



New Player: Discount Title Insurance

Carrington Fisk 10.13.08

Geico and Progressive save you money by switching your insurance, right? Well, they claim to do this by allowing you to buy direct, so there are no costly referral fees or marketing costs and commissions.

EnTitle Insurance Co., www.entitledirect.com, or EDI is coming to the scene offering just that – title insurance direct from the insurer. Title insurance rates, as most investors already painfully and irritably understand, are far higher than they would be if it were a normal competitive market with services marketed to the consumer. However, the title insurance market is one that is marketed to referral agents – Realtors, mortgage brokers, banks, etc. This causes fees to be inflated by the amounts paid to these parties. These parties are interested in fattening their wallets, not assuring the best price for the final consumer (us).

Yes, I know that direct payments to Realtors for turning a borrower on to a title insurance company is illegal. How many of you have purchased a property and had to sign an affiliated business disclosure because your realtor was an “owner” of the title insurance company from whom you were getting your policy? Exactly – a legal way to pay a commission or referral fee.

So, EDI is not only cheaper, but from the looks of things, they are a lot better than traditional title companies. The title insurance market is archaic – all of your forms and paperwork are stacked in front of you and are not reviewed prior to the actual closing. This comes as a shock for many buyers/borrowers and feel pressured to “sign away” (usually with the recommendation from their realtor that “it’s all standard stuff, so go ahead and sign”). EDI has a control panel for each client that shows all paperwork associated with the closing for review. What a novel idea! Every other business in the world utilizes the power of the web yet we had to wait nearly until 2009 for one of the most paperwork intensive businesses to finally go digital!

Each client will be assigned a closing assistant that will alert the client to any tasks that need to be completed prior to the closing. What a novel idea!

The bad news is for residents/investors of Florida, New Mexico, and Texas. These states mandate the premiums for title insurance. While some relief may be available in the future for Florida buyers, it isn't expected too much is going to change in Texas.

Currently, EDI will begin in Pennsylvania and plans to be in 33 states by the end of 2008 with most of the remaining states to be added to the roster by 2009.

I think that the primary success factor is third-party involvement – i.e. Realtors and mortgage professionals. I highly doubt they will offer it to their customers because for 99% of mortgage and real estate professionals, they're not interested in getting the best deal for their clients. So, as a client, as a purchaser, you need to take the initiative and TELL your third-parties the company that you want to use. It's your money – a lot of it – and your decision. I personally plan to make it a written condition upon doing business in the future where EDI offers their services.