

Statement for the Record
Congresswoman Nydia M. Velázquez
Housing and Community Opportunity Hearing
“Title Insurance: Cost and Competition”
April 26, 2006

First, I want to thank Chairman Ney for holding this hearing today on title insurance and the role it plays in the housing market. This issue has relevance today as a result of the GAO report commissioned by Chairman Oxley and other recent and ongoing state and Federal investigations about practices within the industry. So, I am hopeful that today’s hearing will provide this subcommittee with insight into these and other issues regarding title insurance -- as well as suggestions on how the industry can eliminate bad players and become more transparent for consumers.

Title insurance is a valuable tool for homebuyers. For many, it is just another box to check when closing on a home, but if something goes awry -- and it sometimes does-- it is critical in protecting consumers and lenders from losses. It also helps guarantee the efficient and safe transfer of property.

Recent investigations and GAO’s preliminary findings identify possible areas that could be improved within the title insurance industry. It is important to address these concerns in order to ensure that title insurance continues to perform its vital role, which allows consumers to acquire real estate free of worry that someone will contest their right of ownership.

Title insurance allows homebuyers to accept ownership of real estate on terms they are comfortable with. Property ownership interests often go beyond the seller and the buyer -- extending to prior owners that have created contracts or suffered liens against the property. Title insurers work to uncover these liens and encumbrances, giving buyers the chance to make informed decisions about the property they are purchasing.

It is necessary, however, to ensure that consumers are receiving a fair deal and accurate information when they purchase title insurance.

In order to guarantee that this occurs, there should be adequate regulation, both from within and outside of the industry. This public-private partnership will make sure that questionable title insurance transactions, such as those that have been the impetus for today’s hearing, do not take place.

We will likely be hearing from witnesses about state and Federal investigation that have recently identified potential illegal activities in the sale of title insurance. These investigations have centered on alleged kickbacks received by real estate agents, lenders, mortgage brokers, and attorneys in return for steering business to title insurers or agents. The creation of captive reinsurance arrangements has also been the subject of investigations. Such arrangements have been alleged to be a method to pay for referrals which is illegal in many states and under RESPA.

The bad players engaging in these activities severely undermine the title insurance industry as a whole and harm consumers. Action should be taken and a framework put in place to stop illegal practices that undercut the integrity of title insurers and subsequently cause consumers to suffer.

Again, I would like to say that I am happy to be here today to hear all sides of the story. Title insurance is an important and necessary component of the real estate marketplace. In most cases, it allows for the smooth and secure transfer of property from seller to buyer. And in rare cases, when a party comes forward to make an ownership claim on a property, title insurance protects buyers and lenders from suffering losses. However, the benefit of title insurance to consumers depends on fair play within the industry and we must make sure that the marketplace is structured in a manner that promotes these objectives.