February 13, 2018

Dear Representative,

The undersigned organizations urge you to vote against H.R. 3978, the TRID Improvement Act. The bill, which amends Section 2603 of RESPA, would create confusion and undermine consistency in mortgage disclosures. In particular, the bill would make it harder for consumers to understand how much they are paying for title insurance, a required fee that already lacks a transparent, functioning market.

In 2007, a GAO report concluded that borrowers "have little or no influence over the price of title insurance but have little choice but to purchase it." Instead, the lender typically chooses the insurer. As a result, the fees are grossly inflated in relation to the value of the insurance. Recent studies have found that barely 5% to 11% of premiums are paid out in claims. Almost the entirety of a title insurance premium goes to commissions, not insurance coverage. In contrast, for health insurance, minimally 80% of premiums are returned to consumers in claim payouts and the loss ratios for auto insurance fluctuate between 50% and 70%.[1] Borrowers already pay inflated title insurance costs. Increased confusion in title insurance price disclosures would only serve to exacerbate the problems in the market with transparency and fairness.

The method required by the Consumer Financial Protection Bureau for disclosing title insurance premiums reduces consumer confusion and enhances consistency between the estimated and final loan cost disclosures. The bill would change the final loan disclosure, decreasing consistency with the initial disclosure. As a result, it would increase consumer confusion, especially where the consumer opts not to purchase both lender and owner policies (only the lender policy is required) after getting the early disclosure containing both.

The bill's requirement to disclose the "actual" cost of the insurance will lead to confusion in almost half of the states because the calculation of premiums is not standardized under state law and title companies within those states do not provide comparable rates. In contrast, the CFPB regulations take into account that comparison shopping in such states is not possible and provides a standardized approach. Further refinement of the title insurance disclosures can be addressed by the CFPB itself in cooperation with stakeholders to ensure any outstanding issues are addressed with the input of all affected parties.

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[1]U.S. GOVERNMENT ACCOUNTABILITY OFFICE, TITLE INSURANCE: ACTIONS NEEDED TO IMPROVE OVERSIGHT OF THE TITLE INDUSTRY AND BETTER PROTECT CONSUMERS 53 (2007), *available at* http://www.gao.gov/new.items/d07401.pdf.

We urge you not to undermine the CFPB's careful rules for restoring transparency and market competition to the title insurance market. Please vote no on H.R. 3978.

Sincerely,

Americans for Financial Reform

Center for Responsible Lending

National Association of Consumer Advocates

National Consumer Law Center (on behalf of its low-income clients)