

Senate Study Bill 3032

Bill Text

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1 1 Section 1. Section [16.91](#), subsection 2, Code 1999, is
1 2 amended to read as follows:

1 3 2. A title guaranty, ~~closing protection letter, or gap~~
1 4 ~~coverage~~ issued under this program is an obligation of the
1 5 division only and claims are payable solely and only out of
1 6 the moneys, assets, and revenues of the title guaranty fund
1 7 and are not an indebtedness or liability of the state. The
1 8 state is not liable on

~~the guaranties~~

~~any guaranty, closing~~

1 9 ~~protection letter, or gap coverage.~~

1 10 Sec. 2. NEW SECTION. 16.93 CLOSING PROTECTION LETTERS.

1 11 1. The authority through the title guaranty division may
1 12 issue a closing protection letter to a person to whom a
1 13 proposed title guaranty is to be issued, upon the request of
1 14 the person, if the division issues a commitment for title
1 15 guaranty or title guaranty certificate. The closing
1 16 protection letter shall conform to the terms of coverage and
1 17 form of the instrument as approved by the division board and
1 18 may indemnify a person to whom a proposed title guaranty is to
1 19 be issued against loss of settlement funds due to only the
1 20 following acts of the division's named participating attorney
1 21 or participating abstractor:

1 22 a. Theft of settlement funds.

1 23 b. Failure by the participating attorney or participating
1 24 abstractor to comply with written closing instructions of the
1 25 person to whom a proposed title guaranty is to be issued
1 26 relating to title certificate coverage when agreed to by the
1 27 participating attorney or participating abstractor.

1 28 2. A closing protection letter shall only be issued to a
1 29 person to whom a proposed title guaranty is to be issued for
1 30 real property transactions in which the division has committed
1 31 to issue an owner or lender certificate and for which the
1 32 division receives a premium and other payments or fees for a
1 33 title guaranty certificate or other coverage.

1 34 3. The division board shall establish the amount of
1 35 coverage to be provided and may distinguish between classes of
2 1 property including, but not limited to, residential,
2 2 agricultural, or commercial, provided that the total amount of
2 3 coverage provided by the closing protection letter shall not
2 4 exceed the amount of the commitment or title guaranty to be
2 5 issued. Liability under the closing protection letter shall
2 6 be coextensive with liability under the certificate to be
2 7 issued in connection with a transaction such that payments
2 8 under the terms of the closing protection letter shall reduce
2 9 by the same amount the liability under the title guaranty
2 10 certificate and payment under the title guaranty certificate
2 11 shall reduce the liability under the terms of the closing
2 12 protection letter.

2 13 4. The division may adopt a required fee for providing
2 14 closing protection letter coverage.

2 15 5. The division shall not provide any other coverage which
2 16 purports to indemnify against improper acts or omissions of a
2 17 person with regard to escrow, settlement, or closing services.

2 18 6. The authority shall adopt rules pursuant to chapter 17A

2 19 as necessary to administer this section.

2 20

EXPLANATION

2 21 This bill allows the Iowa finance authority through the
2 22 title guaranty division to issue a closing protection letter
2 23 to a person to whom a proposed title guaranty is to be issued,
2 24 upon the request of the person, if the division issues a
2 25 commitment for title guaranty or title guaranty certificate.
2 26 The bill provides that the closing protection letter may only
2 27 indemnify a person to whom a proposed title guaranty is to be
2 28 issued against loss of settlement funds due to the theft of
2 29 settlement funds and the noncompliance with written closing
2 30 instructions relating to title certificate coverage.

2 31 The bill provides that a closing protection letter shall
2 32 only be issued to a person to whom a proposed title guaranty
2 33 is to be issued for real property transactions in which the
2 34 division has committed to issue an owner or lender certificate
2 35 and for which the division receives a premium and other
3 1 payments or fees for a title guaranty certificate or other
3 2 coverage.

3 3 The bill provides that the division may establish fees and
3 4 the amount of coverage which shall not exceed the amount of
3 5 the commitment or title guaranty to be issued.

3 6 The bill prohibits the division from providing any other
3 7 coverage which purports to indemnify against improper acts or
3 8 omissions of a person with regard to escrow, settlement, or
3 9 closing services.

3 10 The bill provides that a title guaranty, closing protection
3 11 letter, or gap coverage issued by the division is an
3 12 obligation of the division and not an indebtedness or
3 13 liability of the state.

3 14 LSB 5305DP 78

3 15 tm/as/5.1