

Consumer Title Insurance Shopping Survey



AMERICAN
LAND TITLE
ASSOCIATION



September 2016

Executive Summary

October 3, 2016, marks the one year anniversary of implementing the Consumer Financial Protection Bureau's (CFPB) Know Before You Owe: Mortgage Disclosures rule (TRID). This regulation changed not only the disclosure forms that consumers receive at the beginning and end of their mortgage transaction, but also the entire real estate closing process. As the title and settlement industry continues to adapt to this new environment, the American Land Title Association (ALTA) conducted its 2016 Consumer Title Insurance Shopping Survey.

ALTA partnered with Survata, a national market research company, to collect data on consumer experiences related to their purchase of title insurance and the TRID-required disclosures. Using the Survata platform, we polled 2,000 current and prospective homeowners. The survey posed 14 questions to these consumers about their preferences for learning information about title insurance and using mortgage disclosures. The results were census representative with a margin of error of 2.2%. Respondents received no cash compensation for their participation.

Highlights from the Survey

- **40% of consumers confused by new closing disclosure calculation of title insurance.** Under TRID, consumers are disclosed a price for their two title insurance policies that is different than the actual price they will pay at closing. Only 27% of consumers felt more informed by seeing the CFPB's mandated calculation of title insurance prices.
- **Homeowners want a detailed breakdown of all the costs for a service.** At the closing table, homebuyers expect the Closing Disclosure to serve as their receipt for the transaction. Disclosure concepts that were designed/preferred by the CFPB to aid consumer shopping were less desired.
- **Consumer's want to learn the benefits to them when buying an 'optional' product.** Consumers see the designation of a service as "optional" as an opportunity to learn more about that service. Education about the benefits of the product and cost and recommendations from trusted advisors are the crucial to helping consumers make an informed decision.

Targeting Questions

This survey targeted 2,000 current and prospected homeowners across the United States.

Which of the following best describes your living situation?

I own my home
I rent a house/apartment
I live with my parents/relatives
<i>None of the above</i>

If the respondent selected “I own my home” they were shown the following question.

How long have you been living in your current home?

Less than 1 year
Between 1-5 years
Between 5-10 years
More than 10 years

If the respondent selected “I rent a house/apartment” or “I live with my parents/relatives” they were shown the following question.

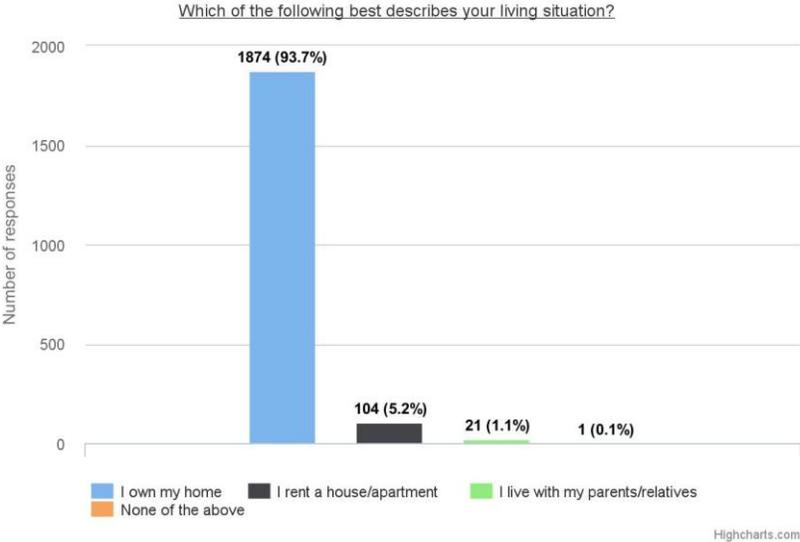
When do you plan to buy a home?

2-6 months from now
7-12 months from now
More than 1 year from now
I currently don't have plans to buy a home

