



Readers Say

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PRINT EDITION ONLY

On behalf of the more than 100,000 men and women in the title insurance industry, I am appalled by the misrepresentations of "[Inside America's Richest Insurance Racket](#)" (Nov. 13). Title insurance protects lenders and consumers in two key ways: 1) providing assurance that the title is clear before a sale occurs; and 2) protection in the event that a previously undiscovered title issue should arise after the transaction has been completed. Such issues are corrected by title professionals in one of three residential real estate transactions--a greater incidence of potential claims than occurs in any other line of insurance. Fewer than one in three homes burns down, for example, yet no one claims that fire insurance is unnecessary. The losses that title insurance prevents include prior mortgages, mechanics' liens and tax judgments. Over the past 25 years the pretax profit margin for title insurers has been roughly 1.3%--certainly not excessive. The tens of thousands of title agents in the U.S. are hardworking mom-and-pop operators. For William Baldwin to refer to them as "featherbedders" in his accompanying column, "[Side Lines](#)", comparing them to "mafia goons" and "coal handlers," is unconscionable.

James R. Maher
Executive Vice President
American Land Title Association
Washington, D.C.

ONLINE EDITION

Forbes has set a new benchmark low by denigrating the title insurance industry under the guise of an informative article.

Mr. Woolley completely (and purposely) misses the point. Title insurance is not just about the claims that are filed against an insurance policy. It's about the *process* of searching and correcting title issues *before* the sales transaction, which accounts for the majority of the insurance premium. Consumers are buying a product designed to protect them before and after they move into their new home. To allege that title insurance is unnecessary, when one out of every three title searches reveals a problem that needs to be addressed so that it does *not* result in a claim, is not only wrong, it is irresponsible.

This flagrant attempt to smear an entire industry with flawed, misinformed conclusions and fallacious, sensationalized journalism is an insult to FORBES readers.

James R. Maher
Executive Vice President
American Land Title Association
Washington, DC

I have worked in the title Insurance business as a Title Officer for over 30 years, and would like to invite Scott Woolley to sit at my desk with me for just a week and see all of the title defects we encounter because people have purchased property without title insurance. Not only do we insure a clear deed but we insure the lender that there are no outstanding liens that exist prior to their new loan. You have misled the American public about a product that insures piece of mind for one of their most prized possessions, their home.

Debbie Filson
Salem, Oregon

Wow, I just read Scott Woolley's article on the Title insurance industry. I have spent my entire career in the real estate field. I have been a licensed realtor, a lender, sold insurance, and have been a title insurance agent for just about all of the large title insurers. I have built my career on being honest and never ripping off consumers, buyers or sellers. But Scott's take sounds like he has a grudge with closing costs. Fraud is rampant in today's market, especially as one deals with closing costs. My competition was always paying off realtors, lenders. Maybe Woolley should talk to someone who knows the business from the trenches. Real estate agents make 6-7%; that is outrageous. On a \$200,000 home that's \$14,000 for a few hours work. Lenders make \$5,000 to sometimes \$10,000 on such a transaction. Title companies make an average of \$1,500 on the high end if they are in the larger than average market. So let's lower the title companies' costs!

I could also tell some horror stories about those who did not buy title insurance for less than \$700, purchasing an \$80,000 home and not being covered despite the title search being accurate. One example; an unrecorded mortgage from Bank of America they thought it was recorded, the seller, who still cannot be found thought it was recorded. The buyer without title insurance negotiated a price after paying for thousands of dollars in attorney's fees; just to get to negotiate a price in foreclosure of a mortgage he knew nothing about. He sure wished he had bought Title insurance for \$700.

Or the guy that bought for cash a property cheap and figured he would make a bundle quick. Didn't want to pay for a survey of the property. To find out the owner still owned the other lot next door; the buyer bought his lot in foreclosure, the only one with a lien on it. The owner built the house between the two. He laughed at the foreclosure action. Want to draw a yellow line down the middle of the house? The title search for the lot was perfect by the way, nothing wrong with either lot. This gentleman will never buy a house without title insurance. He lost tens of thousands on the property. Not much of a bargain. There are lots more of these stories. Many of these have happy endings because they had title insurance to bail them out of an unknown situation. You see it is not all about accuracy. Do you want to waive title insurance in your next couple of hundred thousand dollar investment for pennies on the dollar of protection? Not I, thanks!

