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**Real Estate Industry Update:
A Review of Recent Updates to the TDI Basic
Manual, TREC Forms and TR Forms**

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Real Estate Industry Update: A Review of Recent Updates to the TDI Basic Manual, TREC Forms and TR Forms

I. Recent Updates to the TDI Basic Manual – Effective for Closings On or After 9-1-19

Following the informal and formal hearing process as required by Texas law, a Petition was filed with the Commissioner of Insurance to consider changes to Title Insurance Rates and Rules. In June of 2019, after considering the Petition and exhibits and all other written and oral testimony and comments, the Commissioner of Insurance signed Official Order Number 2019-5980. This section of the paper will review the changes that were ordered by the Commissioner.

Note: A copy of the order can be found at: <https://www.tdi/texas/gov/order/index.html>, and a portion of the order is attached as Exhibit A.

A. Changes to Basic Premium Rate

1. An overall rate reduction of 4.9%.

Promulgated title insurance rates are established based on annual statistical data reported by Texas title agents and underwriters. Rate increases and decreases are based on the overall profitability of the industry, looking back over several years. This process addresses the cyclical ups and downs of the real estate market. Based on looking back at several years' worth of statistical data, it was agreed that a rate reduction was warranted.

2. The title insurance rate chart now starts with \$25,000 as a base rate (up from \$10,000). Because the rate chart now starts at \$25,000, the "Minimum Basic Rate" increases from \$238 to \$328.

This modernization of the rate chart recognizes the size of today's real estate transactions, as well as the work that goes into many small transactions.

OLD:	Policies up to and Including	Basic Premium	NEW:	Policy Face Amount Up to And Including	Basic Premium
	\$10,000	\$238		\$25,000	\$328

3. The Change in "Minimum Basic Rate" has an effect on many other Rate Rules.

- a. Rate Rule R-9 – Additional Chain of Title
- b. Rate Rule R-11 – Assignment Endorsement
- c. Rate Rule R-13 – Interim Construction Binder
- d. Rate Rule R-20, R-8, and others, that reference the "Minimum Basic Rate"

4. Three new rate tiers were added for policies with face values over \$25 million, \$50 million and \$100 million.

Prior to these new tiers being added, rates had a top calculation tier for policies issued in excess of \$25,000,000.00. The three new pricing tiers for high-end commercial transactions modernize the rate chart and allow new discounts for commercial consumers on transactions that exceed \$25 million. Each new tier offers an increased level of discount.

B. Amended Rate Rule R-5 – “Simultaneous Issue Rule”

1. Adds section “F” to Rate Rule R-5 – which allows a simultaneous issue rate to be available for 90 days when the Loan Policy insured amount is \$5 million or above.
2. Normally, to benefit from the simultaneous issue rate, the Owner’s Policy and the Loan Policy must be issued simultaneously; bearing the same date; and the Owner’s Policy must include an exception to the lien on Schedule B.
3. However, the “simultaneous issue” requirement didn’t work in a competitive commercial market, where a buyer might purchase a commercial property for cash, then secure financing after the purchase. This new rule prevents the purchaser from having to pay the full title premium when the financing is secured at a later date.
4. Now, as long as the property does not change ownership, the “simultaneous issue” rate of \$100 can be charged for the Loan Policy even though the Loan Policy is not issued “simultaneously” with the Owner’s Policy, as long as the Loan Policy is issued within 90 days of the associated Owner’s Policy. This represents a significant savings for the purchasers.
5. Note: Under this new section R-5.F.:
 - a. The Owner’s and Loan Policies do NOT need to be issued simultaneously.
 - b. The Owner’s and Loan Policies do NOT need to bear the same date.
 - c. There is no need to go back and endorse the Owner’s Policy to include an exception to the new Lien. In fact, there is no need to revisit the Owner’s Policy after it is issued.

C. Amended Rate Rule R-8 – “Refinance Rule”

1. Instead of six different available credits based on how many years ago the prior Loan Policy was issued, there are now two credits available: a 50% credit when the prior Loan Policy was issued less than four years ago, and a 25% credit when the prior Loan Policy was issued from 4 years to 8 years ago.
2. To put it another way, the addition of Section F to Rate Rule R-8 makes two major changes. It simplifies the credit calculations to two tiers, 50% and 25%, and it extends the time allowed to receive a credit from 7 to 8 years.

Note: All the other requirements for qualifying for a “re-finance credit” as set out in R-8 remain unchanged.

D. Amended Rate Rule R-20 – “Developer Rate Rule”

1. Rate Rule R-20 addresses situations in which an Owner’s Policy (OTP) had been issued prior to construction in the amount of \$5 million or more, and the value of the OTP was equal to the value of the land plus the value of the contemplated improvements. When the construction was completed and the property was sold within one year of the date of the OTP, the charge for the new OTP would be the basic premium rate (formerly \$238, now \$328). This allowed the Developer to receive discounted pricing when the sale was completed.
2. The revision to Rate Rule R-20 extends the time allowed for a Developer to sell and receive discounted pricing from one year to two years. This additional year better accommodates the time a Developer needs to complete post construction activities, prep the site for sale, market the property and then complete the contract to closing process before the expiration of the pricing discount.
3. Two new sections were also added (R-20 B. and C.) to make it clear that when the new OTP is issued within the 2 year period, a simultaneous issue rate of \$100 per Loan Policy is allowed.

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