**What is the financial impact from having a document rejected?**

A frequently overlooked and controllable expense for many submitting companies comes from the cost incurred when re-recording rejected documents. There are a ton of variables that play a role in the recording process. One thing we can all agree on is that the cost for resubmitting rejected documents can really add up.

I am using a hypothetical scenario with approximations from my experience in both the Title industry and Register of Deeds office. *It will vary between counties and submitters based on volume and salaries.*

In 2021, Livingston County had:

**51,977** documents recorded.

**5,124** documents were rejected for various reasons, some documents more than once.

**9.85%** of all the documents submitted in Livingston were rejected for not meeting the recording statutes.

2021 rejection numbers surpassed any previous year. Each year the number and cost of recording rejections continues to increase. *2020 held a 50% increase over 2019 for rejections.*

*Bear in mind, these are only the documents submitted for* ***1 county****. There are* ***83 counties*** *in the State of Michigan. This is an important topic because we are observing year over year growth in the number of rejections. (2018 - 2,396; 2019 - 2,498; 2020 - 4,969; 2021 - 5,124)*

For demonstration's sake, let’s say the person at the company submitting the document (Title Company for our example) and the ROD Deputy are paid the same amount around **$41,600 a year**. For ease of calculating, we place both employees at **$20.00 an hour**. An experienced ROD Deputy can review a document, verify for accuracy and index in approximately **4 to 5** minutes. I will also estimate that an experienced Title Company agent can review a document to be recorded, scan the document, complete checklist, etc. in approximately **10 minutes**. Rounding up to a time frame of approximately **15 minutes** per document to be reviewed, scanned in, submitted, reviewed again, indexed, processed and recorded.

**What is the personnel cost for the time spent per document?**

**$20.00** per hour divided by **60** minutes is **$.34** per minute

**15** minutes per document at **$.34** per minute comes to **$5.10**.

Roughly **$3.40** to compensate the submitter/title company, **$1.70** to compensate the ROD employee.

Salaries to review and process **5,124** documents the first time are approximately **$25,620**.

**5,124** documents cost the submitter/title company **$17,421.60** and ROD **$8,710.80.**

Approximately, **$5.10** per document, **$25,620** a year, is spent paying staff to submit and record **5,124** documents. The first time the document is submitted is considered part of the cost to do business.

**What occurs when it is rejected?**

The time required per document increases when the document is rejected. The ROD reviews, rejects, completes the MARD checklist and returns the document to the submitter for corrections. The submitter must review the rejection reasons, make the corrections and resubmit the document. Depending on the required corrections it can take a few minutes or consume hours to get corrected.

Again, there are a boat load of variables, but let’s add **15 minutes** for the document to be corrected. The checklist filled out, returned to sender, reviewed, corrections made and document re-submitted for recording.

This is all additional time to the original **15 minutes** because all of the original steps must still be performed after the document is re-submitted. *15 minutes is probably a conservative number, but some corrections are a quick fix. Many times, the Registers office will call to ask if they can make a change instead of rejecting.*

Still **$.34** per minute, but now we are at a total of **30 minutes:**

30 minutes per document at **$.34** per minute comes to **$10.20**.

Roughly **$6.80** to compensate the submitter, **$3.40** to compensate the ROD employee.

ROD staff has to re-do their entire process that they performed previously so we cannot remove any time from their process and the submitter has to redo their process to make sure the corrections are completed.

**Just like that, the cost for the same documents already submitted for recording has doubled!**

2021’s rejected documents, **5,124,** at **$10.20** per document gives a total of **$52,264.80 a year** to cover the cost of recording rejected documents! **$34,843.20** for the submitter to pay the people sending over the rejected documents and **$17,421.60** for the ROD staff to redo their part.

Again, these are numbers for just **1** county and not even the largest county in Michigan.

**$34,843.20** for the submitter to pay the people sending over the rejected documents and **$17,421.60** for the ROD staff.

Of course, there are a lot of variables that can come into play changing the dollar amount required to record rejected documents. I would argue that **$52,264.80** **a yea**r to re-record documents is probably on the **conservative** end.

**Since the original $25,620 did not record the document the first time submitted,**

**that money is considered lost funds.**

**But wait, there’s more!**

This scenario does not include;

* Any charges or cost for mailing or shipping to complete the corrections.
  + Sending Originals back and forth can be costly.
* The time spent should a trip be required to sign a document or deliver a document.
  + Driving to customers or having customers come to you consumes time.
* Reputation damage caused from having to correct errors.
  + People talk and word spreads fast.
* Does not account for the disruption to the submitters work flow when they have to backtrack to correct a document after they have already moved away from those files.
  + Processors have moved on and do not want to look back.

**Most importantly:**

Michigan is a race to record state. This means that the first lien to be recorded takes priority over the liens recorded afterward. A delay in getting a document on record could create a chain reaction of events for property owners, new owners, title companies and lenders. Attorneys, lawsuits and insurance claims can ruin a company.

**Moving forward.**

The Register of Deeds office wants to record documents, that is the purpose of their department. The ROD staffs want to have a relationship with the submitters.

Sometimes, simply emailing or calling can avoid a rejection and save time.

The formatting requirements for recording a document are outlined on the Register of Deeds website, <https://www.livgov.com/rod/> under “Recording Requirements”.

The state of Michigan statutes are available at [https://www.legislature.mi.gov](https://www.legislature.mi.gov/).

We encourage anyone to reach out to your local Register of Deeds office if they have questions about recordability or document rejections.

*Contrary to rumor, ROD employees do not receive a nickel for every error they find.*

As outlined above, rejections increase the cost for the submitter and the recording office.

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