



Misconception: Title insurance companies make the most money in a transaction - by Jason Hudson and Dorian Lam

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There are many common misconceptions about title companies. Today, we'll cover one of them and outline the real story.

The Fallacy

New York City features some of the highest prices and taxes for real estate. It often seems, especially on larger commercial transactions, that the title company is making exorbitant fees.

The Reality

In a recent residential closing for a \$5.9 million home, we collected \$315,044 in buyer title fees, \$32,612 in seller title charges, and additional seller title charges of \$8,750. You can see that the total title charges are just over \$356,000. While it isn't broken out, the total title insurance premium for the buyer and lender was approximately \$27,000 with the rest being for taxes and fees – title companies collect a variety of (in this case) state and city taxes and fees on behalf of various agencies. The title company doesn't keep any of that money.

Typically, depending on the type of transaction, title insurance costs range from 0.30% to 0.50% of the transaction. Compare this to the 3-6% brokers charge, the 1-3.9% mansion tax paid to the city and state, or the 2.075% transfer tax the state and city took in (1.825% for transactions less than \$3

million).

A Quick Word About Fees

It may seem as if everybody charges a tax or fee at the closing table, and the names of those taxes and fees can be obscure. You may wonder what you're really paying for, and if those amounts are good values. A good title company or attorney should be able to explain every line item. It's your money: Don't be shy about asking!

If you have any questions about any aspect of title insurance or settlements, or if you would like to discuss an upcoming or potential transaction, please contact us.

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