



## WHAT IS TITLE INSURANCE?

- Title insurance protects homeowners' and lenders' property rights and long-term financial security. This essential protection helps American families build wealth through homeownership. Unlike most insurance products, title insurance is a **one-time cost** that protects homebuyers as long as they own their home and lenders for the life of the mortgage.
- To provide the coverage, title professionals research property rights, identify and mitigate risk, and safely and securely execute the closing.

## TWO TYPES OF TITLE INSURANCE POLICIES



### OWNER'S POLICY

Protects the homeowner's property investment. It covers issues such as undisclosed liens, ownership disputes, fraud and forgery – many of which cannot be found in a title search, even when utilizing technology like a title decision engine.



### LENDER'S POLICY

Protects the lender's investment in the property and is typically required when a mortgage is involved. It covers the lender's interest in the property against issues that could impact the property's value or the lender's ability to collect on the loan.

## HOW TITLE INSURANCE WORKS

**1**

### TITLE SEARCH

Title professionals review public records to identify potential issues in the property's title such as unpaid liens, recording errors, or land encumbrances. The title industry has invested heavily in technologies like title decision engines to increase efficiency and decrease the cost of the search process. **However, these technologies only IDENTIFY risk they do not MITIGATE risk.**

**2**

### CURATIVE WORK

Riskless transactions do not exist – title searches regularly identify issues that need to be addressed before a transaction can close. Title professionals work to resolve these issues, mitigating risk to the greatest extent possible. This work is no small task. On average, title professionals spend 22 hours of labor on typical transactions and can spend up to 45 hours on files requiring extensive curative work. **This curative work done by expert title professionals is essential to address issues before closing.**

**3**

### CLOSING

Title agents facilitate safe and secure real estate closings by ensuring clear property ownership, verifying legal documents, transferring funds, and issuing title insurance to protect buyers and sellers from potential ownership disputes or hidden claims. Title agents work to protect buyers, sellers, and lenders from financial harm like wire fraud and deed fraud.

**4**

### ONGOING PROTECTIONS

After closing, title insurance protects against future title disputes—including previously undiscovered fraud and forgery—by providing a duty to defend against covered defects, including any potential legal fees to defend property rights. Notably, according to industry data, 30% of claims paid involve issues that could not be found in the public record such as fraud and forgery averaging \$143,000 per claim.<sup>1</sup>

<sup>1</sup> Milliman, Analysis of Claims and Claims-Related Losses in the Land Title Insurance Industry, May 2024, <https://www.alta.org/media/pdf/240517-analysis-of-claims-and-claims-related-losses-in-the-land-title-insurance-industry.pdf>.

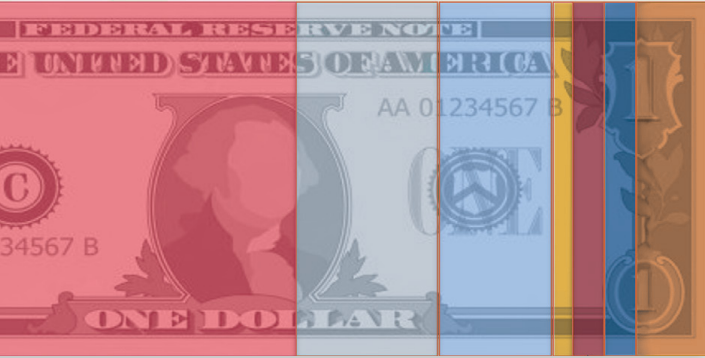


# UNDERSTANDING THE COST OF TITLE INSURANCE

Title insurance is a one-time, upfront cost that protects homeowners for as long as they own their home and lenders for the life of a mortgage.

