



# UNREGULATED TITLE INSURANCE ALTERNATIVES

## RISKS TO HOMEOWNERS & LENDERS

Title insurance is the most effective way to protect the property rights of homeowners while also assuring lenders of their interest in a mortgage. While a title search can uncover many risks that might limit an owner's rights to the property, there are a number of issues that will not be uncovered by a diligent search. This is why a title insurance policy is critical to providing comprehensive protection.

There are two primary types of title insurance policies:



### OWNER'S POLICY

Insures the homeowner against financial loss due to title defects and challenges to their ownership of the property. Coverage lasts as long as the homeowner or their heirs still own an interest in the home.



### LENDER'S POLICY

Insures the validity and priority of the lender's mortgage lien. Coverage lasts as long as the lender's mortgage remains outstanding.

**When compared to title insurance, unregulated title insurance alternatives, including certain attorney opinion letters, do not provide the same ongoing protections for homeowners or lenders, exposing consumers to potential risk and unforeseen financial costs.**

### TITLE INSURANCE

Provides coverage for matters not discoverable in a search of public records to ensure comprehensive protection for a homeowner and lender.

Provides homeowners and lenders with a defense—including all attorneys' fees and costs—in title dispute.

Title insurance covers homeowners and lenders in the event that fraud is discovered.

Title insurance is a one-time fee paid at closing.

Title insurance is highly regulated and has stringent oversight by state regulatory agencies and insurance commissioners including to ensure pricing is not unfair, inadequate or discriminatory.

### UNREGULATED ALTERNATIVES

Only covers items that could be found in public records search. This increases the likelihood of a title dispute down the road.

Items not discoverable in a public records search include federal tax liens, mis-indexed items, HOA liens and more.

Unclear whether providers will aid lender or homeowner if a title dispute arises since providers don't file their products publicly with insurance commissioner.

Unclear if these products will cover any potential future costs to clear disputes that arise due to the discovery of fraud.

Unclear if homeowners will have to bear additional cost when it comes to defending their property rights since providers don't file their products publicly with insurance commissioner.

Despite similarities to title insurance, providers have not undergone the same regulatory oversight as licensed insurers. There is no clear regulatory authority at the state or federal level allowing these unregulated title insurance alternatives.

## THE BOTTOM LINE

Title insurance **PROTECTS** homeowners and lenders should a dispute arise in the future. This protection plays a critical role in the ability of American households to build wealth through homeownership.