indexing and imaging. Counties which have a separate imaging service provider will have an additional estimated maintenance cost of \$815.99. Therefore in those counties with two service providers the total estimated maintenance amount will be \$3066.99.

- It is assumed that resources allocated to the equipment replacement fund will be sufficient to replace all current equipment when it reaches the end of the normal life cycle for servers and storage equipment. The current equipment is expected to remain current and operational through fiscal year 2014. Sometime thereafter it will be necessary to begin migrating data and software to new equipment. When that happens it is hoped that the expected life cycle for the replacement equipment will extend to fiscal year 2019 or 2020. It is expected that emerging technologies including so-called “cloud computing” will be explored to identify more cost effective solutions. Nevertheless, the project operating budget based on the \$1.00 electronic transaction fee does not include ongoing allocations to replenish the equipment replacement fund when it is used.

### **Core Services Sustainability**

The county land record information system (Iowa Land Records, or ILR) is comprised of the following primary activities.

- Index of county land records
- Repository of real estate document images
- Web site and associated search engine for land records
- Standard customer support and assistance during regular business hours
- Ongoing redaction of personally identifiable information in recently recorded documents
- ILR E-Submission service enabling electronic recording
- Payment system to accept ACH, credit and debit card payments from E-Submission customers
- Accounting and reconciliation functions for electronic transactions
- Maintenance of current XML standards for land records and electronic recording
- Incremental changes and enhancements to the current version of the county land record information system

If the sustainability assumptions described previously are true, the core services of the county land record information system may be sustained through the end of the decade (2019).

Core sustainability does not include the following activities, as they are likely beyond the scope of what could be achieved at current resource levels (the \$1.00 electronic transaction fee).

- Implementation of the next generation of XML standards being developed and adopted by the real estate industry
- Further integration of other real estate information into the Iowa Land Records system (property information details from other sources including GIS information)
- Accelerated system improvements desired by CLRIS/ILR customers (customer notifications, fraud prevention monitoring, enhanced search tools)
- Accelerated progress toward data and service standards within CLRIS and among Iowa counties
- A substantive reduction of the standard E-Submission service fee (currently \$1.50 per document)
- Development of additional online services provided through the Office of the County Recorder

### **Long-Term Sustainability Risks**

As the ESS Coordinating Committee proceeds with its work to oversee and plan for the future of CLRIS, there are several factors which may affect the long-term sustainability of the system. Some relate to whether the assumptions specified previously are correct, while others simply relate to the unknown including uncertainty about the economy.

**Real Estate Economy.** Resources for CLRIS and the Iowa Land Records project are primarily derived from the \$1.00 electronic transaction fee. Therefore the amount of funding for the project is dependent

upon the overall number of documents recorded in a given period. When the real estate economy is up, project income also increases. When the real estate economy is depressed, project income declines. If the real estate economy worsens compared to current activity and project income falls below projections, then further budget adjustments will be required.

**Inflation.** While interest rates remain at historically low levels, some costs will continue to increase. Local maintenance costs are projected to increase at three percent per year. Demand for talented technical staff remains high, and compensation must keep pace for CLRIS to retain and attract individuals with the right technical and communications skills. Some costs associated with equipment, data storage and bandwidth may decline as technology advances, but the overall impact of increasing costs in certain areas may affect long-term project sustainability.

**County Support for Local Maintenance Costs.** County and other local government budgets are tight, and resources may be further constrained if pending proposals for Iowa's property tax system are implemented. Many counties mitigated these costs in recent years using their Fund 823 resources. This option is no longer available to most counties as Fund 823 has been essentially depleted. The burden of this expense now falls on local budgets of County Recorders, and some consider it to be an unfunded mandate. In future years if counties are unable or unwilling to commit local resources to maintain the connection between their local systems and CLRIS, the long term sustainability of CLRIS could be in jeopardy.

**Future Equipment Replacement Costs.** As noted previously the project operating budget does not include ongoing allocations to replenish the equipment replacement fund. The ability to replace equipment in the future after the current Equipment Replacement Reserve is depleted is uncertain.

**Depth of Internal Technical Capacity.** CLRIS is fortunate to have developed a very capable internal technical team comprised of two full-time positions (A technical lead and developer) supplemented with selective external consulting assistance through Alliance Technologies, CSI and other service providers. This team has successfully undertaken a significant challenge in the past two fiscal years as the CLRIS system was relocated and reconfigured while concurrently implementing the process to review all documents and redact personally identifiable information. They are well positioned to maintain the core functions of CLRIS in future and to work on incremental changes and improvements. A potential serious risk is the unplanned departure of a team member and the steep learning curve which would be required of any replacement. If resources were sufficient it would be beneficial to have a vacant developer position filled. This would not only allow for greater progress on system improvements, but it would also provide an additional person who would be able to maintain the system in the event of an unplanned vacancy.

