



Home Price Reduced-Appreciation to Squeeze iBuyers, Home Builders and Realtors

Published on April 1, 2022



Theodore Sprink

Managing Director, iTitleTransfer, LLC serving iBuyers, Home Builders and Realtors with PropTech Ownership Transfer Strategies

The concept of iBuying, also known as “instant cash buying” represents a technology-driven alternative to the housing market’s status quo; defined as mortgage lenders and the title insurance monopoly forcing unnecessary costs upon iBuyers, Realtors, Home Builders and Consumers.

While iBuyers pursue profitability by charging a “convenience fee” for the instant cash purchase, they are gambling that the fee can absorb the algorithm-driven purchase price, origination and closing fees, refurbishing costs, hold times, interest carry; and most importantly, the anticipated re-sale price.

- Operating losses-per transaction have been mitigated for iBuyers these past 18 months by an overheated real estate market, evidenced by multiple offers and an extraordinary appreciation of homes, that has essentially assured iBuyers of gross profit upon re-sale.

- Given the anticipation of increased interest rates and diminishing inventory, it is likely that the spread between purchase price and re-sale price will shrink; the reduction the result of significantly less appreciation of the “i-purchased asset” scheduled for re-sale.
- iBuyers will seek new methods to reduce costs, in order to respond to falling appreciation of acquired inventory.

The iBuying model is important in the manner it provides Consumer Choice to home sellers that desire or need an instant sale. The choice is a traditional sale taking months; or an immediate cash offer and rapid closing.

The need for an instant sale includes individuals experiencing health problems, job loss, divorce, default, foreclosure or an opportunity to start a new job out of state. It also allows home sellers to avoid the traditionally long listing period, the inconvenience of multiple showings; and numerous offers, some coming from buyers who fail to qualify for a mortgage loan.

iBuyers and their Realtor and Home builder counterparts are learning that absorbing certain origination and closing costs; or passing these costs on to the Seller and/or Buyer; may be one method of recording gross profits, but they do little to avoid the unintended consequences of becoming a cog of the low-tech status quo.

Leading iBuyers, Home Builders and Realtors are advising Buyer and Seller clients of alternative methods of transferring ownership; and the manner in which they can avoid unnecessary pass-through costs. From a strategic standpoint, these unnecessary pass-through costs should not be viewed as necessary revenue producers, at the cost to the Consumer,

As to iBuyers, why develop a new real estate high-tech business model; only to collapse into the old-school habit of passing unnecessary costs to the Consumer, without choice? iBuyers and Home Builders should be seeking to reduce costs, rather than simply passing them on to their Consumer customers. This is particularly true when market trends suggest that profitability will be based on the future of low costs...not asset appreciation.

1. To complement the iBuyer high tech concept, and to provide cost control to iBuyers and Home Builders, while providing Realtor client Consumer Choice, *iTitleTransfer, LLC* was established to provide a transformative low-cost business process designed to reduce per-transaction costs either absorbed by iBuyers and Home Builders or passed on to Consumers. The cash transaction process includes all closing services essential to transfer ownership of residential real estate.
2. *iTitleTransfer's* proprietary transfer process provides a safe, reliable, low-cost settlement and closing alternative to the traditionally lengthy and costly mortgage lending processes. This transfer process significantly reduces time and costs related to SFR cash purchase and sale transactions.

iBuyers, Home Builders, Realtors, Buyers and Sellers should have a choice in the manner in which they open and close cash transactions. *iTitleTransfer's* ownership-transfer process includes:

- Real Property Search
- Examination
- Proprietary Risk Scoring
- Curative Services
- Legal Opinion
- Document Preparation
- Escrow
- eNotary
- eSign
- Ownership Transfer
- eRecording
- Deed Monitoring

The traditional mortgage lender-required purchase of costly, unnecessary title insurance, unneeded endorsements up-sold by eager title insurance sales representatives and excessive settlement fees are a presumed formality to establishing “clear title”.

This has been the status quo for decades. However, the fact is that according to the ALTA, property searches and examinations reveal that 75% of SFR search and examinations reflect clear title, which renders the requirement for Buyers and Sellers to purchase costly title insurance as unnecessary.” In other words, the requirement and cost of title insurance coupled with inflated settlement costs, are not correlated to risk.

The title insurance monopoly of four corporate conglomerates generated \$25 Billion in premiums in 2021, yet incredibly honored only 3% of customer claims. The dark side of the title insurance industry is that title insurance companies conduct 85% of residential foreclosures on their insured customers...who may be suffering temporary cash flow problems, job loss, illness, relocation and/or divorce.

iTitleTransfer's proprietary real estate transfer process, is safe, reliable, simple, inexpensive and significantly reduces closing costs to iBuyers, Home Builders and the Realtor's Buyer and Seller clients in the residential cash real estate market.

iTitleTransfer maintains offices in Scottsdale, Arizona and production facilities Dallas, Texas and Orlando, Florida. For program details, pricing and to place an order, contact Managing Director, Ted Sprink at tsprink@iTitleTransfer.com or 866-494-3727.

www.iTitleTransfer.com



*Theodore Sprink, Managing Director 866-494-3727 tsprink@iTitleTransfer.com
www.iTitleTransfer.com*