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**SF 527** – Title Insurance (LSB2099SV)

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Fiscal Note Version – New

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### **Description**

[Senate File 527](#) provides that State banks and credit unions may evidence title with a written legal opinion from an attorney admitted to practice law in the state where the property is located, a title guaranty certificate issued by the Title Guaranty Division of the Iowa Finance Authority (IFA), or a commercial title insurance policy insuring title to the property and the validity of the new instrument as a lien on the property.

### **Background**

- While a borrower or lender is not prohibited from purchasing title insurance outside the State of Iowa for property located within Iowa, Iowa Code section [535.8](#) does not allow a bank or credit union to charge a borrower for the costs of such a policy. Furthermore, the sale of commercial title insurance by insurance agencies in Iowa is prohibited by Iowa Code section [515.48](#).
- The Iowa Title Guaranty program provides lender certificates to 62.0% of mortgages filed in Iowa.
- The Iowa Title Guaranty program provides lender certificates to 16.5% of mortgages filed in Pottawattamie County.

### **Assumptions**

- The below-average occurrence of lender certificates in Pottawattamie County is due to the close proximity of competing title insurance systems in Omaha, Nebraska.
- The introduction of title insurance in Iowa will decrease the gross revenue of the Iowa Title Guaranty program by at least 10.0% per year for the first five years. This assumption is derived from the comparison of the Iowa Title Guaranty program's market share in Pottawattamie County to its market share statewide.
- Operating expenses will decrease in proportion to gross revenue.
- Full-time equivalent (FTE) positions will decrease in proportion to gross revenue.
- Contributions of surplus revenue to the housing assistance programs administered by the IFA will decrease in proportion to gross revenue.

### **Fiscal Impact**

It is anticipated that [SF 527](#) will result in a decrease in revenue for the Title Guaranty Division of the IFA of 10.0% each year for the next five years. The impact on IFA revenues, expenditures, and FTE positions is shown in greater detail in the table below.

**TABLE 1 — SF 527**

Projected IFA Expenditure and Revenue Impact of Senate File 527

	Estimated FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Employee Expenses	\$ 2,350,459	\$ 2,115,413	\$ 1,903,872	\$ 1,713,485	\$ 1,542,136	\$ 1,387,923
Incentive Fees	\$ 3,194,670	\$ 2,875,203	\$ 2,587,683	\$ 2,328,914	\$ 2,096,023	\$ 1,886,421
Other Operating Expenses	\$ 1,069,342	\$ 962,408	\$ 866,167	\$ 779,550	\$ 701,595	\$ 631,436
Contributions to IHAP*	\$ 1,000,000	\$ 900,000	\$ 810,000	\$ 729,000	\$ 656,100	\$ 590,490
Total Expenses and Contributions	\$ 7,614,471	\$ 6,853,024	\$ 6,167,722	\$ 5,550,949	\$ 4,995,855	\$ 4,496,269
Total Operating Revenues	\$ 7,680,304	\$ 6,912,274	\$ 6,221,046	\$ 5,598,942	\$ 5,039,047	\$ 4,535,143
Retained Earnings and Reserves	\$ 65,833	\$ 59,250	\$ 53,325	\$ 47,992	\$ 43,193	\$ 38,874
FTE Positions	17.0	15.3	13.8	12.4	11.2	10.0

\*IHAP=Iowa Habitat and Access Program

**Sources**

Iowa Finance Authority  
Iowa Department of Commerce, Insurance Division

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.