

Title Insurance: What to Tell Your Clients

Avoid closing-table surprises by detailing what the policy is upfront

By **Tim Dwyer**, CEO, Entitle Direct Group Inc.

MORTGAGE BROKERS OFTEN field borrowers' questions about title insurance. What is it? Why does it cost so much? Why is it necessary? What does it cover?

By explaining title insurance to your clients, you can help demystify the expense and ensure they understand its importance.

What is title insurance?

Lenders require title insurance for most home purchases and refinances. Often called a loan policy, it protects a financial institution from losses due to mistakes made in the local property-records office, including unreleased liens or typographical errors when filing deeds, and from claims by relatives, unknown heirs or others claiming an interest in the property, among other things.

Most important, the loan policy ensures that the lender's mortgage or deed of trust is a legally valid and enforceable first lien. It also allows the lender to sell the loan on the secondary market because it automatically includes any assignees as insureds under the policy.

The loan policy's amount is based on the mortgage, not on the property value. It is a one-time expense that is required when the loan is funded. It takes effect when the mortgage is assigned and remains until the full loan balance is paid.

A refinance requires a new title-insurance policy because a new loan is issued. When refinancing, borrowers could save on the cost of a

new policy if their existing mortgage is fairly new — the definition of which varies by state. Special refinance or reissue rates also could be available.

Buyers should purchase an owner's policy, and they also can save if their seller recently obtained one. This policy protects their equity from litigation costs and other elements related to title claims for as long as they own the property, similar to how a loan policy protects a lender.

Presenting to borrowers

Before your clients receive a multitude of documents at closing, talk with them about title insurance and the other expenses they should expect. Also review the various documents they must sign. Some title companies offer consumer-friendly platforms for reviewing documents online. This can make the closing far less stressful, and it can reduce mistakes and closing-day surprises.

One way to help borrowers find the best financial solution for their situation is to find a lower-priced title-insurance provider to reduce closing costs. Under the Real Estate Settlement Procedures Act, borrowers have the right to choose their own title-insurance provider, even in states where attorneys typically handle title insurance.

You can, however, provide the best service by offering the borrower choices. Provide advice on the companies you've worked with in the past and offer to help your borrowers seek lower-cost providers. Search online, in addition to asking

fellow mortgage professionals who they have recommended for title insurance.

When you're seeking a reputable company, check its Financial Stability Rating with Demotech Inc. If the company's rating is A'', A', A or S, then Fannie Mae, Freddie Mac and the secondary-loan markets accept its policies. Other insurance-rating agencies are available, too. If you're working through a title agent, contact the title-insurance company that will issue the actual policy. Ask about geographic coverage, service levels, turn times and willingness to have the closing at the borrower's convenience. Make sure there are no hidden fees and that the company has taken all applicable discounts to reduce the policy's cost.

By giving your clients the best service at the lowest price, combined with some education, you will create a competitive advantage for yourself. Differentiate yourself from other brokers by telling borrowers that you could help save them money on title insurance. **LD**



Tim Dwyer is CEO of Entitle Direct Group Inc., parent company of EnTitle Insurance Co. and ENTITLE DIRECT, the leading provider of title insurance and closing services sold directly to consumers at savings of 35 percent or more, compared to competition in 32 states. EnTitle Insurance Co. is regulated by the Ohio Department of Insurance and is approved to issue title insurance where its policies are offered. Contact tdwyer@EntitleDirect.com or (203) 724-1150, or visit www.EntitleDirect.com/mortgage.

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