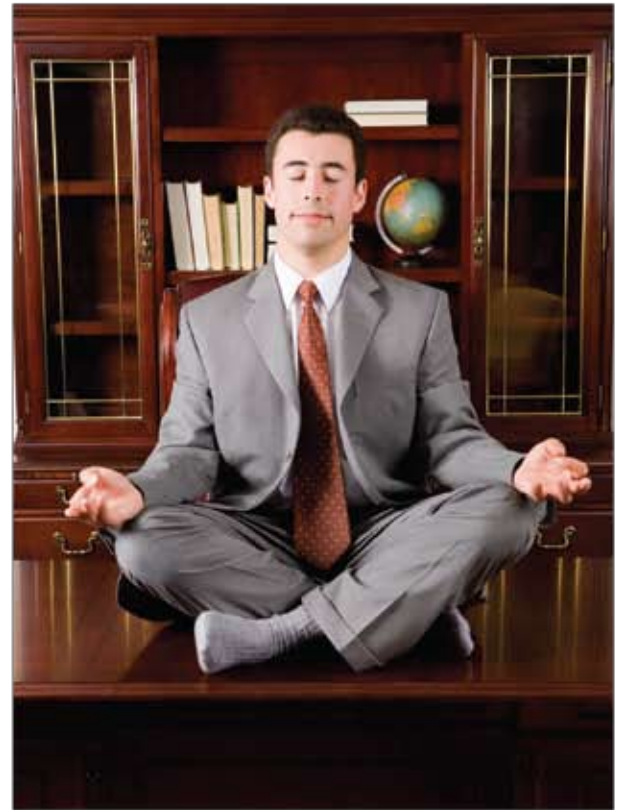


Taking Title

Industry Offers Peace of Mind

By Ali Anari



Growth and expansion in one industry generally has positive effects on several others. The real estate boom in the United States and Texas that began in 2001 and ended in 2007 benefitted the finance, insurance and professional business industries in particular.

A Real Estate Center research program found that the state's real estate title industry grew along with the Texas economy while also contributing to the state's economy by offsetting losses associated with real estate transactions and real estate titles.

What the Industry Does

According to the Bureau of Economic Analysis (BEA), U.S. Department of Commerce, the real estate title industry (1) researches public land records for information relating to real estate titles; (2) prepares documents necessary for transfer of title, financing and settlement; (3) conducts final real estate settlements and closings; and (4) files legal and other documents relating to real estate sales.

The BEA includes real estate settlement offices, title abstract companies, and title search companies in this industry. The North American Industrial Classification System (NAICS) include the industry in professional and business

services and refers to it as "Abstract and Settlement Offices," comprising real estate title abstract companies, real estate title companies, and real estate title search companies (NAICS 541191).

Protecting Investments

Both buyers and sellers of real property want the transaction — that is, the entire escrow and closing process — to be smooth, with minimum costs in terms of time, money and legal problems. Buyers want reassurance that they are the true title holders and that if someone else claims the properties, they have the means and resources to protect the investment title and pay attorney fees and other costs of defending the title. The function of the title industry is to ensure that real estate transactions are conducted efficiently and that after deals are completed, buyers have peace of mind and the resources needed to protect their ownership interests.

Economic Indicators

Several economic indicators provide insight into the vitality of any industry. The total amount of premiums written and total amount of losses paid are two important economic indicators in the real estate title industry.

From 1996 to 2007 the total dollar volume of premiums for title insurance in Texas rose from \$630.6 million to more than \$1.6 billion, a 157.1 percent increase (Table 1). Over the same period, total premiums written by Texas title insurance companies went up from \$255.5 million to more than \$437.4 million, a 71.2 percent jump. Total premiums written by *foreign* companies (companies organized under the laws of another state), rose from \$375.1 million in 1996 to more than \$1.1 billion in 2007, a 215.7 percent increase (Table 1).

Texas companies' share of total premiums fell from 40.5 percent in 1996 to 27 percent in 2007. In other words, out-of-state companies' share rose from 59.5 in 1996 to 73 percent in 2007 (Table 1).

