

# ALTA NEWS

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**AMERICAN  
LAND TITLE  
ASSOCIATION**



**\*\*\* For Immediate Release \*\*\***

## **Title Insurance a Small but Valuable Portion of Mortgage Costs**

**Washington, D.C., July 21, 2011** —The [American Land Title Association](#) (ALTA) warns that a yearly study of closing costs released by Bankrate once again relies on a faulty methodology of collecting data and fails to accurately describe the true cost of title insurance.

The study gives the impression that title insurance rates comprise the majority of costs associated with obtaining a mortgage, while giving the appearance that lender fees comprise a small amount of fees consumers will pay to obtain a loan.

“Because Bankrate’s survey takes its numbers from online GFEs, it provides an inaccurate picture of the true costs homebuyers actually pay at the closing table,” said Michelle Korsmo, chief operating officer for the American Land Title Association. “While this year’s report notes that title insurance fees did not increase over the past year, Bankrate has some serious limits in compiling data for its study and may not help consumers understand their specific transaction. You must compare actual closing costs to really find out what consumers actually pay and which parties provide and charge for those services. From the consumers’ perspective, it’s what they pay that counts.”

The study misrepresents the average title insurance cost because of the five components that comprise the title insurance cost are different from state to state. In several states, the title insurance rate is considered “all-inclusive,” meaning it includes one charge for risk, search, exam, closing and escrow. In other states, there are varying degrees to what is included in the title insurance rate.

“One thing that is absolutely clear, it’s difficult to get an actual picture of closing costs because practices, the types of charges and who pays varies from state to state,” Korsmo said.

Another concern is that the data is misleading because of the way it is categorized and labeled. On the main chart, one category is labeled “title and closing” fees. However, the majority of third-party fees listed is actually required by the lender in connection with the loan and has nothing to do with title or closing. These include appraisal, credit report, employment verification, inspections, flood certification.

“In addition to the purchase price of the home, there are fees paid at the closing table including taxes, real estate commissions and mortgage fees,” Korsmo said. “Title insurance is only a small fraction of these other expenses associated with closing on a home, and in most cases comprise about 4 percent of closing costs, according to a study released by the Government Accountability Office. Meanwhile, the same government report showed that lender fees account for 13 percent of closing costs and government fees and taxes comprise 12 percent of the fees.”

#### **About ALTA**

The [American Land Title Association](#), founded in 1907, is a Washington, D.C.-based national trade association representing more than 3,800 title insurance companies, title agents, independent abstracters, title searchers, and attorneys. With offices throughout the United States, ALTA members conduct title searches, examinations, closings, and issue title insurance that protects real property owners and mortgage lenders against losses from defects in titles.

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