#### **Resource Options for Long Term Sustainability**

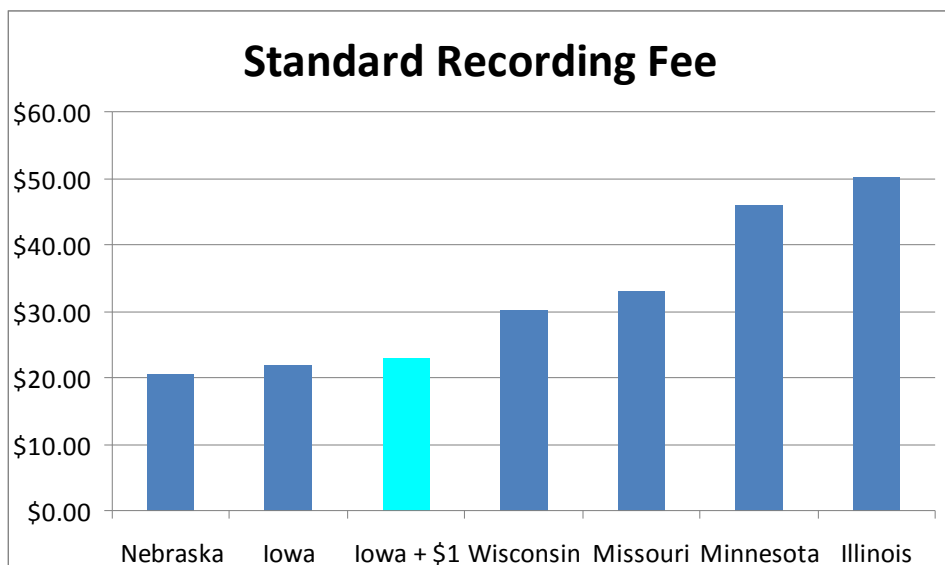
Additional resources are needed to ensure the long-term sustainability of the CLRIS system and to mitigate the risks to sustainability. Two primary options have been explored: increase the electronic transaction fee from \$1.00 to \$2.00 per document; or increase the volume of electronically submitted documents.

**Adjusted Electronic Transaction Fee.** The ESS Coordinating Committee and the Iowa County Recorders Association recommended increasing the electronic transaction fee from \$1.00 to \$2.00 to be effective July 1, 2011. This was presented as a part of the redaction legislation proposed in 2009. The Committee and Association recognized the issues affecting long-term sustainability, and the benefits that could result from establishing a stable source of project funding. The proposal was considered but not approved in the 2009 session, and it was again proposed but not approved in subsequent years.

The Committee and the Association recognize the concerns about any fee or tax increases during this challenging economic period. It is understandable that policy makers would be reluctant to increase recording fees, especially if it would cause Iowa recording fees to be out of line with other states.

The typical recording fees of states contiguous to Iowa were examined to gain a better understanding about how the fees compared. Data derived from the Iowa redaction project shows that the typical document filed in Iowa has four pages. Therefore, the standard recording fee in Iowa is \$22.00 (\$7.00 for the first page and \$5.00 for each of the remaining three pages). This data excludes real estate transfer taxes and the Auditor's transfer fee and compares only the basic recording fees.

Applying the same methodology and assumptions (four pages per document) to the states contiguous to Iowa, the typical recording fees for standard documents in those states are as follows: Missouri: \$33.00; Minnesota: \$46.00; Illinois: \$50.00; Wisconsin: \$30.00; and Nebraska: \$20.50.



As illustrated in this chart of standard recording fees, the ranking of Iowa recording fees would remain unchanged with or without the proposed increase in the electronic transaction fee from \$1.00 to \$2.00.

### **Increase Volume of Electronic Submissions.**

In the section regarding Service Fees it was noted that CLRIS is authorized to charge fees to defray the costs of services provided by third-party service providers and other fees required to enable electronic payment including but not limited to merchant fees, Treasury Management fees, and professional service fees. This authorization relates to the Iowa Land Records E-Submission service. The standard E-Submission service fee is \$1.50 per document. If the volume of electronically filed documents were to increase, some additional net income could be generated to help cover certain project costs including a portion of the local service provider maintenance costs. But in order to generate enough net income from the E-Submission service to fully pay for local maintenance services, more than half of the total documents filed each year would need to be processed through E-Submission.

### **Allocation of Additional Project Funding**

It is appropriate to ask how any additional project funding would be used whether it would be from an increase in the electronic transaction fee or an increase in E-Submission volume. The ESS Coordinating Committee believes that the following items would have the highest priority if additional resources were available.

- Defray the local county costs for service provider maintenance fees. This should be a project cost, and ideally counties should not be required to allocate local resources for this purpose. This cost is estimated to be \$253,000.00 in fiscal year 2013.
- Restore funding for one full-time developer position. CLRIS must attract and retain qualified technical staff to develop and improve services for customers and citizens.
- Budget ongoing resources for equipment replacement. At some point resources expended from the Equipment Replacement Reserve will need to be replenished.
- Address future inflation costs for personnel and other operating costs.