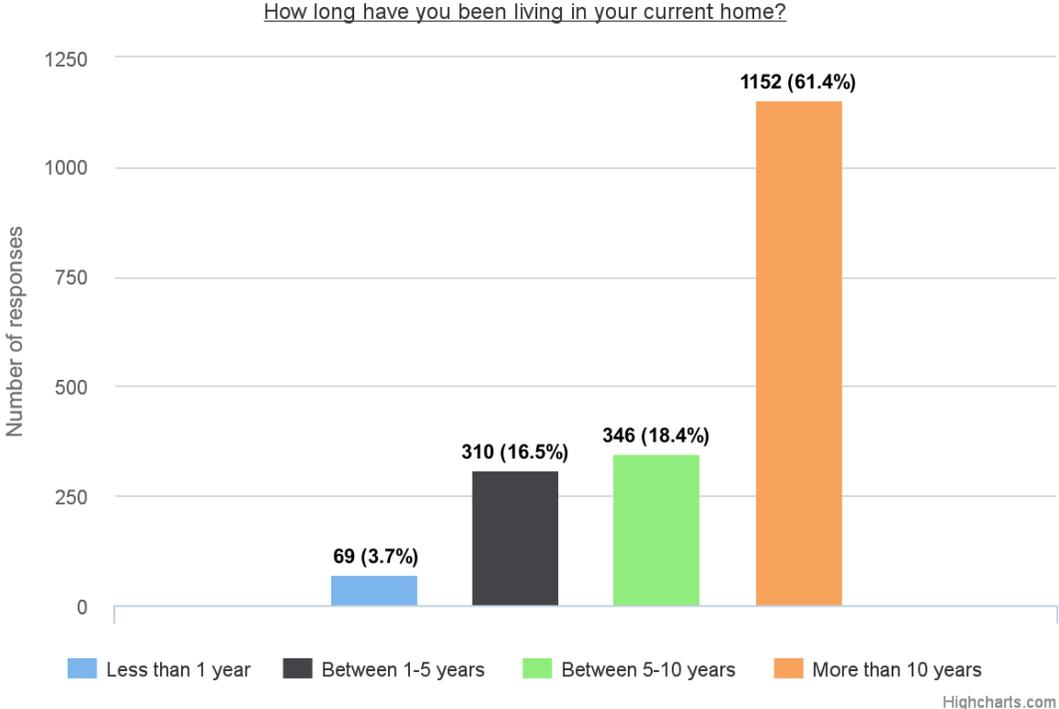
To be eligible for the survey the respondent need to own their home or expect to purchase a home in the next 12 months.

Sample Group

The sample group consisted overwhelmingly of current homeowners (93%). Prospective homeowners made up roughly 7% of the sample. Respondents were located in all 50 states plus the district of Columbia. The results are census representative.



Of the current homeowner population roughly 61% were homeowners with tenure of 10 years or more. Roughly 18% were tenured between 5-10 years. Newer homeowners made up roughly 1-5 respondents.



Looking at the respondents by age group, the largest group of respondents (30%) was between 55-65. The second largest group of respondents (27%) was age 45-54. Age 65 or older made up the third largest

group at 23%. Younger homeowners were roughly 20% with that age 25-34 at 7% those age 35-44 making up 13%.

In reviewing the results, there did not appear to be any statistically significant relationship between the responses to any of the questions and the age or housing tenure of the respondent. These relationships were determined using Fisher's exact test when possible, and otherwise Pearson's chi-squared test. These calculations were performed using Statwing's statistical analysis platform.

Survey Questions & Results

The survey consists of 14 questions. Participants that qualified as current homeowners were required to complete each question. Prospective homebuyers were only asked questions that could be relevant to their situation.

For each question, the order of the possible responses was randomized to protect against selection bias.

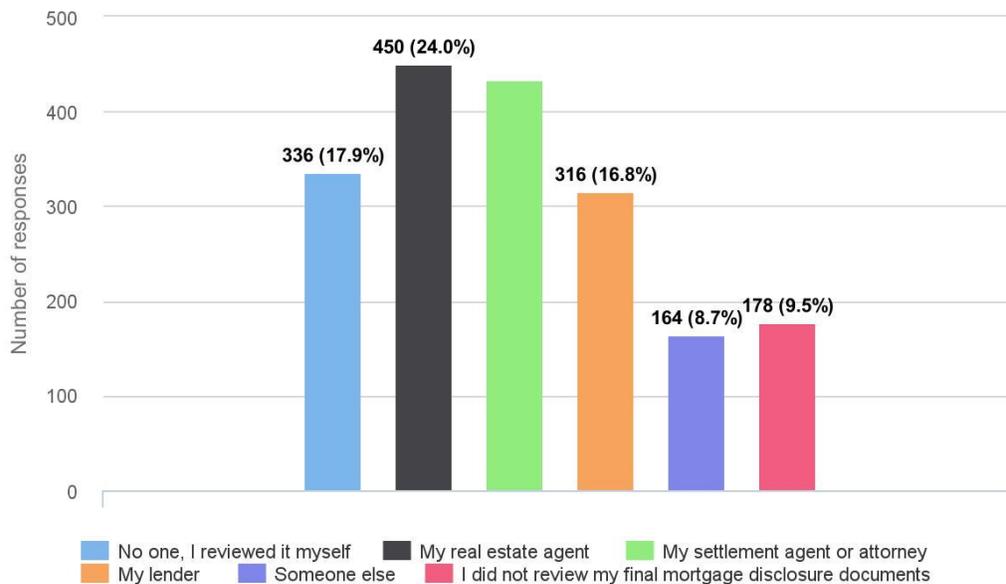
Question 1

When you purchased your current home, with whom did you review your **final mortgage disclosure documents** (called the Closing Disclosure or HUD/1) prior to closing?

