Open House: Licensing laws for title insurance sales agents

by Jim_Woodard

There's a move to require all title insurance sales agents to be properly licensed, in the interests of consumer protection. Some types of licensing laws are in place in most states. Others, like California and New York, are in the process of enacting such legislation.

In California, statewide license-requirement legislation (SB 133) is sponsored by the California Land Title Association. It would require all title insurance sales representatives to register with the state Department of Insurance. They would then be subject to suspension by that department in the event they participated in prohibited activities.

"We need clarification of the law given the uncertainty title companies face in terms of what is prohibited marketing behavior," said Mark Bogetich, a CLTA spokesman. "That may sound strange, but the law right now is mostly gray areas, meaning companies don't have clear guidelines as to what they can and can't do in terms of marketing activities. That leads to situations where companies get fined and publicly accused of violating 'kickback' laws."

The new law in California pertains to sales reps that are individual employees of title companies - those who market their product to Realtors and lenders, Bogetich noted.

A strict licensing requirement enhances consumer protection while maintaining the healthy competitive title insurance marketplace, according to Craig Page, CLTA executive vice president.

Nationally, most major housing markets now require some form of licensing for title agents, said James Maher, executive vice president of the American Land Title Association.

"That licensing may be bare of any pre- or post-licensing qualification, or it may include pre-licensing testing, bonding, background checks. And it may include post-licensing continuing education requirements," Maher said. "Some states license only the corporate entity or its principals, while others license every employee. Still others compromise and license only those involved in handling policy issuance or funds.

"The two most prominent reasons for any licensing requirement for title insurance agents are to assure competence in serving clients and financial integrity," he noted.

The more definitive licensing laws are a good thing for an industry that's had more than its share of accusations regarding unethical, illegal and overpricing practices.

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Q: What's happening with home prices in today's market?

A: Housing prices are a key concern of today's home sellers and buyers. Determining a realistic asking price in today's market is tough and challenging. Buyers are being very careful not to pay too much, considering the leveling off of price appreciation in recent months.

Here is part of a special report on housing prices recently released by economists at Freddie Mac, a major government-sponsored buyer of existing home mortgages:

"The housing market cooled abruptly after several years of white-hot performance. Slowing sales and elevated inventories threaten to undermine property values and perhaps other sectors of the economy as well.

"In light of this potential impact, some analysts note that different indicators appear to paint an inconsistent picture of price trends. Each of these measures has its advantages and disadvantages, and a deeper look into the numbers reveal a clear message - home price appreciation has weakened sharply.

"The first news on housing prices comes from the sales prices of new and existing homes, published a few weeks after the end of each month by the Census Bureau and the National Association of Realtors. The median sales price for a new home fell 0.9 percent in May from a year earlier, while the median price of an existing home was down 2.1 percent.

"A drawback to each of these reports, however, is that they are highly vulnerable to a shift in the mix of homes sold. In some months, for example, reported prices may rise or fall not because the values of any specific homes changed but rather because there were a greater number of homes sold in higher-priced or lower-priced markets.

"Other reports overcome this problem by focusing on repeated sale transactions for the same property, thus yielding a more apples-to-apples price comparison. Some include refinancing transactions, and thus may be slow to capture turning points, as appraisal prices tend to lag the market."

Q: Is it getting more difficult to qualify for a mortgage loan?

A: Standards are tightening for qualifying for a mortgage, particularly subprime loans. The action is being mandated by bank regulators to curtail risky mortgages that have been blamed for a record level of foreclosures.

"The tightening standards underscores that the Federal Reserve and other banking regulators expect lenders to make sure subprime borrowers not only can afford their monthly payments while the introductory rate is in effect, but also after the interest rate resets," said Randall Kroszner, Federal Reserve governor.

More than two million subprime adjustable rate mortgages will reset at much higher rates in coming months. Borrowers who took out hybrid ARMs two or three years ago to secure low "teaser" rates may see their monthly mortgage payments climb by 35 percent or more. Consumer groups are worried that thousands of subprime borrowers will be unable to keep up with their mortgage payments and may lose their homes.

One key objective of the tightening process is to protect borrowers from costly refinancing. The guidance discourages loans that have let borrowers inflate their income to qualify for a loan. So-called "low doc" mortgages were offered to borrowers, even if they could not document that they had the resources to make payments.

Lenders should only offer such loans to borrowers if there is other evidence that they can repay, it was noted in a Federal Reserve statement. The new guidelines were issued by the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp., the Office of Thrift Supervision and the National Credit Union Administration.

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