

The Commish

Inside the Brokerage Biz

Stephen Remick for The Wall Street Journal



Seth Brown and Daniel Price co-founded OneTitle National Guaranty Co.

More Title Regulations Afoot

One of the unpleasant surprises involved in buying property in New York is that the state has the highest cost of title insurance in the country—an average of \$5,435 on a \$200,000 mortgage, according to consumer finance company Bankrate Inc.

Buyers and their mortgage companies need it, of course, to guarantee that they have clear ownership of the property. But questions have been raised about whether the cost needs to be so high, especially after an investigation by the state's Department of Financial Services into abuses in the business.

Now, the state is taking steps to regulate the title insurance industry by requiring certification for title agents who serve as brokers between the insurance companies and property owners.

The new regulations will lower closing costs, according to the office of Gov. Andrew Cuomo; New York and Kentucky are the only states that don't require title agents to have licenses.

Also, Mr. Cuomo's 2014 budget has proposed education and training requirements and would require lawyers and brokers to disclose if they receive payments for referring clients to affiliated title agencies.

Last year, state Senator James Seward and Assemblyman Kevin Cahill proposed similar legislation. Talks are under way; the budget's deadline is March 31.

The New York State Land Title Association, an industry trade group, supports the licensing of agents. "We would support anything that supports the health of the consumer," said Robert Treuber, the association's executive director.

Alleged abuses have included agents who have kept payments that property owners have made

to buy insurance, leaving the owners without protection. Brokers also have been accused of making kickbacks to others who have referred them business.

Last week, title insurance agent Gerard Timoney of Long Island pleaded guilty to stealing nearly \$1 million from two title insurance companies, a Great Neck couple and the state Labor Department, according to Nassau County District Attorney Kathleen Rice. Mr. Timoney was charged, in part, with stealing money meant for the recording deeds, mortgages, fees and taxes, she said in a statement. Sentencing is scheduled for early April.

On the industry side, a new company is trying to bring title insurance reforms through an alternative business model. OneTitle National Guaranty Co., launched last month, seeks to eliminate the role of title agent by acting as a title insurance underwriter and working directly with clients. Its founders said their fees will be more than 20% less than competitors.

"We wanted to create a direct, seamless relationship between the purchaser, their attorney, the loan officer and the actual insurer to improve the service level," said Daniel Price, who co-founded OneTitle with Seth Brown.

Mssrs. Price and Brown have raised \$6 million from private-equity firms and individual investors to back their effort.

The company has six employees and wants to expand rapidly. Mr. Price welcomed the proposed legislation for the industry, which he characterized as insufficiently regulated.

"You're going to see a lot of pressure on agents," said Mr. Price. "It's a good first step."

—Roland Li