



Title industry takes a leap with direct-to-consumer marketing

While its products have traditionally been marketed to real estate agents, lenders and mortgage brokers, current shifts in the market as well as consumer trends have opened doors to allow title companies to have a hand at reaching out directly to homebuyers. Read on for details on what companies are giving it a try and what tactics will pay off in the long run.

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Title insurance products historically have been marketed to the industry's direct customers: real estate agents, lenders and mortgage brokers. But some companies are exploring a new avenue for increasing order counts by marketing directly to the consumer.

While the return isn't yet at the level of that seen through traditional methods, there are two primary shifts in the real estate market contributing to the growing trend.

The first comes with the Jan. 1, 2010, implementation of the RESPA final rule, which opens up doors for title companies to reach homebuyers. On the new Good Faith Estimate (GFE), a loan originator can either identify settlement services providers and list estimates for those services, or the borrower can shop for providers on their own. If the borrower uses a provider that is identified by the lender, then the estimated cost of those services is subject to the final rule's 10 percent tolerance restrictions at closing. However, if the borrower goes off the list and chooses another provider, the cost is not subject to the tolerance.

"While the traditional gatekeepers still have a role, the concept that consumers are encouraged to shop for their settlement service provider rather than just take the word of the lender or real estate agent shouldn't go unnoticed by settlement providers. Consumers are already more savvy in today's market than they were in the past," said **Mary Schuster**, director of operations for RamQuest and member of the American Land Title Association's (ALTA) RESPA Implementation Task Force.

It's that new level of sophistication by the consumer researching the home-buying process before even entering it that title companies are taking note of as well. Through offering educational tools and reference materials on their own Web sites or hosting community events, agencies can improve their odds of being discovered when potential purchasers begin their research.

That's the tactic being taken by Federal Title & Escrow Co., which serves the Washington, D.C., metro area.

"By supplying that information in a non-biased way, you're establishing credibility with the consumer. Consumers want to trust the professionals they are starting a relationship with. If you're buying a house, you want to make sure the Realtor has your best interest at heart. And if you're going to go with a title company, it's the same thing," said **Nikki Smith**, marketing director for Federal Title.

RESPA

Schuster said title companies are gaining ground in being sought out by consumers thanks to the RESPA final rule encouraging comparison shopping. Her belief, she said, was not confirmed until RamQuest had a consumer ask a RESPA-related question on the company's RESPAready Web site.

"We don't market to consumers at all, yet we had a consumer pop up out there and ask a very specific question about whether a fee he was being asked to pay on a transaction was RESPA compliant. That really boosted my confidence in the possibility that consumers will become more interested in their rights or opportunities in a transaction," Schuster said. "Title and settlement agents have long faced a challenge in direct-to-consumer relationships, and for that reason I am excited to see if new opportunities can result in new business channels for them."

Schuster said it's anticipated that lenders will approach the lists of settlement providers for the GFE in varying ways, some likely to direct business to their preferred providers and others encouraging comparison shopping by consumers to avoid the responsibility of keeping fees within the 10 percent tolerance restriction. Furthermore, Schuster said she's also been told that individual loan officers may be the ones charged for any tolerance violation cures.

"If that is true, I would say the odds of a consumer being encouraged to select their own provider increase. It is also important to note that the fear of lenders only recommending their affiliated partners was decreased somewhat when [the Department of Housing and Urban Development (HUD)] stated that if a lender is going to recommend an affiliate, they need to also list at least one non-affiliated provider on their list. This is not a provision of the regulation itself, but clarification and guidance that HUD has given on the matter," she said.

Anthony T. Farwell, co-founder, chairman and CEO of Closing.com, an online rate engine for settlement services, had pushed HUD to offer further encouragement through RESPA for consumers to comparison shop, including providing them with information about shopping online. In the end, the final rule didn't go that far.

"The good news is the HUD form promotes shopping, and I think this has permeated or will permeate all the way through to the real estate agent: the notion that shopping is a right and an important role for real estate agents on behalf of their clients, as well as for consumers to be more aware that they can shop for these services," Farwell said.

However, any change to the way services are ordered may not come in the immediate future, he added.

"I expect on the purchase side, that for the most part, the real estate agent will still be guiding their clients on what services to select, but we expect to be facilitating that. And on refinances, lenders will have some influence on those services that are selected, but in time it will become increasingly understood that the borrower can shop for these kinds of services, even in the context of a refinance," he said.

Education

Rachel Torchia, president of Gateway Title Agency Inc. in Brecksville, Ohio, said she does not anticipate that consumers will pursue their own settlement service providers just on account of the RESPA changes. Instead, she said consumers need to first be educated to understand what title agents do and why choosing a settlement provider would matter.

"The title industry, especially since this has come out about the new GFE, keeps talking about how the consumers don't care about us. We haven't done much to make them care. We have spent our marketing dollars in the last 25 years advertising in Realtor magazines, sponsoring realty functions and, basically, advertising to each other, not the consumer," she said.

Torchia said the title industry has yet to earn the respect of consumers and, therefore, is unlikely to see many pursue providers on their own simply because the option will now exist.

