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Most people buying homes get screwed into spending thousands on a tedious fee. That may be about to change.

Attorney-opinion letters could save homebuyers thousands of dollars in closing costs.



- ***Most homebuyers with a mortgage pay hundreds to thousands of dollars on title insurance to close.***
- ***Title insurance has long been criticized as expensive and unnecessary.***
- ***An alternative to title insurance called an attorney-opinion letter might help buyers save money.***

Wouldn't it be great if purchasing a house were a little less expensive?

Most homebuyers taking out a mortgage have to pay for title insurance, which ensures that the sellers of the homes legally own them. Title insurance, which is required to close on most properties in the US, can cost hundreds or thousands of dollars. When Business Insider's Mattathias Schwartz was told he had to pay

\$5,105 for title insurance when he bought a house in Philadelphia, he was so outraged that he dug into what he called the "scam that's built into every single mortgage."

But the mortgage giant Fannie Mae has said that an alternative to title insurance — getting a letter from a lawyer that affirms the home's ownership, known as an attorney-opinion letter — could save the average homebuyer over \$1,000, The Wall Street Journal reported this week.

Schwartz reported in 2022 that title insurance cost Americans \$20 billion a year. The savings from using attorney-opinion letters could help Americans facing high prices and high borrowing costs better afford homeownership. Homebuyers could direct the money saved toward other expenses such as furniture or renovations.

Not every US state requires homebuyers to purchase title insurance before closing. But it's ubiquitous because lenders want to make sure any home they underwrite is protected in the event that someone else — like an heir, or a bank that lent money to a previous owner — pops up to claim ownership.

Critics argue that four main title-insurance companies are largely free to charge homebuyers whatever they want, which Schwartz reported had led to higher prices for homebuyers and a surge in the companies' profits over the past decade.

Some say title insurance is obsolete, since modern technology has improved access to public records essential for confirming a home's title or owner.

Mortgage-industry experts who spoke with the Journal said attorney-opinion letters, sometimes abbreviated as AOLs, may be a viable replacement for title insurance.

While attorney-opinion letters are used most often in the Midwest, Fannie Mae announced in December that it would accept them for most single-family loans it acquired from lenders.

The criticism of title insurance isn't likely to stop.

"It's been clear for years that something is seriously wrong with title insurance," Schwartz wrote in 2022. "The industry has been called a 'racket' (Forbes), a 'cartel' (Curbed), and an 'invidious form of business' (Iowa Supreme Court). In an editorial, The New York Times called it, simply, a 'scam.'"

Schwartz ended up paying \$4,080 instead of the \$5,105 he was originally quoted to prove the home he bought was his, free and clear.

But the increasing popularity of attorney-opinion letters means homebuyers could leave the closing table with more of their money.