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ALTA UPDATE

Latest on Risks of Alternatives to Title Insurance

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We send out this update to keep you informed on the latest activity from the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac under their Equitable Housing Finance Plans, including developments related to unregulated title insurance alternatives and other issues that could imperil the stability of the housing market and property rights of the homeowners we serve.

You may have seen that we recently confirmed [Fannie Mae](#) is no longer pursuing the title waiver pilot program it had under development. The pilot will not be submitted to the FHFA for review or consideration. This is a significant achievement to protect consumers, lenders and the housing finance system. It also showcases the benefits of title insurance.

While many understand title insurance provides the most comprehensive and essential protection, there are going to be those who don't understand the product, the pricing structure and why it pays less in claims than other insurance lines.

The latest example of false reporting came last week when Rob Chrisman [highlighted and shared](#) an egregious article in his Daily Mortgage News commentary. We responded with [this rebuttal](#) countering the inaccurate assertions about title insurance.

On a positive note, Chrisman included our [response](#) in his latest commentary. In a portion of his article about the use of attorney opinion letters, Chrisman says, "Lenders shouldn't be fooled into saving a few bucks up front in return for greater risk down the road."

Chrisman also included comments from mortgage lending attorney Brian Levy, who shared his thoughts on the risks of issuing attorney opinion letters instead of title insurance.

"This idea to rely on attorney opinions and malpractice coverage in return for lower closing costs comes with some potentially costly deferred risks that lenders should be aware of," Levy said. "In particular, I would be concerned about representation and warranty repurchase and indemnification risks where the collateral might be impaired or totally unavailable to support the claim due to a missed prior lien."

"Attorneys can make mistakes just like title companies, but there are multiple reasons why a costly title loss could be passed back to the lender in this program that would not occur with

traditional title insurance,” Levy continued.

This is a great warning to lenders. Much like continuously educating others about title insurance, we must remain vigilant to prevent any proposed shortcuts or unregulated title alternatives that introduce greater risk to consumers, lenders and the housing economy. We will continue to champion the title insurance industry as the best way to protect consumers and their property rights.

Share Your Stories

You can help our advocacy efforts by sharing information about any housing affordability initiatives your companies are already involved in or may have planned. We would love to highlight these efforts in our weekly updates. Share your initiatives at communications@alta.org.

Below are recent news items impacting housing finance, affordability and sustainability.

- **Fannie Mae Scraps Title Waiver Pilot Program**
Fannie Mae is no longer considering a pilot program that would bypass traditional title insurance by granting certain mortgage lenders a waiver on title insurance requirements for loans sold to Fannie, according to an announcement earlier this month.
- **FHFA Stress Tests Reveal New Vulnerabilities in U.S. Housing Market**
Government-sponsored enterprises Fannie Mae and Freddie Mac, two of the largest investors in the U.S. mortgage market, would experience combined credit losses of \$35 billion in the event of a severe financial downturn, according to a report released by the Federal Housing Finance Agency.
- **Mortgage Rates Just Hit Their Highest Since 2002**
Rising interest rates not only make it harder for first-time buyers to become homeowners. They also discourage people who already own homes from trading up.

Comments and questions are always welcome. I can be reached at dtomb@alta.org.

Best regards,
Diane Tomb



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