However, getting the word out about what the title insurance industry is and why it matters is something Torchia and Gateway Title have institutionalized. The company's consumer outreach includes regular updates to its Web site and blog, weekly workshops for homebuyers and sellers, publishing a newsletter and e-newsletter, providing home-buying starter kits and teaching classes at a city housing network. Torchia also contributes articles to a local community newspaper, which additionally brings in more leads from readers.

"I get orders from lenders who I've never worked with. It came from the consumer. I've had consumers tell certain lenders that they want to use Gateway Title, and the lender told them 'no.' [The homebuyers] actually went somewhere else for their mortgage," she said. "You can have loyalty in any business. We do have a really loyal following, and they refer people. Most of our business comes through referrals."

David Ginger, president and director of Alliant National Title Insurance Co., which is headquartered in Longmont, Colo., and serves Colorado, Texas, Arizona, Florida and Missouri, said that in order to be successful in marketing a product that consumers only need every five to six years, it must be done on a continuous basis — an effort that may not be affordable.

For many companies, attempting a national advertising campaign directed at consumers could result in the need to raise title fees to cover the expense, something not even the large, national underwriters are doing, Ginger said.

"When you look at profitability in the title insurance industry, it's really difficult to justify promotion and advertising directly to the consumer. So what do we try to do? We try to go the next best route, and that is [marketing to] the individuals who have an influence on the consumer to use our product, which goes back to the Realtors and

lenders," he said.

ALTA

One cost-effective initiative is available, however, through ALTA as part of its own consumer-focused programming. Agents are able to link to the association's consumer site from their Web sites for free. Home Closing 101 was part of ALTA's national education campaign launched in September 2007 in an effort to provide homebuyers with information to navigate through the closing process, said **Jeremy Yohe**, director of communications for ALTA.

"Since the launch of Home Closing 101, traffic to the site has steadily increased. Through September, the site has experienced a 69-percent increase in visitors from 2008. Also, there has been a 44-percent increase in total page hits through the first nine months of 2009 compared to full-year 2008," Yohe said, adding that most consumers are seeking information that explains closing costs.

Smith said Federal Title links to Home Closing 101 on its site as another way the company aims to gain credibility with the consumer through the information it's providing. "That's part of our job, to be the educated ones who are able to steer them in the right direction," she said.

Craig Haskins, executive vice president of Wisconsin-based Knight-Barry Title Group, said his company began linking to Home Closing 101 in a similar effort to offer consumers information about the closing process. "The push to educate consumers can be frustrating at times because there can be an overall lack of interest among homebuyers in the product we sell," he said.

So far, the response at Knight-Barry has been slow, with fewer than 10 of the tens of thousands of transactions the company closes each year have involved homebuyers who proactively asked about title insurance, Haskins said.

"Despite the current lack of awareness from consumers, this is an area that will continue to evolve, and we want to direct consumers to a site that can intelligently inform them of the value of title insurance and the associated costs in the closing process," he said.

Agents who are members of ALTA also benefit from a partnership the association has with Closing.com, which provides them with discounted premium listings on the site, Farwell said. Today, more than 2,000 title companies have enhanced listings on Closing.com, and so far this year there have been 20 million rate views overall.

Technology

While print or television marketing may not bring a noticeable return on investment when directed to consumers, there are plenty of other technology-based channels that can be explored at a relatively low cost.

Smith said Federal Title uses its blog as well as social networks to reach consumers seeking education. Additionally, the company sends out e-mail campaigns to a list that includes previous customers, referrals and those who submit inquiries through its Web site. "In terms of our blog, what I try to do is reach out to other blogs that are similar to ours or even other real estate agents' blogs and lenders' blogs, places where the consumers are going to read about the information," she added.

Smith also works on Federal Title's Web site optimization, ensuring that it comes up in search returns when consumers research the closing process. For example, in Washington, D.C., many first-time homebuyers are interested in the district's five-year tax abatement program. "Part of my goal is to ensure that federal title's Web site and our information comes to the top of the list in a search for that information," she said.

Schuster said pro-consumer messaging can be pushed through new media, and progressive title companies will take on the new approach in addition to traditional marketing methods. "The new model of free education via electronic messaging has proven successful for other industries, leading to enhanced revenue from consumers. It could well prove the same for title and settlement providers. The key is to embrace the change and find new opportunities within them, rather than insisting that old models will retain their relevance," she said.

Farwell said consumers have come to expect instant pricing information and a breadth and depth of service providers from which to choose, in addition to ease of use, accuracy and privacy in their Web shopping experience. And younger homebuyers will only continue to enhance those demands.

"There is a meaningful demographic shift that's taking place," he said, adding that the majority of buyers today are in the Generation X and Generation Y demographic. "They're much more Web savvy; they are much more willing to be self-directed when purchasing financial services. And they are much more willing to undertake this kind of role in a transaction. I'm not sure we give them enough credit."

Questions/comments? Contact Jennifer Kovacs at jkovacs@octoberresearch.com.

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