

Consumer Protection:

Owners Title Insurance

Brought to you by:



Patricia Wolak
SVP National Markets

Consumer Financial Protection Bureau

“We supervise banks, credit unions, and other financial companies, and we enforce federal consumer financial laws.”

“... this means ensuring that consumers get the information they need to make the financial decisions they believe best ... that prices are clear up front, *that risks are visible*, and that nothing is buried in the fine print.”

(www.consumerfinancial.gov/the-bureau/about_us)

Consumer Protection: Owners Title Insurance

'You don't need Owners insurance, because the Lender is getting a title insurance policy'

What Do You Believe?



Consumer Protection: Owners Title Insurance

Title Insurance Consumer's Guide

prepared by Commonwealth of Virginia,
Bureau of Insurance

“Who is protected by Title Insurance?”

“... The Owners' policy protects you, the homeowner, against the specific types of claims listed in the policy.

... The Lender's policy protects the lender's security interest...”

Consumer Protection: Owners Title Insurance

Chicago Tribune

July 18, 2004

Learn The Pros And Cons of Buying Title Insurance

“... Title insurance offers many benefits. Buyers should always insist on obtaining an owner’s title policy because the mortgage lender’s title policy offers no protection to the buyer.”

Consumer Protection: Owners Title Insurance

No-Tears Guide to Moving to Fairfax, VA

June 28, 2013

How Title Insurance can Protect You from Losing Thousands of Dollars

“... If these purchasers weren’t advised properly and wanted to save a few hundred dollars at settlement, it’s possible that they only got ... lender’s title insurance.

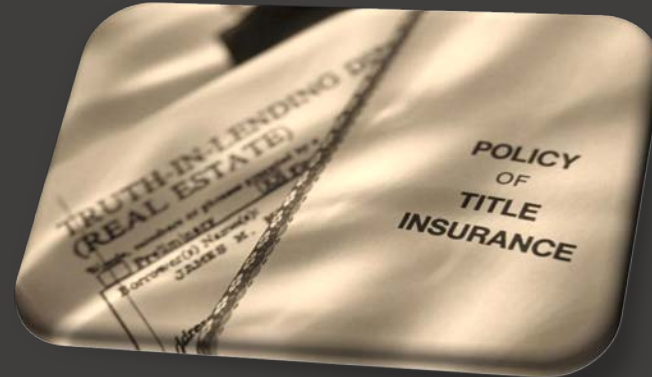
... Without an Owner’s Title Insurance policy, not only would the buyers be out of the home, but they would have also lost their entire down payment ... Oh well, at least the lender got paid ...”

Owners Title Insurance

Brief Facts

Owners Title Insurance: Brief Facts

- One time premium
- Covers legal expenses
- Remains in effect for as long as policyholder (or their heirs) own the insured premises
- Covers 'hidden risks' (not disclosed by search of public records)



True Stories



Owners Title Insurance: True Stories

- Buyer obtained owners title insurance \$50,000 for ten lots
- When he attempted to sell, **discovered another person claimed interest**
- Investors Title hired searcher for exhaustive search and discovered Buyer did not have title to 8 lots
- Investors Title paid Buyer **\$50,000**

Owners Title Insurance: True Stories

- Buyer obtained title insurance \$125,000
- Policy insured access easement to property
- **Neighbor sued Buyer to block access**
- Investors Title hired attorney who successfully defended lawsuit
- Investors Title paid **\$30,154** in fees and costs to defend Buyer

Owners Title Insurance: True Stories

- Buyer obtained owners insurance and attempted to obtain construction loan to build house
- Property had passed through family
- **Title search failed to discover one heir**
- After locating the 'missing heir' in another state, Investors paid **\$7,000** for interest in property and paid attorney to prepare, execute and file deed.

