



July 20, 2017
TRID FAQ #19

Q: How is the simultaneous purchase of lender's and owner's title insurance disclosed?

A: The TRID Rule requires that lender's title insurance be disclosed in the Loan Costs table based on the amount of the premium without any discount that might be made for the simultaneous purchase of an owner's title insurance policy. The owner's title insurance is disclosed in the Other Costs section and calculated by taking the full owner's title insurance premium, adding the simultaneous issuance premium for the lender's coverage, and then deducting the full premium for lender's coverage. This means the lender's title insurance is disclosed at the full, undiscounted amount and the discount is only applied to the owner's title insurance.

Example: Owner's title policy costs \$500, lender's title policy costs \$200, and simultaneous purchase would lower the lender's title policy to \$100. You disclose the lender's title policy at the full amount of \$200 and the owner's title policy as \$400 (owner's policy cost \$500 + simultaneous cost \$100 – full lender's policy cost \$200).

The CFPB's intent for this rule is to provide consumers with the incremental additional cost associated with obtaining an owner's title insurance policy, and the cost they would be required to pay for the lender's policy if they did not purchase an owner's policy. Unfortunately this may ultimately confuse borrowers due to state disclosure requirements differing from the Rule's. Closing agents may use a separate Settlement Statement in order to fulfill their state disclosure requirements.

Q: If the seller is paying for the owner's title insurance policy, is the owner's policy still required to be disclosed on the LE?

A: Yes, the owner's policy needs to be disclosed on the LE and the seller credit amount would be added to the "Seller Credits" line. This ensures the owner's policy has already been disclosed to the borrower in case the purchase contract is amended later to remove the seller's contribution.

Q: How is the seller credit applied to the owner's title insurance policy when the LE/CD reflect the discounted amount rather than the higher amount that the title

company is charging?

A: When lender's and owner's title insurance policies are issued simultaneously, the title company applies a discount to the lender's policy, however the TRID Rule requires that discount to be applied to the owner's policy because this fee is not required by the lender whereas the lender's policy is, so the lender's policy must be disclosed at the full cost. In situations where the seller is paying for the owner's title insurance policy on the behalf of the borrower, the LE simply shows the seller credit amount in the "Seller Credits" line, however the problem arises on the CD where specific credits are allocated to the related fee and the owner's policy is showing a discounted amount, so how is the seller's contribution allocated at the correct, full amount? On the CD, the seller credit would be applied to the owner's policy first, then the remainder applied to the lender's policy. This allows the borrower to see the full seller contribution to the title costs.

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