If the electronic transaction fee could be increased from \$1.00 to \$2.00 per document, it is expected that sufficient resources would also be available to substantially reduce the standard E-Submission service fee from \$1.50 to \$0.50 or lower.

### **Financial Report Conclusion**

The ESS Coordinating Committee and the Iowa County Recorders Association have taken their financial oversight responsibilities very seriously. The management of resources through three separate accounts is complex and has required ongoing attention. It is the goal of the Committee to continuously improve the services provided through the county land record information system and to secure the necessary resources to do so. But as those goals are pursued, the Committee will carefully manage the resources currently available and work to sustain the CLRIS system for the long term.

# Electronic Recording

## Introduction

On December 22, 2005 Allamakee County recorded the first electronically submitted document through the Iowa Land Records E-Submission service. It was a watershed moment, because Iowa emerged as the national leader in electronic document processing. According to the Property Records Industry Association there were only 200 counties engaged in electronic recording in August of 2006 (see <http://www.pria.us>). By the end of 2007 the number had reached nearly 300 with one third from the State of Iowa. As 2011 comes to a close other counties around the country are catching up – 700 now are capable of electronic recording. There are an estimated 3,700 recording jurisdictions in the United States as reported by Indecomm Global Services. Iowa remains among the leaders in electronic recording, and it is the only statewide system providing both document access and electronic recording services.

## ILR E-Submission History

Two important events occurred in 2000 and 2003. During the 2000 legislative session, the General Assembly adopted UETA, the Uniform Electronic Transactions Act. It may not have been fully recognized at the time, but the enactment of that legislation opened the door for electronic recording in Iowa. In 2003, as a part of a local government reform initiative, the General Assembly approved a proposal to authorize a special technology fee “for the purposes of planning and implementing electronic recording and electronic transactions in each county and developing county and statewide internet websites to provide electronic access to records and information.” [Emphasis added] This authorization coupled with the passage of UETA and other legislation to remove electronic document processing barriers (such as prior requirements for the retention of paper documents) made it possible for that first electronic document to be recorded in 2005.

Other factors which solidified the basis for electronic recording included the application form and the Terms of Use which comprise the agreement between the Electronic Services System and the Submitter (bank, mortgage company, attorney, etc.). Each registered organization and user is required to agree that submission of a document through the Iowa Land Records Electronic Submission Service is equivalent to delivery of a document through the U.S. mail, courier service or over-the-counter at designated offices in each county or jurisdiction. This policy was affirmed with the passage of Senate File 465 in 2009. Section 331.601A defines an electronic document as follows. “Electronic document” means a document or instrument that is received, processed, disseminated, or maintained in an electronic format. The submission of an electronic document through the county land record information system electronic submission service shall be equivalent to delivery of a document through the United States Postal Service or by personal delivery at designated offices in each county. Persons who submit electronic documents for recording are responsible for ensuring that the electronic documents comply with all requirements for recording.”

## Electronic Recording Defined

In most recording jurisdictions in the U.S. where electronic documents can be submitted, electronic recording can be described as the process of recording a scanned image of a valid real estate document submitted by a trusted party in the real estate industry such as a bank, mortgage company, title company or real estate attorney. Trusted parties are sometimes referred to as authorized “Submitters”. The image of the real estate document is usually accompanied by some information about the document such as the document type and the name of a grantor or grantee.

After a Submitter has transmitted the electronic document, the County Recorder reviews the document image and information. If the document is in an acceptable form, the County Recorder approves the

document, and their local document management system “records” the document by assigning a reference number and a time of recording. This recording information is then used to create a recording “stamp” which is placed in the top margin of the first page – signifying that the document has been recorded. After the document is stamped, the document image and information is imported into the local document management system for permanent archival.

The Iowa Land Records E-Submission service manages the process of receiving documents from Submitters, presenting the documents to County Recorders for review, and then facilitating the process of stamping and returning the final version of an electronically recorded document and image to the County and the Submitter. As noted in the CLRIS Financial Reports section, the Iowa Land Records E-Submission service also processes payments for recorded documents on behalf of each County.