Mounting Losses

Title insurance premiums are just that: insurance against future challenges to the title of the property. The amounts of losses paid show that the title risks are serious. From 1996 to 2007, total dollar volume of losses paid by title insurance companies rose from \$11.7 million to more than \$54.9 million, a 369.3 percent increase (Table

Table 1. Texas Title Insurance Market: Premium Incomes

Year	Premiums Written by Companies (In Dollars)			Percent of Total	
	Total	Texas Companies	Foreign Companies	Texas	Foreign
1996	\$ 630,623,060	\$255,518,010	\$ 375,105,050	40.5	59.5
1997	688,109,079	269,835,285	418,273,794	39.2	60.8
1998	903,050,834	364,800,589	538,250,245	40.4	59.6
1999	994,443,298	368,494,773	625,948,525	37.1	62.9
2000	958,726,698	371,985,087	586,741,611	38.8	61.2
2001	1,060,955,616	404,339,320	656,616,296	38.1	61.9
2002	1,261,714,593	374,317,850	887,396,743	29.7	70.3
2003	1,526,257,336	443,695,652	1,082,561,684	29.1	70.9
2004	1,491,553,475	420,562,873	1,070,990,602	28.2	71.8
2005	1,487,468,225	427,320,785	1,060,147,440	28.7	71.3
2006	1,666,938,751	469,844,536	1,197,094,215	28.2	71.8
2007	\$1,621,647,087	\$437,496,096	\$1,184,150,991	27.0	73.0
1996–2007 Growth Rate (Percent)	157.1	71.2	215.7		

Sources: Texas Department of Insurance and Real Estate Center at Texas A&M University

Table 2. Texas Title Insurance Market: Losses Paid

Year	Losses Paid (In Dollars)			Percent of Total	
	Total	Texas Companies	Foreign Companies	Texas	Foreign
1996	\$11,711,122	\$ 2,667,942	\$ 9,043,180	22.8	77.2
1997	11,889,970	2,268,684	9,621,286	19.1	80.9
1998	12,770,364	4,305,525	8,464,839	33.7	66.3
1999	16,797,843	5,974,736	10,823,107	35.6	64.4
2000	14,447,534	4,592,304	9,855,230	31.8	68.2
2001	19,509,046	5,668,511	13,840,535	29.1	70.9
2002	28,485,765	7,146,970	21,338,795	25.1	74.9
2003	34,039,165	6,286,012	27,753,153	18.5	81.5
2004	37,131,303	5,923,087	31,208,216	16.0	84.0
2005	36,796,394	9,574,455	27,221,939	26.0	74.0
2006	43,500,522	9,399,522	34,101,000	21.6	78.4
2007	\$54,963,851	\$10,170,096	\$44,793,755	18.5	81.5
1996–2007 Growth Rate (Percent)	369.3	281.2	395.3		

Sources: Texas Department of Insurance and Real Estate Center at Texas A&M University

Table 3. Texas Title Industry Economic Indicators

Year	Number of Title Agents	Number of Escrow Officers	Escrow Accounts \$Billion
2003	541	5,855	150
2004	571	6,387	150
2005	602	6,704	201
2006	619	6,906	216
2007	628	7,058	243
2008	637	6,701	251

Sources: Texas Department of Insurance and Real Estate Center at Texas A&M University

2). Over the same period, total losses paid by Texas title insurance companies went up from more than \$2.6 million to more than \$10.1 million, a 281.2 percent increase. Total losses paid by out-of-state companies rose from more than \$9 million in 1996 to more than \$44.7 million in 2007, an increase of 395.3 percent (Table 2).

Texas companies' share of total losses paid varied between a minimum of 16

percent in 2004 and a maximum of 35.6 percent in 1999. Out-of-state companies' share of total losses over the past ten years always exceeded 64 percent; in 2007 it was 81.5 percent.

The number of title agents, escrow officers and the dollar volume of escrow accounts are other economic indicators for the title industry. The number of Texas title agents rose from 541 in 2003 to 637 in 2008, a 17.7 percent increase

(Table 3). The number of escrow officers increased from 5,855 in 2003 to 7,058 in 2006 but then decreased to 6,701 in 2008 (Table 3). The dollar volume of escrow accounts managed by Texas title companies in 2008 was \$251 billion, up from \$150 billion in 2003, a 67.3 percent increase (Table 3). ➔

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THE TAKEAWAY

The title industry assures property buyers that their ownership interests are protected. The industry has grown as Texas' economy has thrived, but as evidenced by losses paid, it remains a risky business.



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