Bill Sparklin
National Training Manager
First American Title Insurance
Tampa Bay, Florida

I am an avid reader of FORBES Magazine and have read many articles over the years that are very interesting and educational. I work for LandAmerica Lawyers Title and was forwarded an article in your most recent edition of FORBES and found it completely out of line with the reality of the Title Industry. I realize that it is the magazine's stance to produce strong, opinion based reading that catches the attention of readers, but I also would hope that the opinion being given is provided to the reader in an unbiased, factual manner that provides a fair and balanced format for the reader to make a fair conclusion about the subject at hand.

Here is the bottom line: There are good title companies and there are bad title companies, which needs to be pointed out. LandAmerica has been caught up in some legal issues in the past, but our governing body, RESPA, has left the laws so unclear that it is very difficult to decipher what is legal and what is not. We have made good on the issues where we were wrong and will continue to do so if, in fact, we are doing something out of the ordinary. As a company we can only try to hire and manage the right people and point out what is right and wrong, but we cannot keep the bad apple that may slip through from acting in an irresponsible manner. If we find that a person is acting irresponsibly we would reprimand them and possibly fire them depending on the circumstances. The stance that I have taken is to play it safe rather than be sorry down the road. From a sales standpoint, if we get business by giving out tickets to sporting events, sending people on vacations, or giving them kickbacks, then we are just as likely to lose those customers to the next title company that offers them more tickets, better vacations, and more lucrative kickbacks. We have a strong belief that our service and product package are far superior than that which our competition can offer. This has made us successful and will be the reason we continue our success as LandAmerica. We do it the right way and in the right manner -- end of story.

It was interesting that the author of the article pointed out that on average \$74 of the policy premium goes towards paying claims. The important part that has been conveniently left out is the percentages that go towards paying a person to work up the package, paying a person to close the package, paying for processing, paying for copies of the docs we have signed, paying for employee health care, matching 401k contributions, paying rent, leasing telephone lines, buying computers and software, and the list goes on. This is a very necessary part of a real estate transaction that protects the most important purchase of most people's lives. It is a one time fee, paid for buy the seller in my area, to transfer free and clear title. Does the author think it is important that he legally owns the property in which he resides? My guess is that his answer would be yes.

If you want to pick on insurance companies, call my homeowners insurance provider. Now there is a racket!

David B. Thomas
LandAmerica Lawyers Title
North Central Indiana Sales manager
Indianapolis, Indiana

This article was both disturbing and misinformed.

The insinuation that a simple title search will replace the need for title insurance is absurd. Title insurance is a cost in our industry with a silent benefit no one sees until it is needed and then there is wonder that anyone would ever do a transaction with out it. I closed a file a couple of years ago and last year a claim was filed. The insured was a young woman working 3 jobs and going to school and this was her first home. She contacted me in a panic because her home was being foreclosed on by a Lender other than the one that she had her loan with. This experience was extremely frightening for her. The notice of trustee sale was recorded and she was inundated with harassing phone calls and solicitations. Suffice to say, I did quite a bit of work to determine what had triggered this and found out that the Seller had 5 other properties with the same Lender in the same complex. The Lender had made a mistake in deciphering the properties and released their lien on the wrong property when we paid it off. I did hours of research and submitted it to my claims department who immediately jumped in and solved the problem. They paid the claim to stop the foreclosure. The fault for this debacle was irrefutably the Lender who filed the foreclosure but they are one of the largest residential lenders in the Country and dealing with them was an exercise in futility. Their Trustee Attorney had no interest in doing anything other than what their client had instructed. It took me weeks to get to a person with the Lender high up enough to start looking into the problem. How far do you think our client would have made it? The cost of her policy was around \$650.00 which she didn't pay for- the Seller did.

This is one example among many that I am more than happy to share. The fact is, the majority of the time, claims are filed on issues that arise AFTER the closing. A "simple \$25 title search" will not prevent the disastrous pitfalls that I have seen arise in these scenarios. Mr. Woolley seems like a very angry man with a grudge against someone at First American Title. His anxiousness to bring down whomever he is so angry with spawned a very paranoid and inaccurate account of something he clearly doesn't understand. I will not argue with the fact that there have been and will be people and companies out there that are corrupt -- please, find me an industry where this isn't the case.

I am a person who enjoys what I do because I see outward benefit to the people I assist. I find my work both enjoyable and rewarding and it saddens me to see a publication of your stature publish such a one-sided and damaging article without getting a little more information about the basic workings of our industry.

