

<p style="text-align: center;">Bill Summary: Title Insurance Reform Compromise Bill (House Business & Industry Committee Substitute for HB 488 & HB 357)</p>
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Helps Homebuyers by Introducing Price Competition to the Title Insurance Industry

New Mexico is currently one of only three states in which the state government sets a single rate for title insurance and prohibits price competition. The substitute bill would introduce price competition: the Superintendent of Insurance will still promulgate a rate, but title insurers will be allowed to charge rates that are less expensive than the promulgated rate, subject to prior approval by the Superintendent. These lower rates will directly benefit homebuyers. In addition, the Superintendent must report to the Public Regulation Commission and the Legislature each year on the state of price competition in the title insurance industry.

Establishes More Generous Refinance Discounts to Assist Families Refinancing a Mortgage

The bill increases the discounts available for title policies purchased by homeowners who refinance their mortgages. The new discounts are at least 60% for a homeowner refinancing 0-3 years after buying the home; at least 50% after 3-5 years; at least 40% after 5-10 years; and at least 20% after 10-20 years. (The current discount schedule, set by regulation, offers smaller discounts and ends after 10 years.)

Provides for New Consumer Protections

The bill creates a new requirement for the Superintendent of Insurance to make available to the public all title insurance rates, as well as title closing fees for residential properties, on the PRC website to make it easier for homebuyers to shop around for the best price.

The bill enhances prohibitions against title insurers paying referral fees or kickbacks. It also stops the practice of title insurance agents paying part of their premiums back to homebuilders or realtors in the guise of “reinsurance” when it is actually a referral fee. This reform was developed in response to the 2005 “captive reinsurance” case involving First American Title, Artistic Homes, and KB Homes.

The bill also requires title insurance policies to insure homebuyers against lack of legal access to the property.

Benefits Indian Nations, Tribes and Pueblos

The bill allows Indian nations, tribes, and pueblos who purchase land and then transfer it to the federal government to be held in trust for them to benefit from discounts permitted by federal law.

Protects Local Title Agents

The bill guarantees that New Mexico’s local title insurance agents will receive at least 80% of the price paid for title insurance, and 81% over the next year (the remaining portion is passed along to the national title insurance underwriters). In addition, the bill requires the Superintendent of Insurance to consider the interests of local agents as well as consumers when deciding whether to approve lower rates under the prior approval process.