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## **Home buyers to share a \$27.5-million settlement**

Overcharges on title insurance alleged

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More than 60,000 new-home buyers in Michigan will share \$27.5 million from the tentative settlement of a lawsuit filed by owners who claimed they were over charged for title insurance.

On Friday, a federal judge in Detroit tentatively approved the settlement, which would provide \$300 to \$400 each to people who bought newly built homes between December 1998 and July 2005, and purchased title insurance from one of four companies.

“This appears to be the beginning of the end of a rate structure that we believe repeatedly resulted in violations of federal law, Birmingham lawyer Patrick Bruetsch said Friday. Bruetsch and Farmington Hills lawyer Jeffrey Yellen and Birmingham lawyer David Davis filed the class action in 2000 on behalf of four Detroit area residents.

But a lawyer for one of the title Companies said title insurance for future new home purchases will increase because of the suit. Construction companies, which now lose a discount on title insurance, probably will pass their increased costs on to consumers, said Grand Rapids lawyer William Holmes.

“The end result is that rates likely will be higher than they used to be,” said Holmes who represents Chicago Title Insurance Co. of Missouri.

Bruetsch countered that costs will become more competitive allowing consumers to shop for builders who don’t pass along higher rates or who will negotiate a lower price.

The other insurance companies in the suit are Transnation Title Insurance Co of Arizona, First American Title Insurance Co. of California and Lawyer’s Title Insurance Corp. of Virginia. The four sell 84% of the title insurance in Michigan.

The suit alleged that the companies gave huge discounts to home builders who are required to buy owners title insurance, and simultaneously raised the prices 62,500 buyers paid for loan title policies.

The problem came to light after Romeo Jergess bought a \$175,000 home in Farmington Hills in May 1999. The suit said Transnation charged the builder, \$25 for an owner's title policy and Jergess \$721 for a mortgage insurance policy.

The net result, the suit said, was that Transnation overcharged Jergess \$432 and undercharged the builder \$178, a violation of the 1974 federal Real Estate Settlement Procedures Act.

Calls to the plaintiffs were not returned Friday evening.

Friday's tentative decision by U S District Judge Avern Cohn marks the first time that the federal law has been used by consumers to obtain a class action settlement, Bruetsch said.

Lawyers for the companies said the practice had been widespread before the law and that they merely continued it.