Owners Title Insurance: True Stories

- Buyer obtained owners title insurance \$254,000
- Seller had equity line of \$100,000
- At closing, equity line paid in full **but account not closed or blocked from further advances**
- For 10 more years seller continued to make draws **on property he no longer owned**
- Seller's lender instituted foreclosure proceeding
- Investors Title paid off equity loan **\$100,000**

Examples:
Lender Title Insurance
and no...
Owner Title Insurance

Examples of Lender Title and no Owner Title

Example #1

Current owner is refinancing and discovers that the seller failed to pay taxes for two years prior to owner's purchase of the property.

Lender's coverage is not triggered and owner is responsible to pay for taxes.

Examples of Lender Title and no Owner Title

Example #2

Current owner is sued because his house encroaches onto the neighbor's property.

Coverage under the lender policy is not triggered until and unless lender forecloses.

Owner must pay all costs.

**“Underwriters really don’t pay
much in claims.”**

Losses Incurred by Title Insurers

	2012	2011
Virginia	\$10,289,683	\$14,953,526
West Virginia	\$1,073,043	\$2,362,246

(Demotech Performance of Title Insurance Companies)

Owners Title Insurance

Cost Analysis

National Association of Homebuilders Says
Home owners live in their home average of 10 years

(www.nahb.org “Long Home Buyers Remain in Their Homes”)

Average Homeowners Insurance Premium by State

Virginia	$\$570.00 \times 10 \text{ yrs.} = \$5,700$
West Virginia	$\$875.00 \times 10 \text{ yrs.} = \$8,750$

(www.statisticbrain.com/average-cost-of-home-insurance)

Median Sales Price

Virginia	\$200,000
West Virginia	\$90,000

(www.trulia.com)

Title Insurance Cost: Virginia

Lender	Owner	Total
Coverage	Coverage	
\$160,000	\$200,000	(assumed 80% LTV)
Premium	Premium	
<u>\$464.00</u>	<u>\$466.00</u>	<u>\$930.00</u>

Title Insurance Cost: West Virginia

Lender	Owner	Total
Coverage	Coverage	
\$72,000	\$90,000	(assumed 80% LTV)
Premium	Premium	
\$209.00	\$217.00	\$426.00

Homeowners vs. Owners Title Insurance

Compare Average Homeowners Insurance Premium for 10 yrs.

To Average one-time Owners Title Insurance

	HO	Owners Title Ins.
Virginia	\$5,700	\$466
West Virginia	\$8,750	\$217

“Consumer Protection”

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Lender Protection

Real Claim Scenario – In Brief

- Lender makes loan for purchase of property to a high volume, valued bank customer “Jones”
- Loan officer advises Jones their interests are adequately protected under lenders policy and there is no need for owners title insurance
- Searcher missed \$200,000 prior mortgage
- Prior lender begins foreclosure proceedings

Real Claim Scenario – In Brief

- Current lender files claim \$45,000 for release of prior
- Underwriter notifies Jones they must pay \$45,000 for the release (oops! No owners policy and current loan is not delinquent)
- Jones attorney sues Lender alleging that is was negligent
- Current lender inquires if title insurer will defend claim – no, because the title policy does not insure lender for negligence that harms third parties.

(“The Owner’s Policy – Additional Protection for the Owner – and the Lender!”
by Stephen B. Brown, Sr.)

Available from Commonwealth of Virginia Bureau of Insurance

“Title Insurance Consumer’s Guide”

(www.scc.virginia.gov/boi/pubs/titleguide.pdf)

Available from Investors Title & Agents

- 5 Reasons for Obtaining Owner's Title Insurance
- Why You Should Request an Owner's Policy
- At Investors Title Insurance Company We are Committed to Protect Your American Dream
- Why You Need Title Insurance

Patricia Wolak, Investors Title
pwolak@invtitle.com (910) 520-4493

Robyn Parker, Bankers Title, LLC
rparker@bankerstitle.com (804) 560-7655

Butch Rutherford, Bankers Title Shenandoah, LLC
brutherford@bankerstitleshenandoah.com (540) 678-8200

Bobby Fothergill, Virginia Title Center, LLC
bfothergill@virginiatitlecenter.com (540) 772-0585

Bob Drummond, West Virginia Bankers Title, LLC
bdrummond@titlesinsured.com (304) 333-5162

THANK YOU!