No one, I reviewed it myself
My settlement agent or attorney
My lender
My real estate agent
Someone else
<i>I did not review my final mortgage disclosure documents</i>

Responses

When you purchased your current home, with whom did you review your **final mortgage disclosure documents** (called the Closing Disclosure or HUD/1) prior to closing?



Highcharts.com

This question was skipped for respondents that did not own their home.

Question 2

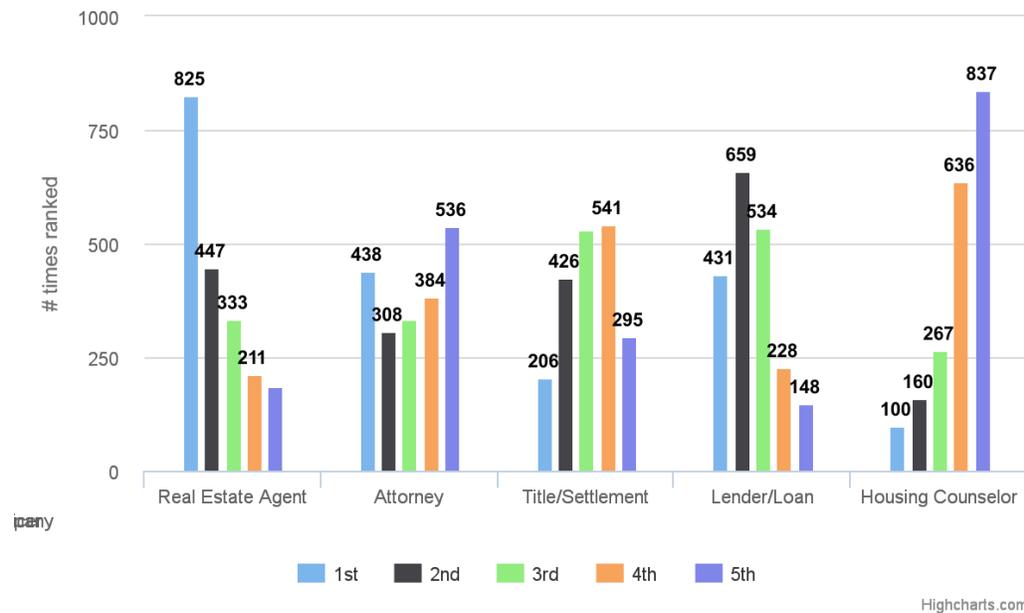
Below are some people who may have helped you (or you expect to rely on) understand the home closing process and answer your questions during your home buying experience

Please rank these people from most to least helpful.

Drag to rank	Most helpful
Title/Settlement Company
Lender/Loan Officer
Housing Counselor
Attorney
Real Estate Agent
	Least helpful

Below are some people who may have helped you (or you expect to rely on) understand the home closing process and answer your questions during your home buying experience

Please rank these people from most to least helpful.



Average ranking (highest to lowest)

