

# ALTA NEWS

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**AMERICAN  
LAND TITLE  
ASSOCIATION**



**\*\*\* For Immediate Release \*\*\***

## **American Land Title Association Urges Inclusion of Title Insurance in QRM Risk Retention Provision**

**Washington, D.C., Aug. 2, 2011** —The [American Land Title Association](#) (ALTA) urges federal regulators to modify its proposed risk retention provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) to include sensible underwriting features that are proven to reduce risk.

“Despite this mandate to promote safe mortgage underwriting, the proposed rule misses the mark because it fails to include sensible requirements for underwriting legal title to the collateral,” said Anne Anastasi, president of ALTA, in a [letter](#) to federal regulators. “This underwriting, through a title search backed by a title insurance policy, is an essential aspect of safe mortgage lending that is endorsed by the Federal Housing Finance Agency, the Department of Housing and Urban Development and the private market.”

A portion Dodd-Frank sets out a new requirement that forces lenders to retain 5 percent risk for any loans they sell on the secondary market. Exempted from the act’s risk-retention requirements, however, are mortgage-backed securities composed entirely of certain high-quality, lower-risk qualified residential mortgages (QRM). Title insurance is a credit enhancement product that makes a mortgage loan safer for borrowers and more attractive to investors.

While the proposed rule limits the QRM exemption to “closed-end first-lien mortgages to purchase or refinance a one-to-four family property,” it does not establish standards for how this requirement will be met and verified.

Most secondary market participants, including Fannie Mae, Freddie Mac and private investors, require mortgage originators to confirm each mortgage loan they purchase is a first-lien mortgage. If this verification is breached, then the originator is required to repurchase the mortgage loan.

“While this representation and warranty is typically satisfied through a title search and examination backed by a title insurance policy, some mortgage lenders may seek to skirt this best practice to obtain a market advantage, putting lenders, consumers, investors and taxpayers at risk.” Anastasi said. “Rather than take a wild-west approach, ALTA urges regulators to adopt the purchase of a loan title insurance policy as a best practice that helps ensure residential mortgages are of very high credit quality.”

**About ALTA**

The [American Land Title Association](#), founded in 1907, is a Washington, D.C.-based national trade association representing more than 3,800 title insurance companies, title agents, independent abstracters, title searchers, and attorneys. With offices throughout the United States, ALTA members conduct title searches, examinations, closings, and issue title insurance that protects real property owners and mortgage lenders against losses from defects in titles.

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