## THE COST OF PRODUCING A TITLE POLICY

Employees **52 CENTS**    Office Costs **12 CENTS**    Taxes **4 CENTS**    Profit **8 CENTS**



Title Data & Tech **17 CENTS**    Compliance **3 CENTS**    Losses **4 CENTS**

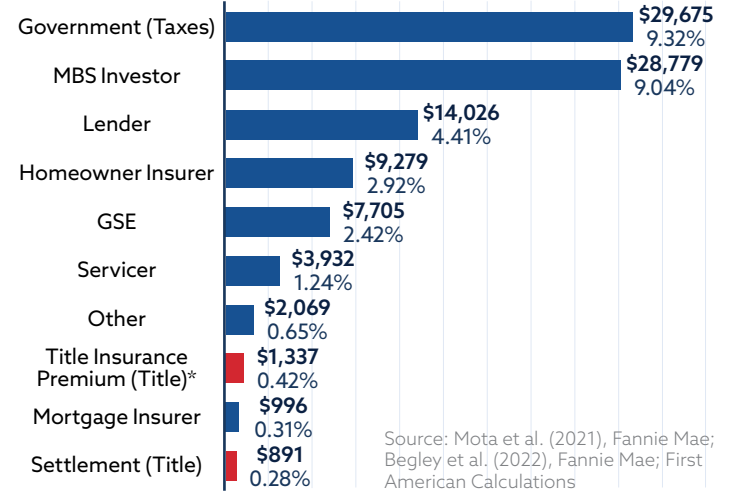
Source: Industry analysis of NAIC Form 9 Annual Statements (2018-2022)

The median cost of title insurance and settlement services in a real estate purchase is **0.67% of the purchase price**.

Compared to other life-of-loan expenses like property taxes and interest, title insurance and settlement services are among the **lowest costs that homeowners incur**.

## MISSING THE FOREST FOR THE FEES – BORROWER LIFE-OF-LOAN CHARGES BY RECIPIENT

Total Present Value of Borrower Charges (\$,% of Average Purchase Price - \$318K), over 7 Year Life



Source: Mota et al. (2021), Fannie Mae; Begley et al. (2022), Fannie Mae; First American Calculations

# MARKET DISCOUNTS AVAILABLE TO HOMEBUYERS

### Simultaneous Issue Discounts

Discounted title insurance rates available when both the lender's and owner's title policies are purchased together at closing.

### Reissue Rates

Discounted title insurance rates for refinance transactions, accounting for the work done during the original purchase.

### Centralized Rates

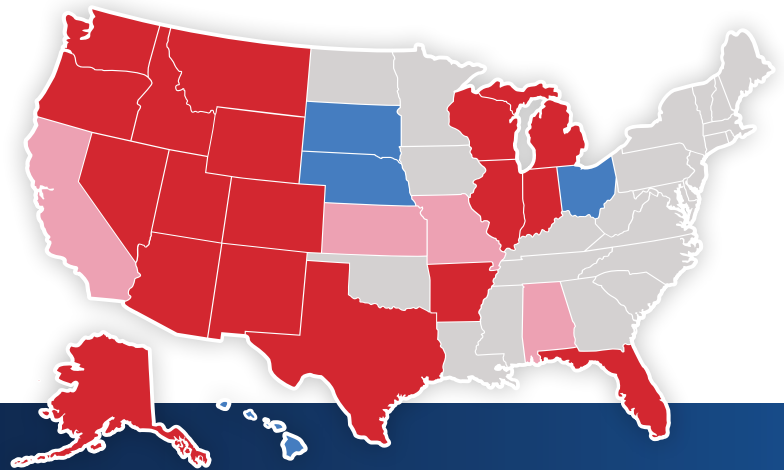
Discounted title insurance rates widely available to lenders nationwide.

# SELLER PAY STATES

In some states, homebuyers do not have to pay for their owner's policy, just the lender's policy. The seller in a transaction pays for the homebuyer's owner's policy, significantly reducing the cost of title insurance for consumers.

26 states are seller pay states in some form:

- Seller Pays
- Seller Pays in some counties
- Parties split costs



# EVERY STATE IS DIFFERENT

- Title insurance is comprehensively regulated at the state level by departments of insurance.
- Title insurance companies must file their policies and rates to ensure policies and rates are **fair, non-discriminatory, and adequately protect consumers**.
- What is included in a state's approved title insurance rate differs by jurisdiction, as each state may have different requirements for coverage, fees, and services provided under the policy.