Real Estate Agent - **2.24**

Lender/Loan Officer - **2.50**

Attorney - **3.14**

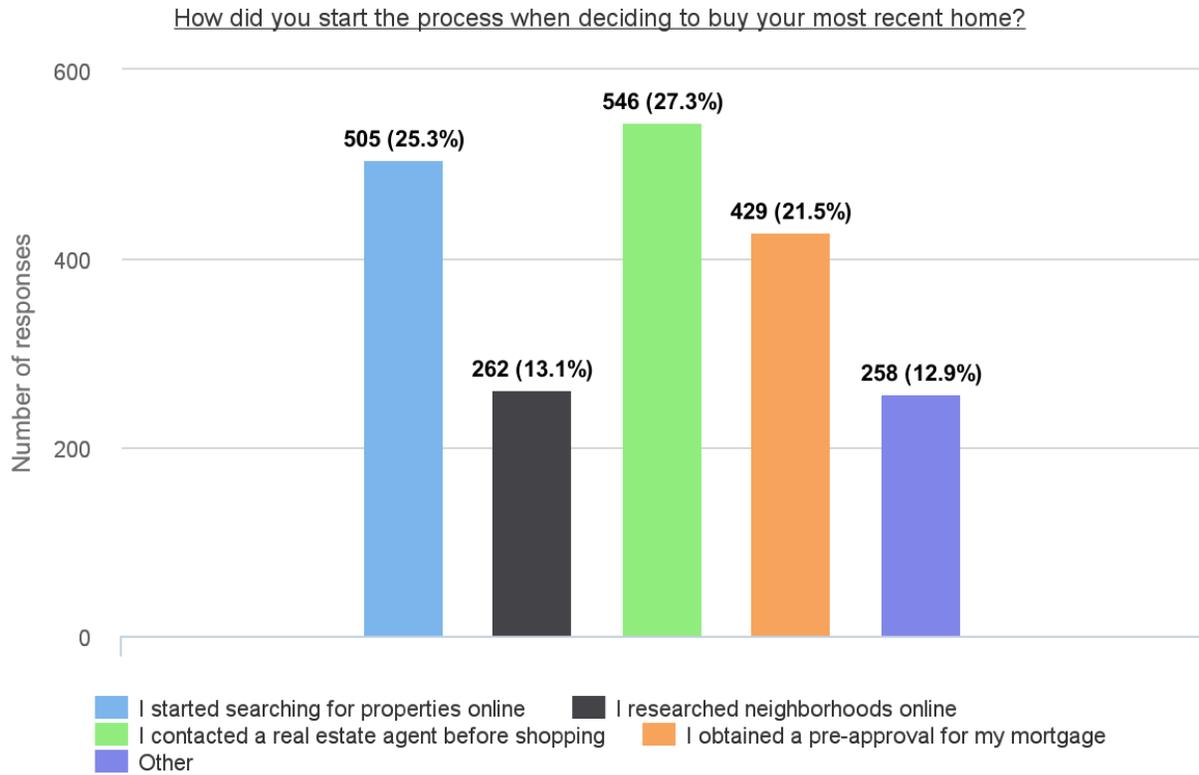
Title/Settlement Company - **3.15**

Housing Counselor - **3.98**

Question 3

How did you start the process when deciding to buy your most recent home?

Other:

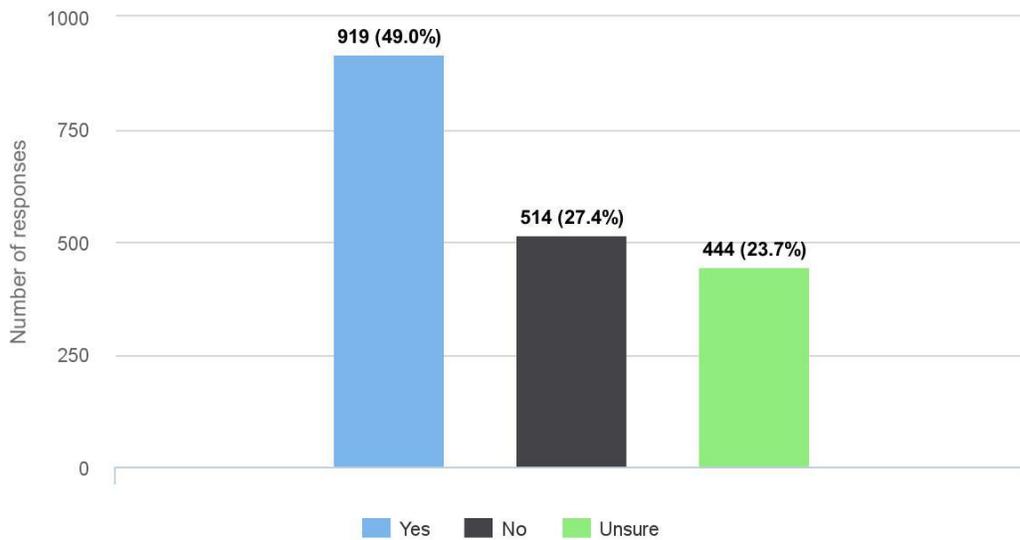


Question 4

When you purchased your current home, did you buy an **owner's title insurance policy**, which protects your property rights?
(All buyers who get a mortgage ARE REQUIRED TO purchase a lender's policy, which protects the lender's loan)

No
Yes
Unsure

When you purchased your current home, did you buy an **owner's title insurance policy**, which protects your property rights?
(All buyers who get a mortgage ARE REQUIRED TO purchase a lender's policy, which protects the lender's loan)



Highcharts.com

There is a subtle but statistically significant relationship between the respondent's age and their choice. Respondents over 65 had more "yes" and less "unsure" responses than would be expected. Age group 45-54 and 35-45 had less "yes" and more "unsure" responses than would be expected.