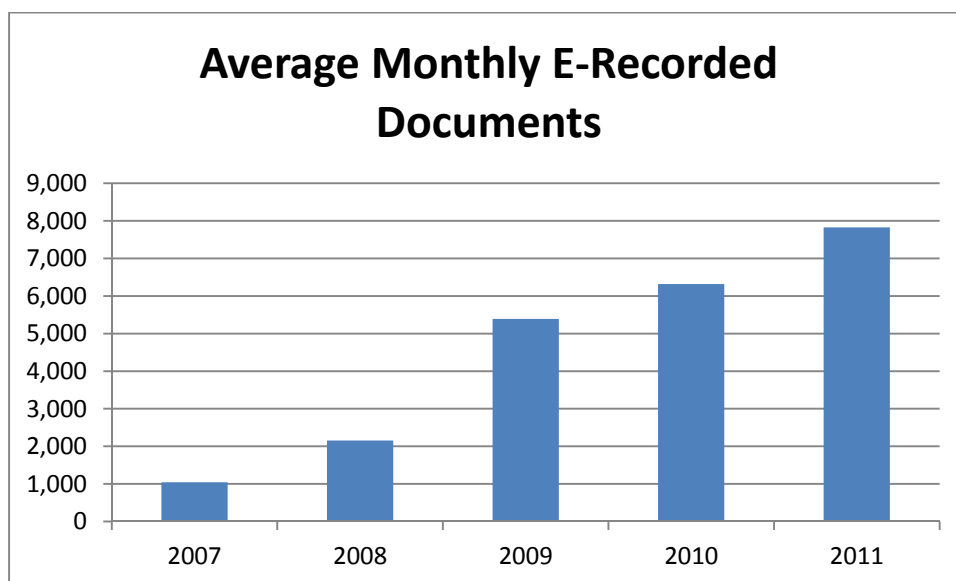
### **PRIA/MISMO Standards**

For more information about electronic recording, see “The Models of eRecording” published by the Property Records Industry Association. The paper is provided in the Appendix. Other papers published by PRIA may be found at <http://www.pria.us>. The Iowa Land Records E-Submission service is based upon standards developed by PRIA and the Mortgage Industry Standards Maintenance Organization (MISMO). Iowa County Recorders and CLRIS are active members of PRIA. Representatives of CLRIS are also actively assisting with the development of a new PRIA white paper on electronic recording portals.

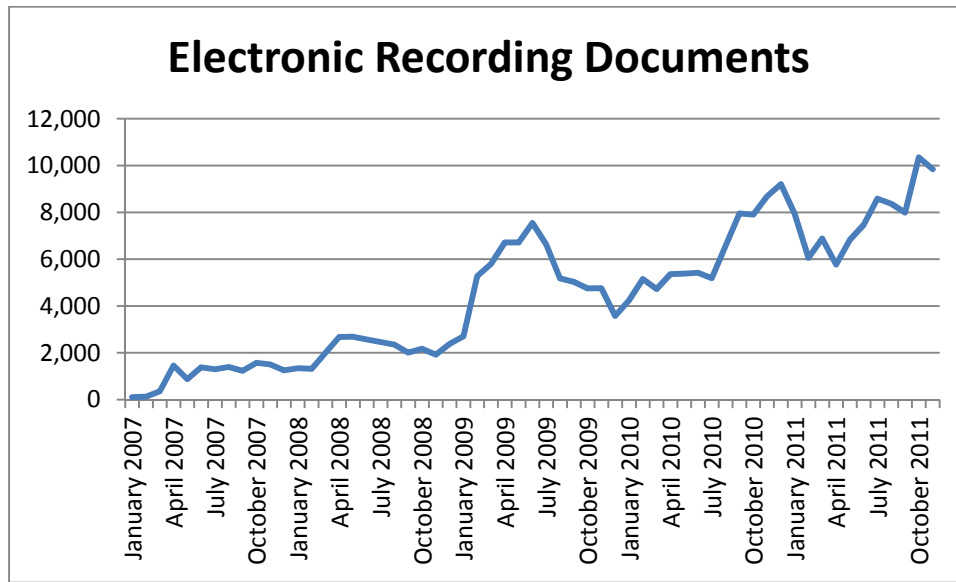
### **Electronic Recording In Iowa**

The Iowa Land Records E-Submission service has facilitated the successful recording of electronic documents in all 99 counties including the two counties which are not currently participating in CLRIS. Except for irregularly sized documents, the ILR E-Submission service accepts all document types ranging from mortgages and releases to deeds and other legal documents. Customers of the Iowa Land Records E-Submission service may submit documents through a web browser interface or through an integrated web service interface. For example, the Iowa Department of Revenue electronically submits state tax liens and releases to counties for recording. The Department’s collection system processes documents through a web service provided by CLRIS.

More than 250,000 documents have been electronically recorded in Iowa counties, and the average number of documents electronically recorded has increased each year.



In October, 2011 more than 10,000 documents were electronically recorded in one month for the first time.



### Benefits of Electronic Recording

The real estate industry continues to move forward with the adoption of technology to improve processes relating to mortgage origination and administration. Real estate attorneys and title companies are also looking for ways to improve efficiency and reduce costs. Electronic recording has proven to be a cost-effective way for all parties in a real estate transaction to provide timely public notice. Here are some of the tangible benefits of electronic recording.

