



TEXAS TITLE INSURANCE

NEEDS “REAL” COMPETITION

For many Texans, title insurance has become an obligatory step on the pathway to homeownership. Therefore, it’s important that the title insurance market be competitive to keep prices at the lowest possible level while still maintaining a high quality of service. In a recent poll, 72 percent of Texans supported choice and competition in title insurance.

The existing regulations, however, have put a strict limit on homeowners by dictating a set price at a time when entry into the market is already expensive in many urban areas of the state. The current system:

- ✗ **Stifles competition** – Rates and coverage options are predetermined by statute, not negotiation. Consumers have no choice; just one product at one price—that’s all.
- ✗ **Artificially inflates rates** – With profits locked in, companies have little incentive to cut overhead or pass that savings along to their customers. Texans pay the fifth-highest title insurance rates in the country (\$2,663 for a \$300K house with 5% down) as a result.
- ✗ **Disempowers consumers** – The law denies Texas consumers their right to decide for themselves what is or is not in their own self interest. The law actually prohibits companies from offering lower prices and better services to their customers.
- ✗ **Encourages stagnation** – Texas walls off the title insurance market from product innovation. Companies cannot offer policy plans that differ from what is outlined in the law, so there is little opportunity to break free from the status quo.

Texas already uses a better method of regulation called “file and use” in its auto and homeowners’ policies. Under this approach, the state leaves the companies free to offer consumers lower prices but retains the power to challenge any rate that it finds excessive. Expanding “file-and-use” to title policies would:

- ✓ **Foster Competition** – Competition does not merely mean having different providers; it also means having a choice in the types of services offered. File-and-use would diversify the market and allow companies to distinguish themselves by experimenting in lower prices and different coverage options.
- ✓ **Reduce Prices** – Prices would reflect the needs of the individual consumer rather than the state’s assessment on what is the appropriate balance of profits and market accessibility.
- ✓ **Protect Consumers** – State officials would still have the power to regulate rates and business practices. The main difference is that under “file-and-use,” consumers would also have the power to avoid excessive rates by shopping around for a better alternative.

SUPPORT CHOICE, COMPETITION, AND FREE ENTERPRISE IN TEXAS

