

## Title Insurance vs. Unregulated Alternatives (Attorney Opinion Letters)

Unregulated alternatives to title insurance, such as attorney opinion letters (AOLs), do not offer the same level of protection for homeowners or lenders, and expose them to significant risks and unforeseen financial costs. Unlike title insurance that is comprehensively regulated at the state level, there is no regulatory oversight to ensure that consumers understand the risks inherent in these products.

Title Insurance	Unregulated Alternatives (AOLs)
<p><b>Covers both issues that could and could not be found in a public records search</b>, providing comprehensive protection for homebuyers and lenders.</p>	<p><b>Only covers items that could be found in public records search</b> and not nonpublic issues like federal tax or mechanic’s liens or mis-indexed items which account for 30% of claims paid by the title industry.</p>
<p><b>Protects against fraud and forgery</b>, which account for approximately 20% of claims paid, with an average cost of \$143,000 in a purchase and \$207,000 in a refinance.</p>	<p><b>Do not cover fraud and forgery</b> as they rely solely on a public record search. Fraud and forgery cannot be found in the public record.</p>
<p><b>Includes a duty to defend</b> which covers attorneys’ fees and costs in the event of a title dispute.</p>	<p><b>Unclear whether providers will aid consumers</b> with legal or financial assistance if a title dispute arises.</p>
<p><b>Is a one-time fee paid at closing</b> with rates regulated by state insurance departments to ensure they are adequate and not excessive or discriminatory.</p>	<p><b>Lack transparency about how prices are set</b> and if providers will pay claims in the long run. Some brokers are also incentivized to push these products.</p>

### Consumers May Pay More

- Most alternatives, like AOLs, only cover the lender, NOT the homeowner. Homeowners would be financially responsible for separate coverage at an **ADDITIONAL COST**.
- Using separate products like an AOL for lenders’ coverage and a title policy for owners’ coverage would lead to a **SPLIT CLOSING** – homebuyers would have to pay for other closings costs TWICE.
- Homebuyers would also lose out on discount opportunities such as simultaneous issue discounts, reissue rates, and seller pay customs that lower costs.

### No Oversight from State Insurance Regulators

- Unlike licensed title insurers, **providers of these products are not subject to the same oversight** from state insurance regulators allowing for gaps in consumer protection and accountability.
- Title insurance companies are required to file their policies and rates with state regulators to ensure they are fair, non-discriminatory, and adequately protect consumers. Providers of unregulated alternatives like attorney opinion letters DO NOT!

**All mortgage loans sold to Fannie Mae and Freddie Mac should be backed by a state-regulated title insurance policy that protects both homeowners and lenders.**