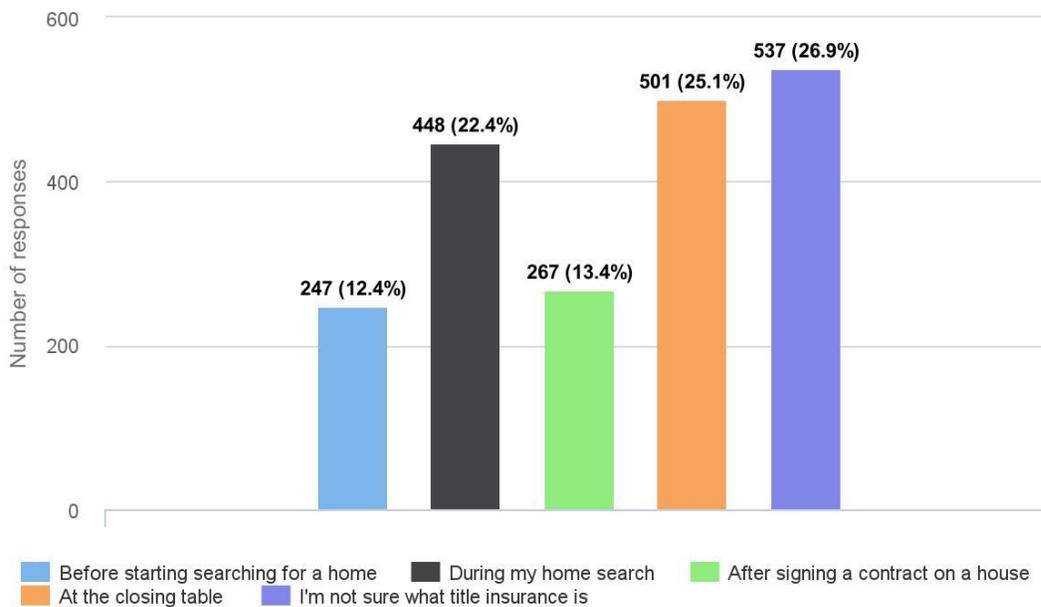
There is no statistically significant relationship between the person's tenure in their home and their choice on this question. Using a Chi-squared analysis the p-value was 0.122 and the effect size was 0.0518.

Question 5

When in the process of buying a home did you receive (or when do you want to receive) information about **title insurance** and the benefits it provides you?

- Before starting searching for a home
- During my home search
- After signing a contract on a house
- At the closing table
- I'm not sure what title insurance is

When in the process of buying a home did you receive (or when do you want to receive) information about title insurance and the benefits it provides you?



Question 6

How did you (or will you) pick your title/settlement company?

Advertisement or classifieds

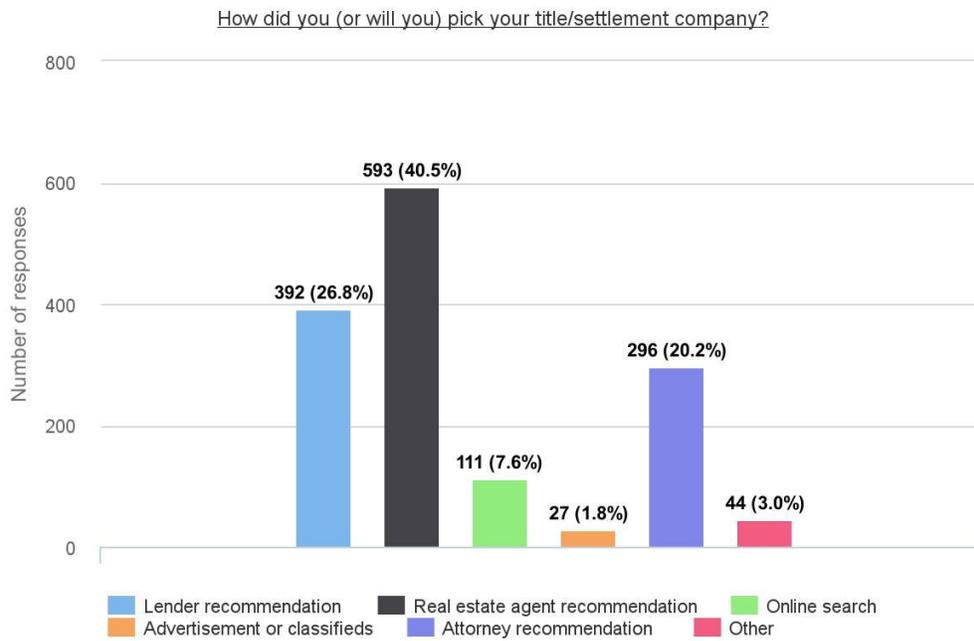
Attorney recommendation

Lender recommendation

Online search

Real estate agent recommendation

Other:



Question 7

Below are some factors you might consider when selecting your title and settlement company. Please rank these factors from most to least important.