- **Fast Delivery to the Recorder.** It takes just a few minutes to scan a real estate document, log on to Iowa Land Records and then submit a document to a County Recorder. There are no trips to the Post Office, and no postage or courier fees. Most importantly there is no waiting for traditional delivery. With the click of a mouse a document is instantly available for review by a County Recorder.
- **Fast Review and Action.** It is the policy of the Iowa Land Records E-Submission service to fully process an electronically submitted document within 24 hours (1 full business day). In most cases County Recorders complete processing much sooner.
- **Fast Error Correction.** If there is a problem with a document or if the calculated fees are incorrect, a customer can be notified immediately. In just a few minutes a customer can fix the error and resubmit the document electronically. There is no waiting for documents to be returned in the mail. If there is a fee error it can be corrected directly by the County Recorder so that document processing can be completed as soon as possible.
- **Fast Return of Recorded Documents.** After a document is recorded, a stamped image of the document is returned electronically to the customer. There is no waiting for the return of traditional mail to receive the recorded document.
- **Document Tracking.** Customers can monitor the status of documents online. Each document is assigned a tracking number and status is available at the customer's home page on the Iowa Land Records web site.

- **Payment Tracking.** Customers can reconcile their payments for electronically recorded documents against their bank or credit card statements using the online reports provided by the Iowa Land Records E-Submission service.

### **Lower Cost Value Proposition**

There is a service fee for the use of the Iowa Land Records E-Submission service – typically \$1.50 per document. But if time is money, then the value proposition for electronic recording is clear. Electronic recording is much faster than traditional recording processes, and when considering the cost of staff time, postage, courier fees, and even gasoline for the trip to the Court House electronic recording saves customers money. Private companies charge their customers up to \$5.00 per document for electronic recording services in other states. The Iowa model provides customers with a much better value by comparison.

### **The Future of Electronic Recording**

The ESS Coordinating Committee and the Iowa County Recorders Association will continue to promote the benefits of electronic recording and encourage real estate professionals to adopt the technology. Electronic recording and the Iowa Land Records E-Submission service are now beyond proof of concept. Electronic recording is legal in Iowa. Thousands of documents have been electronically recorded, and the documents filed have fulfilled the purpose of providing public notice for real estate transactions. No real estate transactions have been challenged due to concerns about the validity of documents which are electronically filed. Every document submitted through the Iowa Land Records E-Submission has been accounted for, and every payment made for an electronically recorded document has been reconciled. In short, electronic recording works.

It is hoped that the adoption rate for electronic recording will continue to move upward as a voluntary process. Ongoing customer training will be provided for real estate professionals through webinars and workshops, electronic newsletters and participation in various conferences and trade shows. The ESS Coordinating Committee has allocated a small amount of resources for these education and outreach activities. Financial information about electronic recording services is provided in the CLRIS Financial Reports section.

## Policies and Procedures

One of the most significant challenges associated with the operation of a statewide system for electronic recording and for providing online access to records is to develop and implement common standards and practices. In order to create a statewide system, counties pooled their funds together to create a centralized database and one web site rather than 99 separate county web sites. Prior to the creation of CLRIS, the Iowa County Recorders Association had adopted standards for indexing grantor/grantee names. The commitment of County Recorders to work together and establish some common rules made it possible to create CLRIS.

However, it must be acknowledged that County Recorders are independently elected public officials, and each has approached their duties at the county level in a different way. Given the many policy decisions that have been made by the original CLRIS Task Force and subsequently the ESS Coordinating Committee and the Executive Board of the Iowa County Recorders Association, some decisions and choices have not been warmly embraced by all County Recorders. For this reason the development and enforcement of policies, procedures and standards will be an ongoing challenge.

It is clear that the General Assembly and the stakeholders and customers of county land record information system expect that the system will act as a statewide system and that appropriate policies and procedures will be established to guide the operation of the system. This expectation has been well-documented in the history of the project as highlighted by the following actions.

- In 2005 the General Assembly required counties to establish a 28E agreement to govern and operate the system. 2005 Iowa Acts, Chapter 179, Section 101, Subsection 1 stated “The board of supervisors of each county, on behalf of each county recorder, shall execute a chapter 28E agreement with the Iowa county recorders association for the implementation of the county land record information system. Such agreement shall require the Iowa county recorders association to execute contracts necessary for implementation of the county land record information system.” All counties entered into this agreement with the exception of Hamilton County.
- In 2009 the General Assembly enacted legislation to require all counties to participate in the system and to follow the policies adopted by the CLRIS governing board. Section 331.604, Subsection 3(a) reads as follows. “Each county shall participate in the county land record information system and shall comply with the policies and procedures established by the governing board of the county land record information system.”
- Also included in the 2009 legislation was a directive to establish certain operational standards. Section 331.604, includes the following purpose for the system: “Establishing and implementing standards for recording, processing, and archiving electronic documents and records.”

