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Overly Regulated System Costing Texans More for Title Insurance
Statewide Voter Survey Finds Overwhelming, Broad Based Support for Reform

AUSTIN, TEXAS—The Texas Association of Business (TAB) and the Texas Public Policy Foundation (TPPF) today called for comprehensive reform of the state’s overly regulated title insurance system. Texas prohibits competition in the title insurance market—a mandate that forces Texans to pay among the highest title insurance rates in the country.

And, a new statewide voter survey points to broad support for such reforms. According to the survey commissioned by TAB and conducted by Baselice & Associates, 91 percent of Texans agree that if they can shop around for automobile and home insurance, they should be able to shop around for the best deals on title insurance.

TAB and TPPF announced plans to educate Texans about the hundreds of millions of dollars they could save by introducing competition into the title insurance market, and executives from the state’s leading business and free-market policy organizations called on state lawmakers to take action next legislative session.

“Allowing title insurers to compete for consumers’ business in Texas, as they do in most other states, would drive down prices, increase coverage options, and reduce closing costs for Texas homebuyers and commercial real estate transactions,” said Bill Hammond, CEO of TAB.

Texas’ title insurance system is the most regulated in the country. Unlike most other states, Texas sets fixed rates for title insurance and strictly limits the type of coverage that can be offered.

“This arcane and unnecessary system prohibits consumers from shopping for better prices and quality on title insurance, and prohibits insurers from offering lower prices or additional coverage options,” said Arlene Wohlgemuth, Executive Director of TPPF.

While title insurance prices vary widely from state to state, Texas consistently has among the highest title insurance rates in the U.S.

“Competition in the title insurance market will bring to consumers and businesses the same kinds of savings it has already provided in Texas’ electricity, homeowners insurance, and telecommunications market,” said Bill Peacock, TPPF’s vice president of research.

Price regulation in almost all markets has been discredited by several decades of deregulation in the United States and Texas. The U.S. Congress notably deregulated rates in the airline and trucking markets in the 1970s, while Texas has eliminated rate regulation for the majority of the Texas electric and telecommunications markets.

Dr. David Eaton, a professor at the LBJ School of Public Affairs at The University of Texas at Austin has studied the title insurance issue extensively and found that Texas’ overregulated system is out of line with other states and protects the financial interests of title agents and companies and their preferred insurers.

“When it comes to title insurance, Texas continues to impose a regulatory regime that completely controls the price and content of title insurance,” said Eaton. “What we know is Texas’ system is costing Texas home buyers and businesses far more than it should. It runs counter to not only most other states, but also the very free market principles that are the bedrock of Texas’ strong economy and positive business climate.”

“When you’re buying a home or refinancing, you’re paying hundreds of dollars more for title insurance than consumers in states like California, New York, Massachusetts or New Jersey,” said Hammond. “It’s time for Texans to demand change.”

Hammond pointed to the problem not only affects consumers but adds to business costs that could hamper new or additional investment in the state.

“The current system is bad for consumers, and it’s costing businesses even more. It’s fair to say that because title insurance prices for commercial property are higher this plays a role in the decision of some businesses not to relocate to Texas,” added Hammond.

TAB and TPPF note that the simple change of introducing competition into the title insurance market provides a wide range of far-reaching benefits for consumers and businesses alike.

“Lower title insurance costs mean more Texans could realize their dream of home ownership, and more employers could invest more and create new jobs in Texas,” Hammond said.

The TAB statewide voter survey of 601 registered voters in Texas was conducted by Baselice & Associates between January 26-28, 2016, and has a margin of error of +/- 4.1 percent.

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