



Know before you close.

OWNER'S TITLE INSURANCE –

What you need to know on or after Oct 3rd, 2015.

If the seller has agreed under the terms of the purchase contract or by local custom to pay for the owner's policy of title insurance, then the creditor does not show the premium on the Loan Estimate and the buyer is not charged at closing with an offset to the seller. Instead the seller is charged the premium at closing.

However, if the buyer has agreed to pay any portion of the owner's premium at closing, the creditor must show the charge on the Loan Estimate as optional. Example: Title – Owner's Title Policy (optional) \$1,017 The portion of the Owner's Title Policy premium paid for by the buyer at closing must be shown as "optional" on the Closing Disclosure in the same manner. Conceivably the buyer could opt not to purchase an owner's policy at the closing table.

It is important to understand the CFPB never intended for buyers to get the impression an Owner's Title Policy is not necessary. Their intent was only to ensure the Loan Estimate provided a true estimate of the required costs related to their transaction, in order to obtain a loan for the purchase of the property.

Although the lender may not require their borrower purchase an Owner's Title Policy as a part of the purchase, the purchase agreement or contract will most likely require a policy be purchased. The

optional wording on the Loan Estimate and Closing Disclosure is really only there to alert the buyer the purchase of an Owner's Title Policy is not required as a part of the loan program.

Keep in mind any portion of the Owner's Title Policy premium paid by the seller shall not contain the word "optional" in the charge description.

If a buyer opts not to purchase an owner's policy, in most states they would not receive the benefit of a simultaneous issue discount applied to the loan policy premium. Currently, in a typical residential transaction, a lender quotes the discounted rate on a Loan Estimate.

However, any increase in this premium would result in a tolerance violation or increased annual percentage rate. Therefore, the CFPB wrote into the new rules any simultaneous issue discount must be applied to the owner's policy premium and not the loan policy premium.

Therefore, when the new CFPB rules are implemented, the lender will need to disclose the full lender's policy premium on the Loan Estimate and the preparer of the Closing Disclosure will charge the full loan premium. The new formula for calculating the owner's premium with the simultaneous issue discount applied is as follows:

$$\begin{aligned} & \text{Owner's Premium} \\ & + \text{Simultaneous Issue Rate} \\ & - \text{Full Loan Premium} \\ & = \text{Owner's Rate} \end{aligned}$$

Continued...



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The new calculation method applies regardless of which party to the transaction is paying the owner's policy premium. For example, the premiums on the purchase of a \$300,000 residence with a \$240,000 loan closed simultaneously with actual premiums are as follows:

Owner's Policy Premium	\$1,090
Loan Policy Premium (Full Rate)	\$ 928
Loan Policy Premium (Simultaneous Issue Rate)	\$ 469

On a transaction closed prior to the effective date of the new rules, if the seller is paying for the Owner's Title Insurance, the seller would pay \$1,090 and the buyer would pay \$469. On the same transaction closed after the effective date of the new rules the disclosure would reflect the seller paying the calculated premium of \$631 and the buyer paying the full loan premium of \$928.

The title provider will still receive all the total premium dollars due to them. However, the seller ends up paying \$459 less than obligated and the buyer ends up paying \$459 more than obligated.

	Seller's Cost per Contract	Buyer's Cost per Contract	Seller's "Cost" per Disclosure	Buyer's "Cost" per Disclosure	"Cost" Difference - Seller	"Cost" Difference - Buyer
Owner's Policy	\$1,090	\$0	\$631 (\$1,090 + \$469 - \$928)	\$0	\$459 less (\$1,090 - \$631)	\$0
Lender's Policy	\$0	\$469	\$0	\$928	\$0	\$459 more (\$928 - \$469)

The only way the formula works is if one of the parties to the transaction is paying both policy premiums, which in most markets is not customary. As a result, our systems have been designed to provide an off-setting debit to the seller for the balance of the owner's premium and an offsetting credit for the same to the buyer.

The disclosure amounts, and off-setting debits and credits only appear when the Closing Disclosure is printed using the Company's escrow production systems. Any other document, such as a closing statement or fee ticket, will print the premium dollars in the normal fashion.

Despite all of the changes imposed by the CFPB, consumers should be aware of the following 30 common title problems that can occur after the purchase of a property:

1. Impersonation of the true owner of the land
2. Forged deeds, releases, etc.
3. Instruments executed under fabricated or expired power of attorney
4. Deeds delivered after death of grantor/grantee, or without consent of grantor
5. Deeds to or from defunct corporation
6. Undisclosed or missing heirs
7. Misinterpretation of wills
8. Deeds by persons of unsound mind
9. Deeds by minors
10. Deeds by illegal aliens
11. Deeds by persons supposedly single but secretly married
12. Birth or adoption of children after date of will
13. Surviving children omitted from will
14. Mistakes in recording legal documents
15. Want of jurisdiction of persons in judicial proceedings
16. Discovery of will of apparent intestate
17. Falsification of records
18. Claims of creditors against property sold by heirs or devisees
19. Deeds in lieu of foreclosure given under duress
20. Easements by prescription not discovered by a survey
21. Deed of community property recited to be separate property
22. Errors in tax records
23. Deed from a bigamous couple
24. Defective acknowledgements
25. Federal condemnation without filing notice
26. Corporation franchise taxes, a lien on all corporate assets
27. Erroneous reports furnished by tax officials
28. Administration of estates of persons absent but not deceased
29. Undisclosed divorce of spouse who conveys as consort's heir
30. Marital rights of spouse purportedly, but not legally divorced