Throughout the history of the CLRIS project the governing boards have taken their policy-making responsibilities very seriously, and they have recognized the importance of establishing common policies, procedures and standards in order to successfully operate a statewide system. CLRIS is a complex system with many different components, rules and operational standards. Prior to 2011 most policies were addressed through various separate policy documents, bylaws, and meeting summaries. The ESS Coordinating Committee recognized that it would be desirable to consolidate the various policies and procedures into a single structure and to follow an open process to ensure that all County Recorders and stakeholders would have an opportunity for input.

A draft version of a new Consolidated Policies and Procedures document was developed and reviewed by the ESS Coordinating Committee in May and June of 2011. In most cases the document simply consolidated and codified existing policy. After reviewing the working documents, the Committee published a draft version for review by County Recorders and stakeholders – similar to a Notice of Intended Action under the Iowa Administrative Code. The draft was shared with County Recorders at a

series of district meetings hosted by the Iowa County Recordors Association. The ESS Coordinating Committee reviewed the draft again at their meeting on July 13, 2011, and they suggested a number of changes. The Iowa County Recordors Association also held a public hearing for their members in conjunction with their summer school program on August 4, 2011.

After receiving comments and making several changes, the ESS Coordinating Committee approved the policies and procedures on September 7, 2011. The Executive Board of the Iowa County Recordors Association subsequently ratified the policies and procedures at their meeting on September 15, 2011. Finally, a briefing and status update was presented to the various CLRIS stakeholders at a meeting on October 27, 2011.

Future additions or amendments to the policies and procedures will be considered using a similar process of notice, schedule of consideration, input and adoption.

### **Current Policy Highlights**

The following is a brief listing of some of the existing policies which have been incorporated within the new and consolidated CLRIS Policies and Procedures manual.

- Clarifies governance policy, structure and procedures for the Electronic Services System and CLRIS. The 28E powers and duties are restated. (See Appendix)
- Clarifies technical standards and requirements for the CLRIS system including XML data standards.
- Clarifies policies relating to county indexing standards and other issues affecting the operations of CLRIS such as policies governing the indexing of grantor and grantee names, document type mapping standards, and associated document reference requirements.
- Restates requirements that counties are to transfer all electronic documents to CLRIS, and that recently recorded documents are to be transferred within three business days.
- Clarifies electronic document formatting standards and restates the requirement that E-Submission documents be processed within one business day.
- Restates current policy and law governing personally identifiable information and redaction requirements.
- Restates current Terms of Use and Privacy Policies for the Iowa Land Records web site.
- Clarifies voluntary compliance procedures.

### **New Policy Highlights**

The following is a brief listing of some of the new policies which have been incorporated within the new and consolidated CLRIS Policies and Procedures manual.

- Clarifies how E-Submission service fee income may be used.
- Establishes new document types for indexing including Covenants and Heritage documents.
- Establishes future requirements for reference numbers and indexing legal descriptions and parcel identification numbers.
- Establishes a transfer deferment process for certain archived county records.
- Establishes image resolution and compression standards for electronic documents.
- Clarifies enforcement options including procedures for formal notification and authority to seek a declaratory judgment in court.

The CLRIS Policies and Procedures are provided in the Appendix.

# County Participation

The ESS Coordinating Committee and the Iowa County Recorders Association are committed to a statewide county land record information system. The importance of having each county participate is recognized. It is understood that all customers and stakeholders should receive the benefit of having access to information and E-Submission services since they regularly support the operation of CLRIS through the payment of the \$1.00 electronic transaction fee.

Two counties, Hardin and Hamilton are currently not participating in CLRIS and not cooperating with the ESS Coordinating Committee. Document index information and images are not being transferred, and the two counties are not accepting E-Submission documents. Generally they are declaring “home rule” and choosing not to communicate or comply with the policies and procedures adopted by the Committee. We believe the law is clear. Section 331.604, Subsection 3(a) states: “Each county shall participate in the county land record information system and shall comply with the policies and procedures established by the governing board of the county land record information system.”

## Voluntary Compliance Efforts

The ESS Coordinating Committee and the leadership of the Iowa County Recorders Association has made numerous efforts to seek voluntary compliance from each County. These efforts extend back to the period when the CLRIS system was being reconfigured and counties were asked to begin transferring images again – the summer of 2009. In October, 2009 the Association and Committee formally requested that Hamilton County approve the 28E agreement and comply with CLRIS policies. The Hamilton County Attorney replied with a notice that they would need more time to respond, but no written response was ever received from Hamilton County.

In March, 2010 the ESS Coordinating Committee and the Iowa County Recorders Association notified the Office of the Attorney General and ask for assistance in seeking compliance from Hamilton County. The Office of the Attorney General responded in July, 2010, but declined to provide any direct assistance. They advised that the matter would be more appropriately addressed by the Association’s own legal counsel.

Similar efforts have been made to seek voluntary participation from Hardin County. In June, 2011 efforts to reopen communications with Hardin County were initiated. A meeting was held with the Hardin County Recorder in August, 2011. The Hardin County Recorder requested time to consider the information presented at the meeting, asked to defer a response until after Labor Day, and asked again to defer until October. No response was received and the status of Hardin County has not changed.

