



Shopping For Title Insurance

In most states, consumers are free to shop for title insurance and to select a title company, settlement company, or attorney to conduct their closing. (Ask a local title company if consumers are able to shop for title insurance in your state.) Many consumers rely on their real estate agent or lender for a recommendation for a title company since they are in a position to know which companies provide good service. However, you are not required to use the title company they recommend. If you decide to choose your own title company, we encourage you to shop for title insurance. There are some things to keep in mind, however, which vary from state to state. And there are some terms you will want to know when speaking with title companies asking for a rate quote.

Types of Title Insurance

Knowing what you are asking for is your first step in shopping for title insurance rates. There are two kinds of title insurance: the Loan Policy, which protects the lender's investment, and the Owner's Policy of Title Insurance, which protects the buyer's interests. If you are obtaining a loan to purchase your house, the lender will usually require that you purchase a Loan Policy to protect their investment. We strongly encourage consumers to obtain an Owner's Policy for a one-time fee paid at closing to protect their interests. Who pays for the Owner's Policy varies from state to state and sometimes even within a state. For instance, on much of the West Coast, the seller would purchase the Owner's Policy for the buyer. On the East Coast, however, the buyer usually pays for the Owner's Policy. An Owner's Policy is not automatically issued in every state. Be sure to ask your local title company or real estate agent how it's handled in your area and whether the Loan and Owner's policies come together or are sold separately.

How Title Insurance Rates are Set

How title insurance rates are set varies from state to state. Some rates are set by the companies themselves and some are set by the State Department of Insurance. For those states that set the rates (Florida, New Mexico, and Texas), each title company is required to charge the same for title insurance for each different type of policy and for each different type of rate. Some other states, including but not limited to, NY, PA, NJ, OH, and DE, which have rating bureaus authorized under state law, may have uniform rates as well. When shopping in the states listed above, you will receive similar rates for title insurance from each company. While title insurance rates may not be as "shoppable" in these states, the cost of other services provided by the title company may or may not be included in the rate so you can shop for those services. Talk to your local title company for how rates are determined where you live.

As mentioned above, some rates may or may not include other services provided by the title company such as conducting the closing, preparing and notarizing documents, adding endorsements to the policy which may be required (usually by the lender or buyer), and other services. When comparing one rate to another, be sure to get detailed information on what is included in that rate, so you are comparing equally.

Rate Terminology

Here are some terms that would be helpful to know when talking to a title company. Ask your title company which of these you may qualify for:

Basic Rate: The rate charged to a consumer who does not qualify for a reduced rate such as, but not limited to, the reissue rate or simultaneous issue rate. (see below).

Reissue Rate: The reduced rate for an Owner's Policy issued on a property which was previously insured within some period of years. In some states, the term is also used for a refinance rate (see below).

Simultaneous Issue Rate: The reduced rate for a Loan or Owner's Policy issued on the same property or loan at the same time as another policy. The term usually refers to a Loan Policy issued at the same time as an Owner's Policy when a property is purchased.

Refinance Rate: The reduced rate for a Loan Policy issued on the new loan in a refinance transaction, in which the original loan was previously insured within some period of years.

Risk Rate: A rate that does not include the cost of researching the title or the cost of conducting the closing.

All-Inclusive Rate: A rate that includes at least some part of the cost of researching the title or the cost of conducting the closing.

Settlement Agents

A settlement agent glues together the process of the sale, working with both the buyer and the seller in the transaction. They research the title, making sure there aren't any liens on the property, pay the seller and the old lender, obtain recording fees and taxes for the government, and file the paperwork at the local courthouse. In effect they orchestrate the settlement from the start to finish.

Closing the sale of your house or business is easy, if you chose the right title company. Title companies, or any settlement agent who performs a closing - attorneys, escrow agents or title insurance companies - are involved in a multitude of activities involved in a closing. Some states require that an attorney conduct the closing. Some escrow agents, and others a title company or agent. Be sure to find out how it's done in your area.

A settlement agent glues together the process of the sale, working with both the buyer and the seller in the transaction. They research the title, making sure there aren't any liens on the property, pay the seller and the old lender, obtain money from the buyer and new lender, obtain recording fees and taxes for the government, and file the paperwork at the local courthouse. In effect they orchestrate the settlement from start to finish.