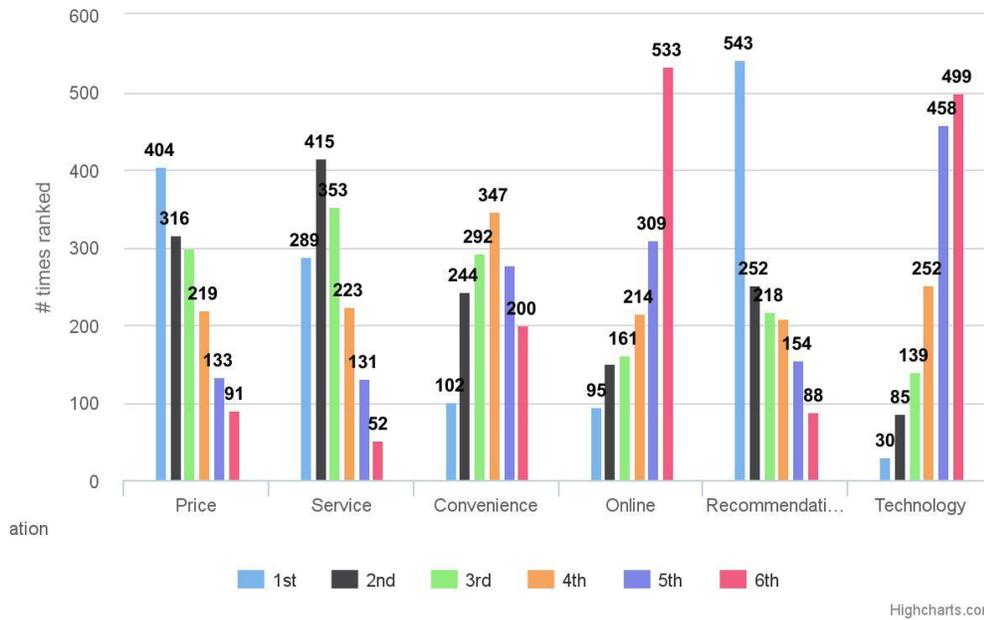
Drag to rank

Price
Recommendations
Convenience
Online reputation
Technology
Service

Most important

Least important

Below are some factors you might consider when selecting your title and settlement company. Please rank these factors from most to least important.



Average ranking (highest to lowest)

Recommendations - **2.62**

Price - **2.75**

Service - **2.76**

Convenience - **3.72**

Online reputation - **4.43**

Technology - **4.72**

Question 8

C. Services Borrower Did Shop For		\$2,185.50	
01 Pest Inspection Fee	to Pests Co.	\$120.50	
02 Survey Fee	to Surveys Co.	\$85.00	
03 Title – Lender's Title Insurance	to Epsilon Title Co.	\$885.00	
04 Title – Settlement Agent Fee	to Epsilon Title Co.	\$595.00	
05 Title – Title Search	to Epsilon Title Co.	\$500.00	
06			
07			
08			
D. TOTAL LOAN COSTS (Borrower-Paid)		\$4,224.05	
Loan Costs Subtotals (A + B + C)		\$4,194.25	\$29.80

Please look at the disclosure document above. What is the cost for the **lender's title insurance policy**?

(If you're not sure, please type 0)

Question 9

H. Other		\$1,515.00			
01 HOA Capital Contribution	to HOA Acro Inc.	\$500.00			
02 HOA Processing Fee	to HOA Acro Inc.	\$150.00			
03 Home Inspection Fee	to Engineers Inc.	\$750.00		\$750.00	
04 Home Warranty Fee	to XYZ Warranty Inc.		\$450.00		
05 Real Estate Commission	to Alpha Real Estate Broker		\$5,700.00		
06 Real Estate Commission	to Omega Real Estate Broker		\$5,700.00		
07 Title – Owner's Title Insurance (optional)	to Epsilon Title Co.	\$115.00			
08					
I. TOTAL OTHER COSTS (Borrower-Paid)		\$4,133.05			
Other Costs Subtotals (E + F + G + H)		\$4,133.05			
J. TOTAL CLOSING COSTS (Borrower-Paid)		\$8,357.10			
Closing Costs Subtotals (D + I)		\$8,327.30	\$29.80	\$12,800.00	\$750.00
Lender Credits					

Please look at the disclosure document above. What is the cost for the **owner's title insurance policy**?

(If you're not sure, please type 0)

