House OKs Title Insurance Changes

Bill Would Lower Closing Costs

BY BARRY MASSEY
The Associated Press

SANTA FE — Home buyers could see lower closing costs on their mortgages under legislation approved by the House on Friday to bring price competition to title insurance in New Mexico.

House Speaker Ben Lujan, D-Santa Fe, said the proposed changes should make the title insurance system "more consumer friendly" but not hurt title insurance agents.

The title insurance overhaul is committee substitute for HB488.

People pay for title insurance when buying or refinancing a home. The insurance is to provide a guarantee against losses in case of a problem with the ownership records of the property.

Currently, state regulators determine the cost of title insurance and establish a uniform rate all title insurance companies must charge. New Mexico is among three states in which the government sets the price for the insurance.

Under the legislation, the state will continue to establish a price for title insurance but insurers can charge a lower rate in a county if it's approved by the superintendent of insurance, who runs the division of insurance in the Public Regulation Commission.

Regulators also are to provide the public with information about title insurance rates for residential property. A listing of rates on the PRC's Web site will allow consumers to shop for the best price, Lujan said.

Another provision in the legislation will provide for greater discounts on title insurance policies for homeowners refinancing their loans.

The state also regulates commissions for title insurance agents. The bill guarantees agents can keep at least 80 percent of gross premiums as commissions, with the remainder going to the insurer. Starting in July, agents would get 81 percent of the price paid for the insurance.

The legislation will prohibit title insurance agents from paying fees or providing something of value to other parties, such as a real estate firm or contractors, to refer customers to them.

Lujan said the legislation was a compromise developed through negotiations with the title insurance industry, regulators and an advocate for rate-setting reform, Think New Mexico.

The Santa Fe-based independent think tank issued a study in 2007 that concluded consumers could save millions of dollars if there was price competition in the title insurance market.

The House unanimously approved the bill and sent it to the Senate for consideration.

"Today's unanimous bipartisan vote in favor of the speaker's bill is a big step toward lowering title insurance costs for home buyers and homeowners seeking to refinance a mortgage. It is especially urgent given this challenging economic environment," Fred Nathan, executive director of Think New Mexico, said in a statement.