

Diane Tomb

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John Locke, a renowned philosopher and described by George Washington as the greatest man who ever lived, believed as human beings we have a set of inalienable rights.

These rights, paraphrased in the American Constitution are life, liberty and property.

Those of us in the title insurance industry are in the business of protecting your property rights.

The days before title insurance existed were risky for property owners.

Until 1868, buying a home came without a guarantee that the property was free of any liens or encumbrances that could result in a buyer losing it to unresolved issues.

Transactions were supposed to be covered by a conveyancer—aka real estate attorney—but oversight was limited and not enforced.

The 1868 Pennsylvania Supreme Court decision in *Watson v. Muirhead* was a watershed event in the history of title insurance.

In this case, Watson consulted an attorney, Muirhead who concluded that certain recorded judgments against the seller would not be liens against the property Watson was buying.

Unfortunately, Watson ended up having to pay the liens.

Watson sued to recover his losses, but the Pennsylvania Supreme Court ruled there was no negligence on Muirhead's part. But the judgment made it clear that something had to be done to protect vulnerable buyers of real estate property. Shortly after that the Pennsylvania legislature codified the incorporation and regulation of title insurance companies into law.

Today, title insurance protects millions of property buyers from record errors, unpaid liens, forged signatures on deeds, a previous owner or descendant claiming ownership or other fraudulent activity that could hinder the lawful purchase of a property.

Economist Hernando de Soto, the author of *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, believes title insurance is the key to unlocking wealth in America.

In many third-world countries, only a small percentage of people enjoy clear property rights. As a result, they have no ability to leverage their home as an asset to create wealth and more business opportunities.

The United States has harnessed the power of property rights because of the capacity and security the title insurance industry provides to transactions.

de Soto believes the ability to own an asset and easily transfer it is what makes our country great, and why those from developing nations want to immigrate to the United States.

The title industry has evolved greatly since the first title company was created 1868.

For many years, title and settlement companies have used artificial intelligence and automation in various parts of the process.

Title production software companies have made great strides in automation that eliminates rekeying and the transferring of data from one application to another. This streamlines the order process and eliminates duplicative tasks.

More and more companies offer title production automation.

One such process enables different types of documents—such as scanned paper documents, PDF files or images—to be converted into text that is searchable and indexable.

This technology is used heavily in commitment preparation.

During the COVID-19 pandemic, the title and settlement industry led the way in collaborating with industry partners and implementing new processes including

digital closings to help consumers complete their real estate and mortgage transactions.

Prior to the health crisis, a 2019 ALTA survey showed that 14% of companies offered digital closings. This year's survey showed that 30% of companies offer remote online notarizations.

And in the world of cybersecurity, title and settlement companies are implementing various software solutions to help prevent wire fraud.

We know this threat isn't going away. A survey we did this year found that 86% of respondents said the volume of cyberattacks either increased or remained the same as last year when compared to 2020.

Earlier this year, ALTA's advocacy team secured a win on the legislative front regarding wire fraud.

Report language ALTA requested was included in the 2022 Omnibus Appropriations bill, which was recently passed by Congress and signed into law.

This language directs the FBI to release a public report on the threat of BEC scams and to increase collaboration with industry and other private sector partners.

We're constantly trying to educate and raise awareness, and in September we collaborated with HUD on a webinar where we shared our information to help housing counselors who serve almost two million households nationwide educate consumers, particularly first-time homebuyers, about the threat of wire fraud.

ALTA is proud to say we have members that work in every county in the country. Over 70% of industry employees are women. And more than two thirds of the companies are small businesses.

These land title professionals help make it possible for consumers to realize the dream of homeownership and to protect most family's largest asset.

For a one-time fee paid at closing, an owner's policy can protect a consumer's property rights for as long as they own the property.

The longer the property stays in a family, the more affordable the investment becomes over time.

This is significantly different than other lines of insurance, which protect against future problems and require monthly premiums.

While title insurance rates vary from state to state, at five years, the daily cost of coverage for a \$400,000 home (national median home value), is about 77 cents per day.

At 10 years, the price drops to 38 cents a day. By the time a 30-year mortgage is paid off, just 13 cents a day ensures a family will never have to worry about significant financial loss due to a covered title defect.

As you can see, the benefits and cost of title insurance compared to other products is unrivaled.

But there are threats that could impede consumer protection.

As a result of Equitable Housing Finance Plans announced earlier this year by Fannie Mae and Freddie Mac, under the supervision of FHFA, these companies are now accepting written attorney opinion letters (AOLs) in lieu of a title insurance policy under limited circumstances.

The laudable reason is to try and offer lower closing costs for targeted consumers.

However, there's no proof this alternative product saves money.

Meanwhile, risk is shifted to lenders and consumers, who will have less recourse if their property rights are challenged.

Using this alternative method has previously failed to penetrate the market as a sound option because of the risk.

Why?

For starters, alternative products only cover title defects that can be found by a public records search. If you can't find it, they don't cover it.

On the other hand, title insurance protects against known risks found during a public records search as well as unknown risks not found in a search.

Federal tax liens are an example. These liens don't get recorded until they reach a certain amount, but have super priority status. HOA liens are similar.

Another important example is fraud or forgery of title documents. This is typically one of the largest sources of claims paid by the industry. Title insurance covers when a seller's deed was a forgery or there was fraud with the previous owners will, an AOL does not.

Additionally, title insurance provides lenders and consumers with a defense—including all attorneys' fees—of litigation in which a third party asserts a claim potentially covered by the policy.

Other products do not defend against any ownership disputes challenged in court. Roughly half of claims can typically be resolved giving the lender and owner what they want most – secure property rights – and not just a payment.

In some parts of the country and on limited types of transactions, other products such as attorney opinion letters meet customer needs.

But by accepting attorney opinion letters, lenders are taking on additional rep and warrant risk.

Because state insurance laws only allow licensed title insurers to underwrite specific coverages, AOLs simply cannot cover certain title risks.

And we can't leave unsuspecting consumers and lenders at risk.

We take for granted the efficiency of the real estate system in the United States.

Title insurance is a proven product enhanced over decades based on the needs of lenders and the secondary market.

Your partners in the title and settlement services industry remain committed to strengthening communities, while protecting property rights for all consumers, particularly low- and moderate-income and first-time homebuyers.

Increasing housing affordability and sustainability is a vital goal we are committed to as an industry, but taking shortcuts for limited long-term benefit now would be catastrophic.

To wrap up, I'd like to share a quote from Maya Angelou: "If you don't know where you've come from, you don't know where you're going."

We know the market moved away from attorney opinions that didn't meet the needs of the public.

We know title insurance emerged to provide the best possible consumer protection.

As we work to make progress toward sustainable minority homeownership, we must make sure consumer protections are maintained for those most vulnerable without increasing risk.

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