Concerns with Title Fee Disclosures

The Problem - When both a loan and owner’s title insurance policies will be purchased in a transaction (called “simultaneous issuance”) the TRID requires the lender or settlement agent to inaccurately disclose the title premiums on the Closing Disclosure.

Why is this a problem? – In roughly half the states, a consumer is entitled to discount on loan title insurance policy when an owner’s policy will be simultaneously issued.

How does the Rule handle:

- Regardless of lower, actual simultaneous issue rate for Lender’s Policy (LTP), pricing to be shown at full rate (even on CD)
- If an Owner’s Policy (OTP) is also purchased, rate shown for OTP is in accordance with CFPB formula – again, not the actual rate charged

Why does this matter? – Consumers will not know actual costs of their title insurance premiums

- More difficult for consumers to comparison shop
- Usefulness of state-developed comparison tools will be impacted
The Rule

OTP Disclosure =
  (OTP Premium) +
  (LTP Simultaneous Premium) –
  (Full LTP Premium)

LTP on Closing Disclosure =
  Full LTP Premium (with no discounts for Simultaneous Issue)

Reality

OTP Actually Charged = OTP Premium

LTP Actually Charged = LTP Simultaneous Premium

Here is how the rule works when applied to a transaction in California where the sales price is $200,000 and there is a $190,000 loan:

OTP on Closing Disclosure = $220.00
  (OTP Premium) $902.00
  (LTP Simultaneous Premium) + $409.00
  (Full LTP Premium) – $635.00

LTP on Closing Disclosure = $635.00

OTP Actually Charged = $902.00

LTP Actually Charged = $409.00

Terminology Key:
OTP: Owner’s Title Insurance Policy
LTP: Lender’s Title Insurance Policy

LTP Simultaneous Premium: a discounted lender’s title insurance premium that is issued in accordance to promulgated state rates or insurance company filed rates when both a lender’s and owner's title insurance policies are simultaneously issued