

# Top 3 Reasons Real Estate Transactions Depend on Title Insurance Companies

## 1. Title insurance companies (agents) spend their time and resources preventing claims and protecting homeowner's property rights.

Title insurance companies (agents) and real estate attorneys, in some states, protect a homeowner's financial investment by determining that ownership of the property they purchase is transferred to the homebuyer free and clear from any of the previous owner's debts or other legal obligations. This is why, on average, these title insurance companies (agents) and real estate attorneys retain about 80 percent of the one-time title insurance premium consumers pay to cover the cost of discovering, identifying and repairing events that occurred in the past. What's included in the premium varies due to state regulation, but could include the cost of conducting a title search, examination, correcting errors, issuing the policy, and frequently, the settlement or closing for consumers. Insurance agents for other forms of insurance have none of these responsibilities. Additionally, part of the title insurance policy premium a consumer pays goes toward the costs of running a small business such as payroll, rent, insurance, utilities, licenses, office supplies, equipment and more.

## 2. The title search and insurance policy makes the United States property transfer system the most efficient system in the world.

A homebuyer wants to know that they are not inheriting any existing debts or legal problems when they receive the keys to their new home. Before a consumer purchases a home, title professionals and real estate attorneys search the public records for any problems with the home's title and chain of ownership. The search process includes reviewing a previous owner's delinquent taxes, undisclosed liens (such as unpaid contractors or utilities), prior legal judgments (such as child support liens) or issues arising from forgery or fraud. The title search process leads title agents to collect \$4.8 billion in back income taxes and recover \$325 million in unpaid child support annually. The title insurance industry, through its preventative measures, pays significantly less in claims compared to other forms of insurance which charge yearly premiums to provide insurance protection for future events. Homeowners pay a one-time fee for an owner's title insurance policy, which financially protects their investment for as long as they own the property.

## 3. Title insurance protects consumers and ultimately reduces the total cost of homeownership.

Not only does title insurance protect homeowners, it also reduces the total cost of homeownership. This is often an overlooked benefit to consumers. Since title insurance helps eliminate risk in property ownership, mortgage lenders can offer loans at reduced interest rates—saving the homeowner money each time they make mortgage payments. The slightest change in an interest rate can save homeowners money. For a borrower taking out a 30-year fixed-rate loan for \$200,000, getting an interest rate of 4 percent instead of 4.5 percent translates into almost \$60 in savings per month, according to the Consumer Financial Protection Bureau. Over the first five years, the borrower would save about \$3,500 in mortgage payments.



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