Jeannine Coulter
Escrow Officer
Lawyers Title of Arizona
Scottsdale, AZ

I have been employed in the Title Insurance Industry for almost 40 years and have witnessed the many changes in procedural issues, technology and the demands of customers. Your recent article is disturbing and offensive.

In my opinion the customer receives great value or their dollar. The concept that the customer is being short changed, or cheated, is indicative of political tunnel vision. The greatest cause of the negative perception is due to the watchdog agencies, quick to jump on a political wagon wherein they think the public is not being represented fairly.

There are many times, when the Title Insurance Company, and the Escrow Company hold deals together by addressing and solving the many small issues that arise, particularly in residential transactions.

Title Insurance premiums are a one time charge. When compared with the risk assumed by the Title Company, should here in fact be a failure of title, or some other un-anticipated cloud on title or error show up, that the Title Company must pay, the value of the service is easier to recognize.

I am not at all embarrassed to say that I work for a Title Insurance Company, and I think we provide excellent, necessary and service of value to our customers.

Jim Dorsett,
Senior Escrow Officer
Phoenix, Arizona

I was recently forwarded a copy of your article "Inside America's Richest Insurance Racket" and I must say I was disgusted by your complete lack of journalistic integrity. While I am sure that William Randolph Hearst might have been proud of this type of yellow journalism, I assure you that I am not amused. As a Licensed Title Agent and Real Estate Attorney, I assure you that I am no "Featherbedder." My staff and I work very hard to ensure that, as I say at all of my closings, "the seller has the right to sell the property and the Buyer has the right to buy the property." The fact that our industry pays out 5% or less of its premiums to settle claims is a testament to the skills and abilities to the Agents working in the field. It means that we have cleared the Title to a property prior to a policy being issued. As agents we do our part to protect our underwriters (mine happen to be Ticor Title Insurance- a member of the Fidelity umbrella and the Attorney's Title Insurance Fund). Your notion that all money retained as premiums and not paid out in claims is absolutely preposterous. That money is spent to build, develop and improve technological infrastructure and to provide agents with access to knowledgeable staff attorneys. By investing their money wisely, Title Insurers, with the help of their Agents, are able to dispose of matters that could potentially become major issues and deprive innocent homeowners of their property. This method of risk avoidance (i.e. Title Agents clearing title before a policy is issued) coupled with risk assumption (i.e. Title Insurers underwriting these transactions) would be akin to your Homeowners Insurance Company making a monthly visit to your house to ensure that all of your electrical wiring was up to code and that your burglar alarm was working properly. Furthermore, Title Insurance provides invaluable protection for a very reasonable price. If I were to bill the amount of time (at \$250/hour), as an attorney I spend clearing title, the final bill on the Settlement Statement would be much higher than the premium that is charged. Just so you and your readers understand what we do, these examples were taken from real situations that we have had to deal with in the last 12 months.

1. Approximately 3 years after Homeowners purchased their house they were served with a foreclosure suit based on the previous owner's Home Equity Line of Credit. Apparently, when the Home Equity mortgage was recorded in the Public Records, the legal description was recorded in a landscape format as opposed to a portrait format. A claim was filed with his underwriter and the Balance was paid off.

2. In a purchase and sale of a home we discovered a mortgage recorded against the Seller's Property. Upon inspection, it appears that the Lender who prepared the mortgage made a typographical error in the legal description of the property that they meant to encumber with the mortgage. My staff spent countless hours working with the mistaken lender's release and reconveyance department to correct this error. (Note- this same fact pattern appeared in 2 of our files within a 5 month period.)

3. In a large commercial transaction we had to clear the following issues from Title (a) a 25 year old defective deed in which one of the prior owners (since deceased) signature was missing, (b) an interest acquired by a decedent's estate that was settled over 20 years ago, and (c) a potential claim by another 25 year old closed probate estate.

These are just a few of the issues that have come up recently and does not take into account the amount of time that Title Companies are the front line in the fight against fraudulent Real Estate Transactions. We work hard for our money and to protect the investments of property owners like your readers every day. Your position advocating the abolishment of our industry is both misleading and dangerous.

