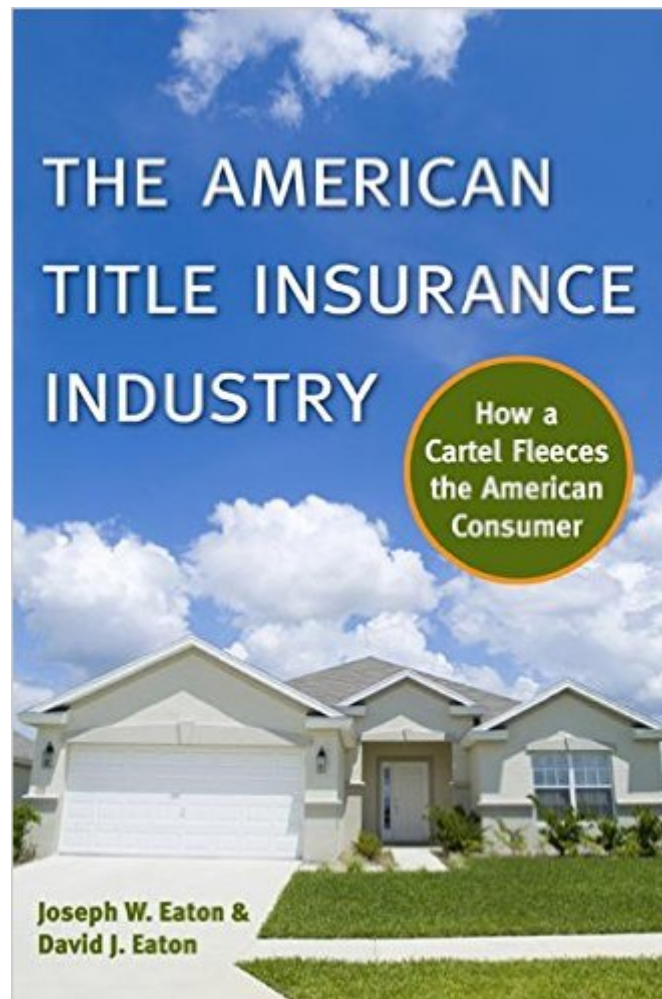


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# The American Title Insurance Industry: How A Cartel Fleeces The American Consumer



## Synopsis

After World War II, banks and other mortgage lenders began requiring insurance to protect them against flawed or defective real estate titles. Over the past sixty years, the title insurance industry has grown steadily in size, power, and secrecy: policies are available for both lenders and property owners and many title insurers offer an array of other real estate services, such as escrow and appraisal. Yet details about the industry's operational procedures remain closely guarded from public exposure. In *The American Title Insurance Industry*, Joseph and David Eaton present evidence that improvements in recordkeeping over the last sixty years—particularly the advent of computers—have reduced the likelihood of a defective title going unnoticed in a property transaction. But the industry's flaws run deeper than mere obsolescence: in most states, title insurers are allowed to engage in anticompetitive business practices, including price-fixing. Among the findings in this meticulously researched study are instances of insurers charging premiums well above the amount necessary to compensate them for assuming the risk of defect and identical policies with identical risk that vary in price by hundreds of percentage points for different geographic locations. The authors also examine the widely ignored role that the federal and most state governments play in perpetuating the title insurance industry's unfair practices. Whereas most private industries prefer as little government intervention as possible, title insurers welcome it. Federal statute exempts title insurers from anti-trust liability, opening the door for price-fixing and destroying any semblance of free-market competition or market power for consumers. A landmark study for elected officials, and all those involved in the insurance, real estate, and brokerage industries, *The American Title Insurance Industry* brings to light a long-neglected problem and offers suggestions for how it might be remedied.

## Book Information

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## Customer Reviews

1. I am positive there are abuses taking place in the industry2. State regulation and pricing are WIDELY varied. Having purchased homes in Indiana, title insurance was cheap, efficient and valued. The same cannot be said in Texas. The cost is ABSOLUTELY BURDENSOME.3. Reform and greater oversight are absolutely required.Having worked outside the US in real estate, the author must address the comparative costs of home acquisition in the US compared to other countries. Though a consumer is charged for title insurance benefiting both the lender and purchaser at the time of closing; the long term cost of money in the form of interest rate is lower as a result of credit enhancements, such as title insurance, widely available in the United States that allow money to be available at a lower cost to consumer.Lenders that cannot access credit enhancements at a low cost to the consumer, price the title risk into their loans. So, as an example, instead of a loan being available at 6% for 15 years; lenders will add a quarter point to the loan for title risk and make the funds available at 6.25% for 15 years. To have a truly meaningful review of the title insurance industry, there must be a discussion of the long-term cost of additional interest consumers avoid by paying a one-time premium.Maybe one of the key reforms that should be undertaken is to significantly reduce the cost of title premium paid at the time of a refinance. This is one of the most objectionable practices I see daily in the title industry.The author mistakenly argues that title agents retain too much of the title premium when issuing a title policy, especially when compared to property and casualty insurers.

This is an excellent book informing the American consumer how he is being fleeced by the title insurance industry.In many states thousands of dollars are charged for a title policy when a home is purchased.As the author peels off some of the mystery behind the title process, it becomes apparent that the consumers combinedignorance and lack of will to demand a change has resulted in a very unfortunate situation where we are being bilked tothe tune of billions of dollars. Unfortunately in many states even the local govt is in on the act.This book is a tremendous education for any homeowner on the ins and outs of title insurance. A reader can only conclude that this element of the home ownership process is just plain unethical. The author provides numerous examples of howthe consumer is being bilked. Here are some examples: 1. The overall liability for a title insurance company as a % of premiums collected is in the low single digits. Compared to any

other reasonable insurance business where the liability is much much higher. So where are the billions of profit dollars going? 2. Why does an individual who owns a home have to again pay the title charges each time he refinances the mortgage??? 3. Why is the homeowner paying the fees to purchase the title for the mortgage company as well as for self?? 4. Why is there a clause in the title papers which dramatically minimizes the actual liability that the title insurance company has in the case where there is an actual problem?? 5. Why does the title industry refuse to provide statistical data on their revenues/ liabilities/ costs...etc, yet any mainstream insurance industry is mandated by the law to do so? 6.

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