

"The Myth and Deception of Title Insurance Marketing in Florida"

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The following statements have been excerpted verbatim from websites of respectable Florida title insurance agencies and attorneys, with their provenance remaining anonymous.

THESE EXCERPTS ARE NOT THOSE OF BUDGET TITLE AGENCY. AT BUDGET, WE BELIEVE THAT HOMEOWNERS ARE ENTITLED TO THE TRUTH ABOUT TITLE INSURANCE PREMIUMS. AND THIS INCLUDES BEING UP FRONT ABOUT WHO GETS PAID AND HOW MUCH. THE DECEPTION AMOUNTS TO A BILLION DOLLAR RIPOFF ON THE PUBLIC, RESULTING FROM THE DELIBERATE MISREPRESENTATIONS ABOUT HOW MUCH THE STATE OF FLORIDA REQUIRES BE CHARGED FOR TITLE INSURANCE. IN RAW TRUTH, THE STATE OF FLORIDA MANDATES THAT ONLY 30% OF THE "PROMULGATED" RATES BE RETAINED BY THE UNDERWRITER (NOT THE TITLE AGENCY OR ATTORNEY), AND THE REMAINING 70% OF THE STATE "PROMULGATED PREMIUM" IS, IN FACT, AVAILABLE TO THE TITLE AGENCY OR ATTORNEY, TO BE RETURNED TO WHOMEVER PAYS THE PREMIUM.

The truth is that title insurance premiums in the State of Florida are not highly regulated, and this is by virtue of the Supreme Court of Florida and the State Legislature, and it has not been so since 2000.

Every one of the statements below is, at the very least, flagrantly deceptive and misleading. If any of these are intelligible, kudos for being far more astute and insightful than we. They will have you believe that the real cost to you of title insurance is tightly controlled and regulated by the State of Florida, and that they have no control over its cost. This is a myth which has been so deeply ingrained in the culture of the Florida title insurance professions as almost an article of faith. The term "promulgated rate" (or "risk rate") is a fiction! Florida law allows for the title agent or attorney to "rebate" or "abate" any portion of its closing and title insurance fees back to the party (buyer or seller or owner) who is paying for the service.

The real net cost of title insurance is the “promulgated rate” less the rebate, if any, that is offered to you by your attorney or title agent. It is a simple calculation that is performed automatically by the computer program that prepares the settlement statement – one line shows the “statutory promulgated rate” and another line shows the rebate; one is subtracted from the other to reflect the true net cost.

Whether referred to as “discounted title premiums” or “rebated title premiums,” Budget Title Agency offers “bottom line” low net cost title insurance to all of our clients, and you don’t have to ask. We offer it up-front, with no hassles.

If, after reading these marketing snippets directly below, you think these companies and attorneys are trying to pull the wool over your eyes, there’s a good chance that you are right!

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“The title insurance premiums and endorsements are based on the sales price and loan amount according to the rates promulgated by the Florida Insurance Commissioner. We charge the lowest rate allowable by Florida Law and apply the reissue credit whenever possible under the law. We simply ask that the existing title policy be provided to us either by the loan officer or by the client as early as possible in the title process.”

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“Since Title Insurance rates in Florida are highly regulated, your selection of a title company should focus on the company's reputation for service. The insurance rates set by the State are called “Promulgated Rates.”

“The following are a sample of some of the Florida Promulgated Rates in Florida for an owner's title policy:”

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“Title Insurance rules in Florida are highly regulated. Therefore, your selection of a title company will usually be based on the company’s reputation for service as opposed to price. The Florida Promulgated Rate for an owner’s title policy is as follows:” [The actual sample rates are omitted.]

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“How are Title Premiums Determined? Title insurance premiums are based on the amount and type of coverage provided. Schedule of rates, forms, and any rate modifications are required to be filed with the state insurance commissioner who regulates the activities of title insurers.”

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“_____, charges ‘promulgated rates’ when issuing owner’s and original mortgage title insurance policies. We will give reissue credit when applicable. While we encourage you to call us to receive a free quote, which quote will include an estimate of all closing costs and expenses associated with your transaction, below is a simple chart that you can use to determine the promulgated rate on an owner’s and original mortgage policy. An owner’s policy is written for the insurable value of the property, which is typically equivalent to the sale/purchase price. The original mortgage policy is written for the amount of the loan.”

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“How much insurance should I buy? The purchase price of the house will determine the amount of insurance you buy. You don’t have to worry about buying too much or too little. The rate you pay is determined by the price of the home. The premium rate is established by the State of Florida.”

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“How much does Title Insurance cost? This question can get a little tricky due to the rate structure designed by the Legislature of the State of Florida and the Department of Financial Services. These rates are set forth in the Florida Administrative Code or FAC as well as the Florida Statutes. As previously stated, a one time premium is paid at closing. The amount is based on the purchase price or loan amount and we have included Rate Calculator to assure you get the most accurate quote possible for estimation purposes. Be aware that the Rate Calculator is giving an estimate and you must call one of our offices and speak to a human for a guaranteed quote. By the way, call us dinosaurs if you will but you will always speak to a human when you call our offices. Our cell phones may have voicemail but our office phones never will.”

How Tricky? Pretty mind bending actually but there are a couple of things an educated consumer such as yourself should be aware of regarding title insurance premiums in the State of Florida.

