

New York homebuyers are overpaying on title insurance

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Homebuyers in New York State overpaid on the cost of their title insurance to the tune of \$155.3 million last year, [according to a new report](#) from OneTitle National Guaranty Co.

Based on public records for 182,487 real estate transactions recorded in 61 of New York's 62 counties in 2015, the company finds that selecting a lower-cost option would have saved homebuyers an average of \$851 on their title insurance premiums, a discount of more than 27 percent, on average, off the amount they ultimately paid.

The problem stems to a great degree from the fact that the title insurance market is dominated by intermediaries. Business tends to be steered to title insurers and title agents not by the customers who will ultimately pay the premium, but by realtors, mortgage lenders, mortgage brokers and homebuilders.

Though homebuyers sometimes buy optional "owner's policies," most title insurance written takes the form of a mandatory "lender's policy," which indemnifies banks and other mortgage lenders for any defects in title that could affect the value of their collateral. Lenders require borrowers to purchase a policy at closing, but consumers often are unaware that they are free to shop around.

One reason for that lack of awareness, the OneTitle study notes, is a misimpression that rates are set by regulators:

“In fact, although they rarely do, title insurers are free to file independent rate schedules with the New York Department of Financial Services. Despite this, nearly all title insurers in New York—operating under an antitrust exemption— collectively file and use a single set of rates.”

Beyond the collusive nature of its rate filings, title insurance also is a highly concentrated industry, with the three largest insurer groups (Fidelity, First American and Old Republic) controlling about 76 percent of the market nationwide, according to [American Land Title Association’s first quarter 2016 filings](#).

LandAmerica, once the fourth-largest title insurer in the country, was among the most notable insurance industry casualties of the 2008 financial crisis. In LandAmerica’s case, its operating subsidiaries were absorbed by a larger competitor. But it’s important to note there are no title insurance guaranty funds in any state, making any such insolvency highly problematic for protection that is supposed to last the lifetime of a mortgage.

<http://www.rstreet.org/2016/07/13/new-york-homebuyers-are-overpaying-on-title-insurance/>