

Overview

Who is Title Guaranty?

- Division of the Iowa Finance Authority
- State of Iowa's title insurance provider

Purpose

- Facilitate lenders' sales to secondary market
- Provide additional guaranties of Iowa's titles
- Add to the integrity of Iowa's land-transfer system



Current Practices

- ALTA 2006 Forms
- Reinsurance with Stewart Title
 - \$500K plus
- Demotech A Prime Rating
- Closing Protection Letters
- Non-purchase product
 - Deed-forward title search used on refinances
- Commercial Services Division
 - Escrow and closing services



Myths

- Government-run monopoly
- Less protection for consumers
- Higher interest rates in Iowa
- Cost to consumers
- Additional burden on government budgets
- Doesn't pay claims

Government Run Monopoly?

- Prohibition restricts domicile and issuance within the state
- Discourages excessive spending of Marketing \$\$
- Lenders may choose to buy title insurance or Title Guaranty
- Title Guaranty competes in market place

Less Protection for Consumers?

- Use ALTA 2006 forms
- Abstract/title opinion system combined with Title Guaranty enhances consumer protection
- Public records searched and shown in abstract
- Attorneys apply Iowa law and title standards
- Defects cleared before Title Guaranty Certificate issued

Higher Interest Rates?

- Lenders in Iowa use both title insurance and Title Guaranty. Interest rates do not differ
- Competitive markets drive rates and terms
- Rate locks are met
- Closing time frames are consistent with national industry
- Industry rates as low or lower than surrounding area (BankRate.com)



Costs

- \$110 on Purchase under \$500K
 - \$1/thousand for coverage over \$500K
- FREE Owner's Coverage
 - Available on transactions involving the purchase of a primary residence valued under \$500K
 - Otherwise available for \$25 concurrent rate
- FREE Endorsements
 - Comprehensive
 - Environmental Protection Lien
 - Location
 - Variable Rate
 - Other ALTA endorsements available for \$15 each
- \$90 on Non-purchases, including refinances





Total Costs

Average title cost = \$600-\$800

Title Guaranty Premium	\$110
Abstract Continuation	\$300
Title Opinion	<u>\$190</u>
TOTAL	\$600



Burden on Govt. Budget?

- Title Guaranty receives no general fund appropriations
- Self funded program
- Generate revenue for Iowa housing programs - \$42 million since 1986

Claims Practices?

- Title Guaranty administers claims as any underwriter (Demotech A')
- Claims paid according to terms of coverage
- Title Guaranty defends, litigates and pays claims

Challenges

- Efficiency
 - 99 Counties in Iowa
 - 188 Abstractors
 - Rural counties – most have one title plant
 - 1406 Participating Attorneys
 - Changes in technology
- Politics
 - Tension between ISBA / ILTA
 - Abstracting without title plants
 - Acceptance of the Iowa System

Challenges

- Competition may have lower standards
 - May use substandard search vs. abstract
 - Many eliminate attorney
 - May lower cost but increase claims
- Market channeled product
 - Relationship business
- Homeowner still uneducated about choices
- Overcoming misperceptions
- Generally, same challenges as any small underwriter

Lessons from Iowa

- Not practical to ban title insurance and create Iowa-like systems in other states
 - Reliance on 40-year title plants
 - Attorney title opinions on every transaction
- Monopolies are unhealthy – Iowa benefits from competition
- Current industry regulation places too much emphasis on pricing, not enough on underwriting

Lessons from Iowa

- No correlation between premium and claims under incremental premium calculation (i.e., \$ per thousand basis)
- Affiliated relationships are detrimental
 - Denies consumers choice
 - Stifles competition
- Political attacks on Iowa system and/or title insurance industry not healthy
 - Spreads mistruth