1. If you are selling an existing home within 3 years of purchase look for your prior owner's title insurance policy and give us a copy so we can apply a reissue credit.
2. If you are selling vacant, unimproved land look for your prior owner's title insurance policy and give us a copy so we can apply a reissue credit.
3. If you are refinancing any time after purchase look for your prior owner's title insurance policy and give us a copy so we can apply a reissue credit.
4. If you are refinancing with your current lender and the existing mortgage policy insures that lender you may qualify for an even greater credit called the substitution loan rate.
5. If you are refinancing with ANY lender and the existing mortgage balance and the new mortgage balance both exceed \$250,000 you may also qualify for the substitution loan rate.
6. If you are closing on the first sale of a previously unoccupied dwelling there is a possibility the "New Home Discount" may apply so tell us so that we can apply it if the requirements are met.
7. Unless we did the closing from which a reduced rate arises we cannot know it exists. In addition the Real Estate Settlement and Procedures Act, RESPA, requires that the settlement statement accurately reflect the disbursement of funds. Therefore we must be told if there is a possible credit due prior to closing. Once the transaction is closed with information available at that time it can't be changed under RESPA.

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"You may be entitled to a discounted rate on your title insurance policy. If the previous title policy was written in the past two to five years, ask if you qualify for a "reissue rate." Title companies may not offer the discounted rate unless you ask for it. The savings could be 20 percent or more of the original title policy, so be sure to ask. In Florida, for example, there is a "Butler rebate" law which passed several years ago, allowing title insurers to deeply discount their fees on title insurance. They probably will not offer this information to you, you will have to ask for it."

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"Title insurance rates are promulgated by the State insurance commissioner, which means that the agent issuing the title insurance (usually the closing attorney or title company) can NOT charge any more than the promulgated rate. However, the portion of that title premium that the agent receives may be negotiated by the consumer. Any such negotiated discount is called a "Butler Rebate" in Florida."

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“What are the costs associated with Title Insurance?”

“Title Insurance costs may be broken down into two basic types: Fixed Costs and Variable Costs.

- Fixed Costs (the largest component) typically represent the Title Insurance Premium (including any applicable Endorsements) paid one time based on the purchase/sale price of the property. Additionally, they also include factors such as Document Recording Fees, Stamp Fees, Intangible Taxes, City Assessment etc. These costs are formulated and regulated by the government and remain constant across all title insurance companies.”

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“While Title Insurance Rates Are Typically Promulgated, There Are Ways To Reduce This Cost. Here's How...

Title Insurance quote

“Whether you're a buyer, seller or a property owner who is refinancing, if you were asked to pay for title insurance then it's important you know, it's your choice to choose the title company.

Two ways to reduce your title insurance rate:

1. Ask for title insurance rebate.
2. Obtain re-issue rate.”

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“Florida's promulgated rate for title insurance premiums protects the public by assuring the availability of title agents (both attorneys and title agencies) to serve all areas of the state and provide competition on settlement service charges.”

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Title Insurance Premium Calculator

Enter your total "sale price" or "new loan amount" amount then click compute.

“Enter the Sale Price or the Loan amount”

Your risk rate premium:

“Premium discounts are available; for example, a reissue credit may apply if you are refinancing or if you are selling your home within 3 years of purchasing it. A copy of the current Owner’s Policy of Title Insurance must be submitted when the title work is ordered. Please call our office to obtain reissue credit information.”

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Title Insurance Rate Calculator: The following calculations are for premium title insurance rates to be charged by title insurers in the State of Florida for the respective types of title insurance contracts and policies according to the rules promulgated by the FLORIDA DEPARTMENT OF INSURANCE in THE FLORIDA ADMINISTRATIVE CODE, Chapter 4-186 Title Insurance and Section 627.7825, Florida Statutes for 1-4 Residential. — *Be sure to check if you are eligible for a Title Insurance Reissue Credit!

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“Even though title insurance rates in Florida are set by the Florida Department of Financial Services, other title related charges such as Closing Fees & Title Searches can vary. These differences can result in savings on your closing. It makes sense to shop around for title insurance and related costs. In fact according to [a recent study], Florida residents paid more for title insurance services than residents in other states.”

“_____ seeks to offer the lowest title insurance rates the State of Florida allows. Another discount available in Florida is the Butler Rebate, which is discussed in more detail below.”

“In Florida there is now an available rebate on title insurance commonly referred to as the Butler Rebate. If you have any questions on the Butler Rebate or any aspect of the Florida title insurance process please contact us and we’ll be happy to give you a customized competitive quote and answer any questions you may have.”

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How can I get a discount off my title insurance in Florida?

Title insurance rates in Florida are promulgated by the state. This means that the rate for title insurance is standardized. For example, according to the state’s

regulations the cost of title insurance is \$5.75 per \$1,000 of the amount of the insured amount from \$1 to \$100,000. Fortunately for consumers, title insurers and state regulators have created ways to earn discounts off the promulgated rates.
Reissue Rate a.k.a. "Reissue Credit"

"The most common title insurance discount is found in what the Florida Administrative Code calls the Reissue Rate. You may also hear it referred to as Reissue Credit. Reissue rate can result in a rather substantial discount for purchasers of title insurance."