As noted in the Policies and Procedures section, the ESS Coordinating Committee has developed a new consolidated Policies and Procedurals document. Opportunities were provided to County Recorders to provide input into those policies during the summer of 2011. Both the Hamilton County Recorder and the Hardin County Recorder were aware of these policy discussions. The Policies and Procedures were formally adopted in September, 2011.

Chapter 8 of the adopted Policies and Procedures describes the steps which are to be followed to secure compliance with the policies established by the ESS Coordinating Committee and the Association’s Executive Board. This Chapter expresses the intent to secure voluntary compliance and participation from each County and County Official. However, if a County or County Official “is purposefully or willfully failing to comply with a policy or procedure” Chapter 8 specifies that “appropriate progressive” action be taken to secure compliance.

The ESS Coordinating Committee concluded that they have fulfilled the spirit of the policy is seeking voluntary compliance from both counties in the preceding two-year period. Therefore, the Committee directed that both be formally notified and directed to participate and comply with the Policies and

Procedures. Notification letters were sent in October, 2011 to the County Recorders, Boards of Supervisors and the County Attorneys. Both counties were asked to respond by the end of November, 2011. No response has been received.

Section 8.3(4) of the Policies and Procedures states as follows:

“If a County or County Official fails to comply with a policy or procedure within thirty days of the written notice, or if a County or County Official does not respond to a written notice within the thirty day period, then the ICRA Executive Board or the ESS Coordinating Committee may take one or more of the following actions at their discretion.

- File action in District Court seeking a judicial declaratory ruling to require compliance with the policy or procedure.
- File a Report of Nonfelonious Misconduct in Office with the County Attorney under Section 721.2 of the Iowa Code, or with the Attorney General if applicable.
- Notify the public of the willful or habitual neglect or refusal to perform the duties of the office on the part of the County or County Official, and advise the public of their right to petition under Sections 66.1A and 66.3 of the Iowa Code.
- File an action in mandamus against officials for failing to comply with policies, procedures or state law.”

The ESS Coordinating Committee is currently considering these options. The prospect of filing litigation has created some tension within the membership of the Iowa County Recorders Association. Everyone would prefer to find a way to secure voluntary participation and compliance, but that does not seem possible.

If no action is taken, or if there is no consequence for opting out of CLRIS, then there is a possibility that other counties may withdraw. There is also the possibility that some counties may continue to participate in CLRIS, but selectively choose which policies they will follow. Either outcome would undermine the benefits of a statewide county land record information system.

The ESS Coordinating Committee is prepared to take action if no other options are available. As this action is considered, the Committee would appreciate any guidance or suggestions from our legislative representatives. We look forward to discussing the issue with the General Assembly during the 2012 legislative session. Specifically the Committee asks for advice and comment on the following questions.

- Was it the intent of the General Assembly that all counties should participate in the county land record information system?
- Should the ESS Coordinating Committee or the Executive Board of the Iowa County Recorders Association file litigation to ask a judge to require compliance by Hamilton County and Hardin County officials?
- What other methods should be considered to enforce compliance with the Policies and Procedures?
  - Civil penalties similar to municipal infractions under Section 364.22 of the Iowa Code?
  - Include participation in CLRIS as a County Recorder’s duty under Section 331.602?
  - Make the failure to comply subject to a penalty under 331.901(7)?
  - Authorize the ESS Coordinating Committee to seek an opinion or assistance from the Office of the Attorney General?

In summary, the ESS Coordinating Committee and the Iowa County Recorders Association support a statewide county land record information system. Every county should participate and comply with the policies and procedures which are necessary to maintain a successful statewide system. The

Committee appreciates the support of the General Assembly and the stakeholders and customers of CLRIS as these goals are pursued.

## Batch Transfer of Records

Included in the privacy legislation adopted in 2009 (Senate File 465) were provisions relating to the batch transfer of electronic documents. The legislation prohibited the governing board of the county land record information system from entering into an agreement to provide access to electronic documents or records on a batch basis. This was in response to requests from some stakeholders who expressed concern about access to land records by competitors from outside the state of Iowa. Those external organizations had been accessing the records through the Iowa Land Records web site, and their search activities were having a performance impact on the system. CLRIS explored an integration agreement with the company Data Tree that would enable the transfer of records more efficiently for a fee. The ESS Coordinating Committee deferred action on the agreement to allow stakeholders and the General Assembly to provide input about the issue. The result was the enactment of legislation which prohibited the “batch transfer” of electronic documents by CLRIS. Individual counties were allowed to continue to transfer batches of electronic documents to their customers and stakeholders.

For individual counties, the legislation may have created an unintended situation as the policies relating to redaction and the batch transfer of documents by counties come into conflict. This is because access to electronic documents by local customers and stakeholders may be delayed if counties wait for the redaction process to be completed.

