

**DIRECT TESTIMONY
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1 **Q. Does title insurance have a favorable impact on lender’s mortgage rates for**
2 **consumers?**

3 **A.** Yes. With a title policy in place, lenders do not have to price-in the risk of
4 ownership and unknown claims against the property, and if claims do arise, title
5 insurance defends the policyholders as needed. Owners of real estate also benefit
6 from a lower interest rate on mortgage loans given the risk reduction provided to
7 lenders by title insurance. Borrowers for residential mortgages in the U.S. have
8 very favorable and unique mortgage terms and characteristics when compared to
9 other developed countries – in part stemming from the benefits of title insurance.
10 A 30-year, fixed-rate mortgage loan is rare in other countries, without which
11 exposes the borrower to the risk of rising interest rates as with variable-rate
12 mortgage loans. Title insurance facilitates the use of mortgage insurance, which
13 allows consumers to have down payments of less than 20 percent. Many countries
14 see minimum down payments of 30 percent to 50 percent, effectively excluding
15 many from homeownership. Title insurance is a prerequisite to the securitization
16 of residential mortgage loans in the U.S., which expands lending from just the
17 banking system to the investment community. Securitization allows free-
18 prepayment – borrowers have the ability to refinance when rates decline or to
19 convert home equity to cash (which requires repayment) prior to the end term of
20 the loan. These features all benefit consumers.

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