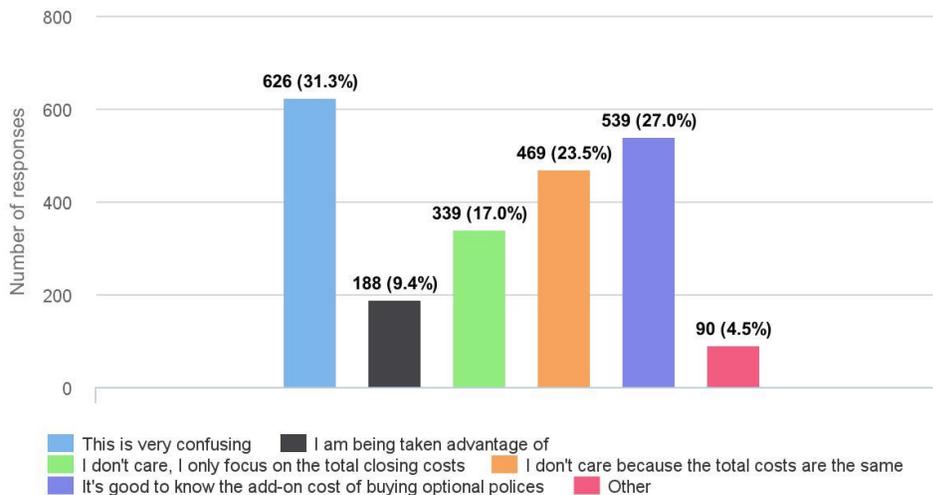
The overwhelming majority of respondents either were not sure or elected to skip this question by answering with "0". Of the respondents that answered with something other than zero slightly more than 95% answered correctly.

Question 10

Imagine that, instead of paying \$885 for the lender's policy and \$115 for the owner's policy, you will actually pay \$25 and \$975, respectively.
Which of these statements best describes your initial reaction?
Select all that apply.

<input type="checkbox"/>	I am being taken advantage of
<input type="checkbox"/>	This is very confusing
<input type="checkbox"/>	It's good to know the add-on cost of buying optional polices
<input type="checkbox"/>	I don't care, I only focus on the total closing costs
<input type="checkbox"/>	I don't care because the total costs are the same
<input type="checkbox"/>	Other: <input type="text" value="please specify"/>

Imagine that, instead of paying \$885 for the lender's policy and \$115 for the owner's policy, you will actually pay \$25 and \$975, respectively.
Which of these statements best describes your initial reaction?
Select all that apply.



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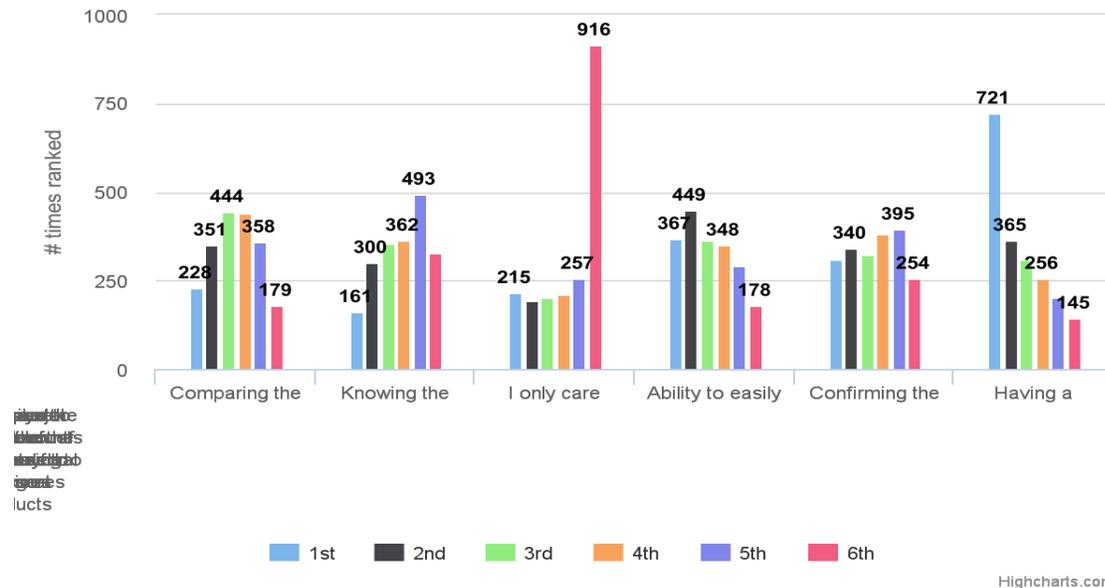
There is no statistically significant relationship between the person's tenure in their home and their choice on this question.

Question 11

Below are some statements regarding mortgage disclosure documents.
Please rank them from most to least important.

Drag to rank	Most important
<i>Comparing the disclosure to the actual costs I'll pay</i>	
<i>Ability to easily compare upfront estimates to final figures</i>	
<i>Knowing the incremental cost of purchasing optional products</i>	
<i>Having a detailed breakdown of all costs for services</i>	
<i>I only care about major things like the cash needed to close</i>	
<i>Confirming the seller pays the right amount under our deal</i>	
	Least Important

Below are some statements regarding mortgage disclosure documents.
Please rank them from most to least important.



Average ranking (highest to lowest)

- Having a detailed breakdown of all costs for services - **2.65**
- Ability to easily compare upfront estimates to final figures - **3.14**
- Comparing the disclosure to the actual costs I'll pay - **3.44**
- Confirming the seller pays the right amount under our deal - **3.49**
- Knowing the incremental cost of purchasing optional products - **3.86**
- I only care about major things like the cash needed to close - **4.43**

Question 12

When you see a service listed as “optional” as part of the home buying process, what is your initial reaction?

