



September 6, 2022

Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street, S.W.
Washington, D.C. 20024

Dear Director Thompson:

The title industry is eager to work with the Federal Housing Finance Agency and the Government Sponsored Enterprises to ensure that equitable access to sustainable homeownership opportunities is available for all Americans, including minority and underserved communities. As you know, the title industry plays a critical role in the ability of American households to build wealth through homeownership by ensuring the proper transfer of real estate from seller to buyer, securing property rights, and facilitating the growth of the secondary mortgage market. Lower protection alternatives to title insurance will make homeownership less sustainable and increase unnecessary risk for more vulnerable, low- and moderate-income consumers.

Following the release of the Enterprises' Equitable Housing Finance Plans earlier this year, several leaders within the industry and on the ALTA Board had numerous conversations with Maria Fernandez and her team as well as the Enterprises about the segments of both of their respective plans that call for exploring pilots to lower closing costs through a reduction in consumer protections provided by title insurance. During those conversations, at FHFA's request, we presented a detailed coverage comparison between the type of attorney opinion letter product the Enterprises are considering and a standard title policy. This comparison is enclosed.

As you will note, there are many areas where the protection of the alternative product is well below what a standard title policy provides and will expose the homebuyer to additional risks. For example, one core protection of title insurance is that it protects against fraud or forgery related to the property rights purchased by the buyer. This is one of the largest sources of claims paid in the industry, and not covered by the alternative product. There are several other examples we could provide that highlight our concern that the very population these plans appropriately seek to help will be placed into a riskier and less sustainable form of homeownership.

We believe it runs counter to FHFA's mission and the intent of the Equitable Housing Finance Plans to encourage homebuyers, especially lower-income and first-time buyers, to secure their property rights with alternative products that provide inadequate protection. We do not believe these products will provide any costs savings and, based on the marketing we have seen, might actually cost more than traditional title insurance. However, even if it should generate some cost savings at closing, consumers will pay more in the long run by taking on additional risk and losing the legal defense obligation of the title company in a title dispute. This tradeoff would be catastrophic for those forced into this arrangement.

ALTA is committed to working with the Enterprises and the FHFA to learn more about the important efforts to implement their Equitable Housing Finance Plans and develop title industry led solutions to meet the goals of ensuring consumer protections for those most vulnerable without increasing risk.

We appreciate your leadership on this issue and look forward to continuing to collaborate with your team on this important effort.

Sincerely,

A handwritten signature in blue ink that reads "Diane L. Tomb". The signature is written in a cursive style with a large initial 'D' and a long, sweeping underline.

Diane Tomb
Chief Executive Officer
American Land Title Association

Enclosures