### Batch Transfer After Redaction

The primary emphasis of the legislation was to protect privacy. The legislation requires that documents be redacted before they can be transferred to any person. Section 331.606A, subsection 3, as amended by Senate File 465, now provides that electronic documents which are transferred to any person must first be permanently redacted. Specifically the section states: “Personally identifiable information that is contained in electronic documents that are displayed for public access on a website, or which are transferred to any person, shall be redacted prior to displaying or transferring the documents. Each recorder that displays electronic documents and the county land record information system that displays electronic documents on behalf of a county shall implement a system for redacting personally identifiable information.”

The applicability of this requirement to County Recorders as well as the county land record information system seems to be reinforced with the language in Section 331.603, Subsection 5 (b). This section reads as follows: “ Electronic documents and records made available under this subsection shall not include personally identifiable information and shall be subjected to a redaction process prior to the transfer of the electronic documents or records to another person pursuant to an agreement under paragraph “a”.”

### Redaction Processing Time

The redaction of all electronic document images is being managed through the CLRIS system. Counties first transfer document images to CLRIS where they are placed in a private image repository. As described in the Redaction section of this report, the images are then processed by CSI to identify and then redact any personally identifiable information that is found. Depending on when a county transfers a document to CLRIS, the time it takes to complete the redaction of a recently recorded document and then return it to CLRIS for public access could be between one and three business days. After the redaction process is completed and the document is made public, CLRIS makes the redacted image available to the county document management system. Some (but not all) county systems have been modified to retrieve the redacted documents. If enabled the retrieval process could take between one and two business days. This processing time may be causing one of two things to happen.

1. Counties are delaying the batch transfer of electronic documents to local customers or stakeholders, due to the time it takes for the redaction process to be completed.

2. Counties are proceeding with local processes for the batch transfer of electronic documents to local customers or stakeholders before the redaction process is completed.

The General Assembly may wish to review these policies to determine how best to balance the issues of preventing the transfer of documents which include personally identifiable information with the need for timely access to document images by professionals in the real estate industry. Possible options may include the following:

- Modify the law to authorize individual counties to implement a batch transfer of electronic document images which have not been subjected to a redaction process.
- Clarify or reinforce requirements which prohibit the transfer of document images prior to the completion of the redaction process.
- Authorize CLRIS to facilitate the batch transfer of electronic documents after the redaction process is completed.

The ESS Coordinating Committee and the Iowa County Recorders Association are pleased to work with legislators, stakeholders and customers to identify possible solutions to this issue.

## Conclusion and Recommendations

The ESS Coordinating Committee and the Iowa County Recorders Association are pleased to present this report to the Iowa General Assembly. The report shows that the redaction project has been carried out in the manner which was proposed to the legislative interim committee in December, 2008. The redaction process is nearly complete, and every reasonable measure is being taken to prevent the disclosure of personally identifiable information. The project has been carried out within the estimated budget parameters, and some resources will be available for future redaction activities. Financial decisions and transactions relating to the redaction project have been transparent and fully disclosed to policy makers and stakeholders as requested.

In addition to requiring a status report on the redaction project and a detailed financial accounting, the General Assembly requested an analysis and recommendation regarding the continuance or discontinuance of the fee collected under section 331.604, subsection 3. This analysis and recommendation was included in the CLRIS Financial Reports section and more specifically the subsections relating to long-term sustainability.

Also included in this report was new information about electronic recording in Iowa and the State's leadership position in the real estate industry. Efforts to establish consistent policies and procedures for the benefit of customers and stakeholders are described. The county land record information is complex and involves the coordination of effort among many elected County Officials and staff and many private service providers. The challenges associated with circumstances involving County Officials who do not wish to comply with standards and best practices are documented. Finally, the report identifies issues relating to the transfer of electronic documents which the General Assembly may wish to review.

The recommendations to the General Assembly are as follows.

1. Continue the base level \$1.00 electronic transaction fee under section 331.604, subsection 3. This fee is the minimum level of financial support required to sustain the core services of the county land record information system.
2. Consider increasing the electronic transaction fee to \$2.00 to ensure the long-term sustainability of the county land record information system and to provide necessary resources for ongoing system enhancements. The ESS Coordinating Committee is open to exploring other resource options, and is prepared to answer questions and provide information in preparation for future years.
3. Consider other policies and provide guidance to CLRIS about further steps which may be taken to prevent identity theft or the intentional disclosure of personally identifiable information.
4. The General Assembly is asked for guidance about options for establishing and enforcing standards and policies which are necessary to operate a consistent and high quality statewide county land record information system.
5. Consider options which would clarify expectations relating to the batch transfer of electronic documents.

The ESS Coordinating Committee and the Iowa County Recorders Association wish to express appreciation to the Iowa General Assembly for the passage of Senate File 465 in 2009, and for the opportunity to carry out the redaction project while restoring an important service to the Iowa real estate industry.