

Consumer Participation in the Future of Loan Closings

Opinion Editorial

Theodore Sprink, Scottsdale, Arizona May 1, 2024

As a former senior executive of First American Corporation, Fidelity National Financial and Chicago Title, I have followed with great interest our industry's issues with interest rates, inflation, market instability, NAR litigation settlement(s), and the forthcoming interplay of Realtors and Loan Brokers. I have followed with particular interest the ongoing nature of a title insurance waiver, and alternatives to title insurance, authorized by Fannie Mae and Freddie Mac (GSEs)...and specifically how the title insurance industry has responded to:

1. The April 2022 GSE "Lender Sellers Guide" in which Freddie Mac and Fannie Mae provide trillions of dollars in liquidity to lenders, by which lenders accept Attorney Opinion Letters which *authorizes alternatives to title insurance*.
2. The July 2023 GSE "Equitable Housing Finance Program", which *authorizes alternatives to title insurance*.
3. The December 2024 GSE "Expansion of the Use and Acceptance of AOLs" which *authorizes alternatives to title insurance*.

As many of my real estate industry friends know, I established the PropTech firm "*iTitleTransfer, LLC*" which created a Fully Insured Loan Closing Platform, based on precepts of: Innovation, Technology, Competition, Lower Prices, and Consumer Choice. The GSEs were pleased to find *iTitleTransfer* fully consistent with the Sellers Guide, Equitable Housing Finance Program and the Expansion of AOL Program.

As everyone in the real estate industry knows, the purpose of these programs is to accelerate GSE's purchases of mortgage loans...which provides liquidity for lenders to make yet more loans. The GSE programs are intended to reduce borrower costs, thereby increasing market transactions; and to provide consumers choice in selecting safe and reliable loan-closing providers.

Notwithstanding ALTA's disinformation to the contrary, *iTitleTransfer's "Fully Insured Loan Closing Platform"* provides the nation's first E2E, low-cost, mortgage closing platform protecting Lenders, Borrowers, Successors-of Interest and Investors with the benefit of safe, reliable, fully insured loan closings, for one-third the cost of traditional settlement services. The platform includes the following:

- *Insured Search and Examination*
- *Insured Proprietary Risk Scoring*
- *Insured Curative Services*
- *Insured Attorney Closing Letter*
- *Insured Escrow*
- *Insured Document Preparation*
- *Insured Lender Reconciliation & Loan Closing*
- *Insured eNotary and eSign*
- *Insured eRecording and Deed Monitoring*

Notwithstanding ALTA's claims to the contrary, each component of the platform and *iTitleTransfer*, maintain multiple AM Best "A" rated Mortgage Loan Services, Professional Liability and Loan Closing Platform insurance policies, covering Loan Amount, Life-of-Loan, Fraud, Forgery, Lien Priority, Duty-to-Defend, Gap, CPL, and Cyber Security; enhanced by Excess/Umbrella insurance providing additional insurance related to each Purchase and Refinance loan transaction.

Consumers have learned *iTitleTransfer's* value proposition...*loan closings of the future...* is based on innovation, technology, competition, lower prices, and consumer choice...everything ALTA opposes. Consumers ask, why is it ALTA whines about modernization and advances in technology and risk management? Consumers desire the benefits of “the future” of innovation, competition and lower prices.

ALTA's obtuse multimillion-dollar disinformation “strategy” of posting and distributing and false information has demonstrated a startling lack of knowledge and understanding of the strength, value, and underlying insurance of *alternative* Loan Closing Platforms. ALTA's strategy asserts that alternatives to title insurance are uninsured and therefore unsafe. This is assertion is completely untrue.

Consumers have learned the title insurance industry, dominated by a monopoly of four corporate conglomerates, generated \$30 Billion in revenue in 2023, yet according to SEC filings, paid customer claims of only 2.7%.

Consumers have learned GSEs have no interest in posing as “defacto” title insurance companies. They have recommended a pilot for a very narrow segment of the lowest risk assets available to investors. There are other GSE waivers...that make sense in certain circumstances...including, for example, costly full appraisals; easily replaced by technology-based valuation tools; and RON to modernize the notary function.

Consumers are not deceived by ALTA's false claim of reduced title insurance “filed rates”. Consumers have been informed by lenders, loan brokers and Realtors that “filed rates” do not include unregulated underwriting fees, title set-up fees, title processing fees, title report fees, CPL fees, endorsement fees, document preparation fees, and the like. Consumers have also learned that “filed rates” do not include unregulated preparation-of-escrow-instructions fees, set-up fees, payoff fees, disbursements fees, receipts-of-satisfaction fees and escrow-related services fees.

Consumers recognize only ALTA is blatantly attempting to restrict modernization of the future of loan closings; by mischaracterizing safe, reliable, technology-driven, low-cost alternatives to the absurd \$30 Billion annual revenue generated by the title insurance monopoly.

The title insurance model is unchanged in 100 years, reliant on thousands of offices and hundreds of thousands of employees. Regional “claims offices” focus on denying customer claims, based on policy fine print, setting forth dozens of “exceptions and exclusions”. Consumers believe the title insurance industry status quo is facing significant disruption, evidenced by:

1. *Pricing not correlated to risk*
2. *Excessive borrower cost*
3. *Reliance on brick & mortar*
4. *High direct labor costs*
5. *Distrust based on failure to honor claims*
6. *Lack of consumer choice and alternatives*

The title insurance industry faces serious challenges in defending against disruption: If pricing is reduced to match the AOL-based alternative, consumers will conclude it has been overcharged for decades. If the title industry develops a similar AOL-based product, consumers will conclude title insurance has been unnecessary for decades. Informed consumers want to know about the future of mortgage closings...and why ALTA is resisting innovation, technology, competition, lower prices, and consumer choice.

Information concerning *iTitleTransfer's* national, licensed attorney opinion template, underlying insurance coverages, cost comparisons, strategic alliances, agency relationships, revenue share programs and private label opportunities can be obtained by contacting founder, Ted Sprink at tsprink@ititletransfer.com.

