



Homebuyers in New York are being gouged by the title insurance industry and abused by state legislators who are maneuvering to protect it. (Derek Gee/News file photo)

Editorial: Blame Albany for gouging homebuyers

By News Editorial Board | Published February 12, 2018

It's one of those stories that is easy to pass over: the costs of title insurance in New York. But it described a practice that costs New York homebuyers hundreds of dollars in extra closing costs and, in some cases, thousands of dollars.

Albany allows it and state legislators are maneuvering to protect it.

What homebuyer even thinks about title insurance? It's one of those things that Americans know they have to buy in the midst of the transactional tornado that is homebuying. Generally speaking, title insurance protects the lender – not the buyer – in case the current or previous sellers somehow didn't have clear title to the property.

But like many other expenses in New York, the cost is significantly higher than in other states.

Blame Albany.

The New York Times explained it succinctly: Title insurance companies spend thousands of dollars entertaining real estate professionals to solicit their business, then pass on those costs to homebuyers. The result is that residents of this state pay far more for title insurance than those in neighboring states such as Massachusetts, Connecticut and New Jersey.

Or Iowa. There, the government took over the title insurance business decades ago. As a result, the cost of a policy is \$110 for a residence costing up to \$500,000. In or near New York City, a purchase of the same cost, with a 20 percent down payment, runs around \$2,700. The penalty levied on New Yorkers is more than 2,000 percent.

That may not all be due to the industry's wining and dining of real estate professionals. But J. Robert Hunter, director of insurance for the Consumer Federation of America, studied data from an investigation of title insurance from 2008 to 2012 and concluded that "improper expenses" totaled \$79.5 million, or about 6.3 percent of premiums.

It's hidden in consumers' costs. When a title insurance company rents out the New York Mets and its stadium as a come-on for real estate professionals, someone is paying. One title insurer spends millions of dollars every year on luxury boxes at Madison Square Garden, baseball stadiums and the U.S. Open, according to The Times.

The same is true when, as was revealed in 2013, title insurance companies splurge on high-priced dinners, costly gift cards, expensive sports tickets and even visits to strip clubs. Congratulations, homebuyers. You're footing that bill.

Part of the problem is that, for the most part, homebuyers are put on a procedural conveyor belt when they first make an offer. Only rarely do they make a point of choosing their own title insurance company. Instead, they rely on real estate agents or attorneys – the same people insurers woo with legalized bribes.

That's where the competition takes place, with all the largest companies charging the same price, which is 40 percent more than Connecticut and 25 percent more than New Jersey. "In any other industry, this would be struck down instantaneously," Daniel C. Price, the chief executive at OneTitle National Guaranty Company told The Times. An exemption to anti-trust laws allows it.

OneTitle and Entitle Direct are two small companies that charge less than the regulator-set price. They have only a fraction of the market.

It gets worse. Title insurers in New York pay out less than 5 percent of their premiums in losses, according to Maria Vullo, the superintendent of the state's Department of Financial Services. The rest, The Times reports, goes to expenses, salaries, bonuses and the legalized corruption of seducing real estate agents and lawyers with glittery treats.

Some in Albany understand the problem, but they evidently don't include the lawmakers whose constituents include millions of homebuyers. A new rule, praised by consumer advocates, some business leaders and Gov. Andrew M. Cuomo, would ban such expenses. Legislators, though, are on the side of the industry.

On the heels of a \$400,000 lobbying campaign by the industry, lawmakers have pressured regulators to delay or rewrite the gift ban. The chairmen of the Senate and Assembly insurance committees are supporting legislation that would undercut the rule. Vullo correctly called the measure a "license to commit bribery."

It didn't matter. Within days, the Senate passed the bill unanimously and without debate. Members' affections are directed to a deep-pocketed industry rather than the constituents it gouges.

This is an election year. Voters should take the opportunity to explain things to those legislators.