



iBuyers Should Avoid the Status Quo of Unnecessary Title Insurance

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iBuyers risk their innovative and disruptive technology reputations, with ill-advised plans to embrace the non-tech title insurance industry status quo, a burden to customers representing a costly, antiquated, unnecessary insurance product controlling price uncorrelated to risk.

iBuyers need not require costly title insurance to safely and reliably transfer property ownership pursuant to a Purchase & Sale Agreement. Why would iBuyers, their customers, Realtors and investors affiliate with the following:

1. 75% of residential real estate reflect “clean title” and therefore do not require title insurance to transfer title, according to ALTA, the title industry trade association.
2. The title insurance industry, dominated by a monopoly of four corporate conglomerates, generated \$25 Billion in revenue in 2020, yet incredibly, title insurers honored claims of only 3-5%.

3. The title industry gross profit margin of 95-97% is spent in supporting an outdated business model, unchanged in 100 years, and labeled by Forbes as the biggest insurance scam in America.

The title insurance industry status quo is facing significant disruption, reflected by:

- Pricing that is not correlated to risk
- Excessive brick & mortar...20,000 offices in 3,100 counties
- High direct and agency labor costs...150,000 employees
- 80% commissions paid to title agents
- Federal (RESPA) laws enacted to stop title insurance bribery and kickbacks
- Controlled Business Agreements (CBAs) designed to protect the monopoly
- Lack of consumer choice...a restriction of title transfer alternatives
- Excessive consumer costs

And, the dark side of the title industry: 90% of foreclosures of homeowners facing job loss, illness, divorce resulting in default are executed by title insurance companies. These are the same homeowners who purchased title insurance

Some iBuyers apparently believe bundling (captive) title insurance will increase revenue and profitability. Rather, iBuyers will forfeit their original advantage of technology...eliminating lender requirements...at the expense of their customers. The result of iBuyers affiliating with the outdated status quo of unnecessary title insurance is one of the following negative outcomes:

1. Unnecessary title insurance as a pass-through cost to consumers
2. Absorbing unnecessary title insurance costs within their fee structure leading to per-transaction losses
3. Increasing its fee to cover unnecessary title insurance costs

This, at a time when the title insurance industry has been targeted by dozens of innovative and creative high tech firms, including well-funded blockchain technology companies, and firms providing alternative methods of transferring title, all intent on disrupting the antiquated title insurance industry.

As institutional investors examine the original technology-driven iBuyer value proposition, they will look closely at the benefits and metrics of "bundled" products, services, processes and affiliated "partners". They will recognize the market dichotomy associated with the title insurance industry, heavily engaged in its own fight against disruption by new technology and more efficient alternative title transfer services.

iBuyer success in developing the concept of instant cash buying, capable of transforming the real estate industry, is testament to innovative technology proven to

disrupt outdated tradition and status quo. And, the basis of the iBuyer value proposition should remain focused on consumer choice and market alternatives.

Why are tech-driven innovative iBuyers, utilizing an algorithm driven business model, bothering with the outdated status quo of the non-tech title insurance business? Title insurance is generally considered an unnecessary evil by most Realtors and virtually all consumers, who have historically been forced to purchase title insurance at significant expense...for the sole benefit of a lender...when there is no lender involved.

In other words, high tech meets excessive labor, brick & mortar and pricing uncorrelated to risk appears to make no sense. iBuyers should seek alternative underwriting and title transfer services to the status quo of non-tech, antiquated title insurance industry.

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