

ALBUQUERQUE JOURNAL



T.M. PEPPERDAY, Publisher 1926-1956
C. THOMPSON LANG, Publisher 1956-1971

T.H. LANG, Publisher
Kent Walz, Editor
An Independent Newspaper

Published at Journal Center, 7777 Jefferson NE
Albuquerque, NM 87109-4343, by the Journal Publishing Co.
This newspaper is copyrighted, reprint of this masthead prohibited.

A8

Thursday, January 24, 2008

EDITORIALS

Interests of Citizens, Donors Often at Odds

If Gov. Bill Richardson wanted to do what's best for New Mexico — for slump-slammed construction workers, suppliers, real estate agents and homebuyers — he would put title insurance reform on the table.

People who borrow to buy real estate, or refinance it to make improvements or send a child to college, are hit with the equivalent of a tax. As it does with taxes, New Mexico government sets the rates for title insurance instead of letting companies calculate the rates that will keep them competitive in the hunt for customers, as many other states do.

And those rates have been set high enough that title insurance companies' average loss ratio has been as low as 4.6 percent — that means administrative overhead plus insurance claims companies paid out averaged 4.6 percent of the premiums paid in. Compare that deal to the property and casualty insurance industry's average loss ratio of 80.4 percent.

But title insurers have enjoyed excellent government relations.

One result: 1999 legislation that pretty much nullified the companies' responsibility to do the job for which they are so richly paid. The insurance is supposed to protect lenders and buyers from liens, encroachments, disputed ownership and other problems with title to real estate. The companies are supposed to comb through the chain of title and inspect the property to make sure such problems do not exist. But if title examiners miss something or a clerical error is committed that leaves the policyholders unprotected, they have no recourse to sue the title company under the '99 law.

Another result: David Contarino, who owns a title company with his wife, had a conversation with Public Regulation Commissioner Ben Lujan Jr. Since such ex parte communications outside the public hearing process could prejudice a commissioner, Lujan recused himself on the issue. Contarino's other job was chief of staff for the governor before he managed the recent primary campaign, so he should have foreseen the conflict.

Another result: Gov. Richardson decided against putting a proposal to change how title insurance rates are set on the agenda for the current session, despite a push by policy advocates and the Public Regulation Commission.

Spokesman Allan Oliver said the complexities of such reform would take up too much time in a short session and that legislators "must be sure not to increase costs for consumers."

It's hard to imagine how this sweet deal could become even more profitable for title insurers, especially since the complexities of the issue have been predigested for lawmakers by the PRC.

Oliver also discounts any possibility that title companies' generosity in supporting Richardson's campaign might have played a role in delaying the proposal.

"The governor only works in the best interests of New Mexicans. That's how he makes decisions. No other way."

Does that sound like an echo of statements made regarding the governor's supporters in the smokeless tobacco and payday loan industries after previous Richardson decisions? How, exactly are New Mexicans' best interests, as opposed to those of Ruidoso Downs owner and Richardson supporter R.D. Hubbard, served by a \$708,000 tax break for the track and casino? A racino apparently so strapped for cash that it could contribute only \$13,000 to the governor's re-election campaign?

There's nothing wrong, per se, with high political ambition, and Richardson's drive for prominence has benefited New Mexico in many ways. But the massive need for campaign funds to fuel that drive, and acceptance of contributions from individuals and companies that have interests before state government have, on too many issues, raised ethical questions.