

With title-insurance firms, it's home seller beware

By The Denver Post

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Title-insurance companies have some explaining to do.

Why does the cost of title insurance vary from one company to the next by hundreds or even thousands of dollars?

In these difficult times, many home sellers are trying to squeeze every dollar out of their home sales, just to pay off their mortgages and their brokers and be free.

What they often don't know is that they can get a better price from title companies - which close the deals and ensure that homebuyers have clear title - by shopping around.

Littleton-based title-insurance consultant Garry Wolff is showing them how.

In March, he launched a website, MyTitleIns.com, where consumers can get quotes from about 20 title companies with just a few punches of a keyboard.

On a \$110,000 condo, the costs can vary by as much as \$500. On a \$275,000 home, they can vary by up to \$900. And on a home costing \$600,000 or more, they can vary by as much as \$1,500. And for what?

"The big players (in the title-insurance industry) keep stressing that it's based on service and relationships," Wolff said. "The industry doesn't want to change."

People selling their homes pay most of the costs of title insurance, yet they typically do not select their title-insurance company. They usually rely on their real-estate broker, their lender or some other professional to make that choice for them, not thinking about the price.

For their part, real-estate professionals tend to go with whom they know.

"That's not infrequently bad advice," said Jim Maher of the Washington, D.C.-based American Land Title Association, a title-industry trade group.

"A real-estate broker does three or four closings a month, whereas you may do a closing every seven to 10 years," Maher said. "If you've ever been to a closing, you know it doesn't take much to screw something up. You want to have someone who has been there before. Is it worth paying ... more to have that? Or is it better to pay some newbie to do it on a discounted basis?"

What's better is information, said Paula Sisneros, director of compliance and investigation for the Colorado Division of Insurance.

"We support any entrepreneurial effort that provides accurate information to the consumer," she said.

In 2005 and 2006, the division reached settlements with some large title companies after a broad-reaching investigation of kickbacks between affiliated companies. Many title companies have affiliated relationships with brokerages, homebuilders and other players involved in the transaction. Most of these affiliations are not illegal, as long as they are properly disclosed, but this may help explain some disparities in price.

"Affiliated business arrangements are still pervasive," said Sisneros. "The division will be looking at these and weeding out the bad actors."

On another front, Denver lawyer Jeffrey Berens is organizing a class-action lawsuit against Land Title Guarantee Co.

His client, David Resnick, filed suit in Denver District Court, claiming the company did not give him a required discount when he refinanced his home.

The lesson here is, shop around.

But Wolff has his own motives for getting consumers to compare prices. He represents smaller, less established title companies that don't have the connections with real-estate professionals that larger companies enjoy.

"They're going up against the big dogs," said Wolff, "and if it's based on relationships, these little guys are going to have to be around a long time before they can compete ... so cost is critical to them."

Like many brokers, Al Loya of Metro Brokers/Colorado Homes Real Estate relies on people he knows to close deals.

"Most title companies have a good bit of turnover in a tough market," he said, "so you learn to follow the people rather than companies. ... I've been inclined to follow people I know are good closers. Most companies offer the same type of service. But the people make all the difference in the world."

Recently, however, Loya has been getting quotes from MyTitleIns.com.

"The site taught me there is a great disparity (in price between companies)," he said, "and that these rates are more negotiable than I ever thought."

Al Lewis' column appears Sundays, Tuesdays and Fridays. Respond to him at denverpostbloghouse.com.

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