Geil S. Bilu
Attorney at Law
Empire Title & Trust, Inc
Bilu & Bilu, LLC
Deerfield Beach, Florida

I am a title agent and manager of a title company in a rural county in Wisconsin, and we are the heart of the real estate process! Our local attorneys, lenders and realtors rely on us to make their real estate transactions smooth! We solve problems everyday ranging from problems with legal descriptions to obscure ownership interests. We don't just search the public records. We examine every title for issues that the public records do not show. Some of which are that we read the description of the property to see that it closes and that no other properties overlap it. Many people lack the skills to draw out a legal description. We carefully examine the ownership interests conveyed to assure that all possible interests are extinguished. We check to see if the property has legal access. I recently worked on a file that did not have access, even though another title company had previously insured it! Our company has many files full of maps and abstracts that we use to search and examine titles with. You won't find those at the county register's office. Title examiners are highly skilled professionals, not just some average Joe off the street that has computer access to public records! The search of the public record is only the beginning of what I do as a title examiner.

Lenders rely on us to review their mortgage documents for errors. We prepare closing statements and act as a third party to hold and disburse funds according to the laws of our government in closing sales and for constructions or improvements. We provide lien protection when disbursing construction funds by a lengthy process of collecting lien waivers.

Our county register does not have a tract index, or index by legal description, so we maintain our own. Their records are indexed by name only, and when they can't find something, they send people to us for help.

Never do I foresee a day when the products and services of title companies become obsolete. Solving problems everyday is a very proud tradition in the title industry. We are a specialized industry that is customer/service driven. People rely on our opinions and commitment to excellence to make large investments of themselves and their money. It is a shame that people like Scott Woolley propagate foul opinions to the public because they misunderstand what we do.

Deborah J. McCoy
Office Manager Wisconsin Title, Inc.
Richland Center, Wisconsin

The enormous amount of research and title examination that goes into every title search that we provide is in no way replaced by ease of access to any public records that may be computerized. My labor cost is 50% of my revenue, and that includes our fees to do closings. After it is all said and done, my net profit is marginal. Also, you imply that title companies have some sort of monopoly. I guess your reporter hasn't heard about the 80+ competing agencies in St. Louis, Missouri. In my market in a county with 60,000 people, there are over 12 local companies and an unlimited amount of national companies who perform title work for national lenders.

Sharon Hopkins
President
Regional Title & Land Services
Jackson, Missouri

This article languishes in the kind of sideswiping carelessness usually served up in tabloids. Inaccurate assumptions are stacked one on the other to form a stepstool for reaching theatrical conclusions. C'mon, Scott, do your own homework and tell the real story, even if it's not as rabbleroising. Title insurance protects the investments of property owners and lenders. It's a cornerstone of our very economy, which depends on proof of ownership to produce financial leverage. One-third of title policy applications have a problem that must be resolved before coverage, and without that cure, one in three American homeowners wouldn't obtain clear title to their homes, the single largest asset most of us ever own. It's a time and labor intensive process of searching and cleansing records in order to *eliminate* risk, not merely *assume* risk like other types of insurers. Yes, title insurers' revenue has risen in the past five years -- as has the volume of transactions and the face values of insured properties. It's been a boom time. But our industry is cyclical; so stay in touch as the market levels out and do some revenue comparisons then. Title insurers ride these treacherous waves on behalf of consumers. Get it right.

Lloyd Osgood
Senior Vice President -- Corporate Communications
LandAmerica Financial Group, Inc.
Richmond, Virginia

I've operated as a small, independent title agent for over 20 years in Michigan. Many rural areas and small communities do not have computerized land records. While computerized records speed up the process of obtaining a copy of the recorded documents related to the title history of the property, it does nothing to speed up the examination of the retrieved documents to determine how each one affects the title to the property. A computer doesn't pick up on a forgery by comparing signatures on multiple documents purportedly signed by the same individual in the chain of title; a computer doesn't sit at the closing of a sale or financing transaction and verify the identity and legal capacity of those signing the legal documents involved in the transaction; a computer doesn't have artificial intelligence to examine property records to determine if the legal elements critical to the documents purpose have been met (ie legal capacity of the signatory, dower rights, homestead rights, tenancy in common, joint tenants, construction liens, foreclosure for property tax delinquency, to name but a few).

What about the rampant mortgage fraud in our nation? Title agents and title insurance underwriters are on the frontline protecting victims. We play an important role in preventing such fraud from occurring in the first place. Mr. Woolley has used a broad brush in describing our industry. The difference between us and him is that we ARE regulated, and there are strict controls on what we deliver to the public. Any future articles written by Mr. Woolley will find their deserved place in my home--lining the bottom of my birdcage (sorry, Tweety).

Vicky May
Caledonia, Michigan