



## Why Require Unnecessary Title Insurance, Forfeiting Innovation to the Status Quo?



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Serving iBuyers, iSellers and iLenders with Real Property Ownership-Transfer Services

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Why would innovative PropTech *iBuyers*, utilizing an advanced algorithm-driven business model, risk their technical advantage, profitability, brand equity and customer loyalty by doubling down with the low-tech status quo title insurance industry; unnecessarily requiring consumers who have historically been forced by secured lenders; to purchase costly title insurance for the simple cash purchase and ownership-transfer of a family home?

It appears ill-advised that *iBuyers* dilute their original technology-based value proposition by requiring title insurance; which inflates transaction costs by becoming either 1) a substantial *iBuyer* customer pass-through cost, 2) by absorbing the costs within their *iBuyer* convenience-fee business model, or 3) by increasing their *iBuyer* convenience fees to cover unnecessary title insurance costs.

In some cases *iBuyers* appear to believe (captive) title insurance will increase revenue and profitability. The expectation may be that title insurance is a method to increase "engagement" with the retail customer. The concept of "one-stop shopping", a staple of the title insurance industry to capture all revenue sources associated with a Purchase & Sale Agreement, is not new or innovative.

Yet, some *iBuyers* find the "bundling" attractive 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 ownership, all intent on disrupting the antiquated title insurance industry. *High tech iBuyers collaborating with the title industry's excessive labor, brick & mortar and pricing-uncorrelated-to-risk, makes no sense.*

A new and transformative SFR ownership-transfer process, developed by PropTech firm *iTitleTransfer, LLC* serves as an alternative to the status quo, and is now available to provide a safe, reliable and low-cost method of transferring real estate ownership from seller to *iBuyer*.

- *iTitleTransfer's alternative ownership-transfer process reduces iBuyer operating costs, thereby enhancing revenue, profitability, liquidity, market share, brand equity, asset re-sale opportunities and customer satisfaction.*
- *iTitleTransfer's all-inclusive low-cost production process includes real property search, examination, underwriting, risk-scoring, legal opinion, escrow, document preparation, eNotary, eSigning, eRecording and deed monitoring.*
- *Ownership transfer is accomplished utilizing a Warranty Deed as the legal document between the seller (grantor) and the buyer (grantee). The deed protects the buyer by warranting that the seller holds clear title to the property.*

The basis of *iTitleTransfer's* transformative business model is The American Land Title Association's "Comprehensive Title Industry White Paper" statement that 75% of Single Family Residential (SFR) real estate transactions reflect "clean" ownership and chain of title, rendering title insurance policies unnecessary for the purchase and sale of these residential real properties.

The title insurance industry, dominated by a monopoly of four title insurance corporate conglomerates, generated \$25 Billion in revenue in 2021. Yet incredibly, title insurers paid claims of only 3-5% of premiums, and claims often required a law suit against the title company. The title insurance industry status quo, an outdated business model unchanged in 100 years, is facing significant disruption, evidenced by:

1. *Excessive brick & mortar*
2. *High direct labor costs*
3. *Pricing that is not correlated to risk*
4. *80% commissions paid to agents*
5. *Federal (RESPA) regulatory action to control bribery and kickbacks*
6. *Controlled Business Agreements (CBAs) protecting monopolization*
7. *Lack of consumer choice*
8. *Excessive consumer costs*

As institutional investors examine algorithm-based *iBuyers*, they will look closely at the benefits and metrics of "bundled" products, services, processes and affiliated "partners". They can be expected to recognize risks associated with the title insurance industry, soon to be heavily engaged in its own fight against disruption by new technology firms and alternative ownership transfer services.

*iBuyers* should seek alternatives to the low-tech title insurance industry. The innovative reputation, brand equity, customer loyalty and originally successful disruptive value proposition, is at risk by doubling down on a questionable strategy to increase its value at the expense of customers, significantly benefitting the title insurance industry.

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