The service must not be important

I should not buy this service

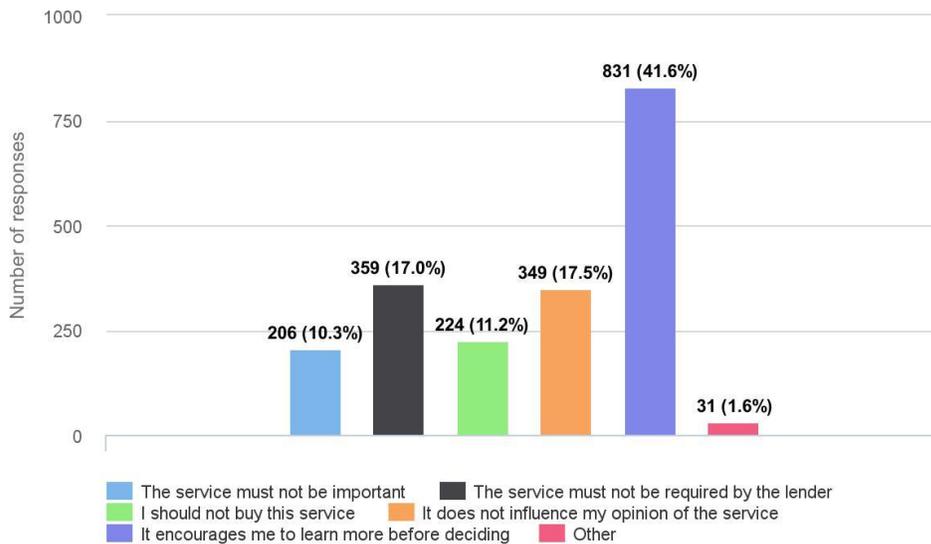
It encourages me to learn more before deciding

The service must not be required by the lender

It does not influence my opinion of the service

Other:

When you see a service listed as “optional” as part of the home buying process, what is your initial reaction?

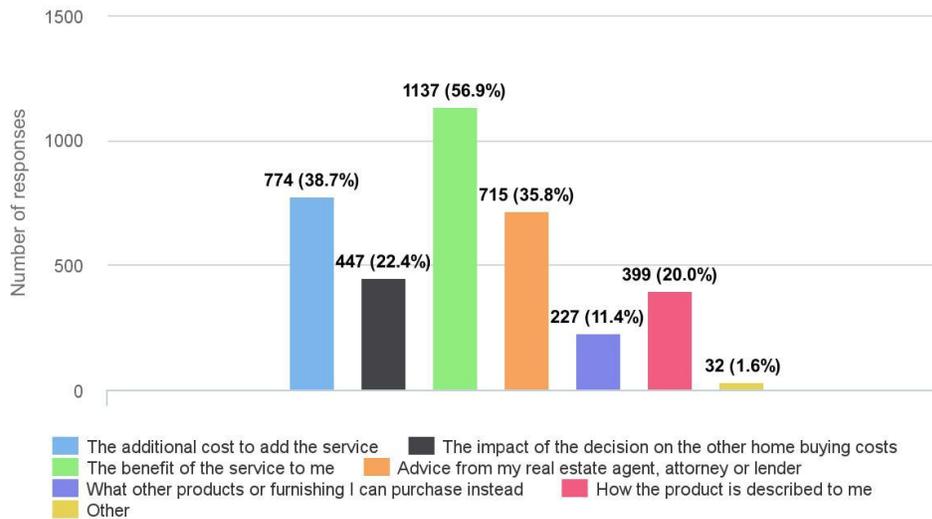


Question 13

What factors are important to you in making the decision about whether to purchase a service that is listed as "optional"?
Select all that apply.

<input type="checkbox"/>	Advice from my real estate agent, attorney or lender
<input type="checkbox"/>	The impact of the decision on the other home buying costs
<input type="checkbox"/>	The benefit of the service to me
<input type="checkbox"/>	How the product is described to me
<input type="checkbox"/>	The additional cost to add the service
<input type="checkbox"/>	What other products or furnishing I can purchase instead
<input type="checkbox"/>	Other: <input type="text" value="please specify"/>

What factors are important to you in making the decision about whether to purchase a service that is listed as "optional"?
Select all that apply.



Question 14

If an item is designated as "optional" on a mortgage disclosure document, how does that affect your likelihood to purchase that item?

I'm more likely to buy
The "optional" designation does not influence my decision
I'm less likely to buy
It depends on the product or service

If an item is designated as "optional" on a mortgage disclosure document, how does that affect your likelihood to purchase that item?

