



# Homebuyers Lose Under Proposed Title Insurance Changes

by James H. Dudley, IV

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When buying a home, most Texans think about the sales price, the interest rate they're getting and what their monthly mortgage payment is going to be, including homeowners insurance and property taxes. They may not think of title insurance.

Unlike all the other costs – which are typically paid monthly and seem to only increase year after year – title insurance is a one-time fee that is often forgotten unless a title issue arises.

The good news for Texas consumers is that even though the cost of owning a home keeps increasing, title insurance is bucking that trend, with rates decreasing 15 percent in the Lone Star State over the last 25 years.

What's more, despite having one of the most robust real estate markets in the country, Texas has one of the safest title insurance systems, with fewer title claims than almost any other state. When you consider each claim could be a family at risk of losing their property, this is excellent news for homeowners. Families in the market for a home or an investment property can have peace of mind in Texas because title agents are working to protect their property rights every day.

Unfortunately, there's trouble on the horizon for Texas homeowners. If a special interest group has its way during the current session of the Legislature, our state's safe system could be in jeopardy. Their plan would allow players with unique bargaining power in the highest-end real estate transactions to obtain lower rates, therefore shifting the cost to residential home buyers.

Their proposal – which is called “file and use” – would actually mean less competition, higher prices, more claims and new regulatory uncertainty. Despite studies being cited by this special interest group, Texas title insurance rates are competitive with comparably sized states with similar real estate markets. Their studies used questionable methodology and estimated data from online quoting systems.

File-and-use has already been tried in other states, and the data reveals that it leads to fewer options, increased costs and higher risks for homeowners. In fact, the Texas Association of Business recently decided not to pursue changing the Texas system as it had previously advocated.

That's also why so many organizations, including the major trade associations for Realtors, builders and lenders are supporting the Texas Land Title Association's efforts to maintain the current competitive, stable and transparent Texas title market. Because of the potential negative impact on Texas small business owners, the National Federation of Independent Business-Texas has also opposed changes to the current system.

The bottom line: Texas title insurance has very competitive rates, lower risks and more choices – exactly what consumers want.

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