

STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES

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**DIVISION OF INSURANCE**

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DIVISION OF INSURANCE TAKES ACTION AGAINST SHAM TITLE INSURANCE AGENCIES

(Denver) – On Tuesday, the Colorado Division of Insurance (Division) closed down 11 “sham” title insurance agencies. The Division asserted that the agencies were created as vehicles to provide kickbacks to mortgage brokers. In addition, the Division suspended the license of the title agent identified as the companies’ responsible producer. According to the Division, Douglas Farr, the primary owner and the title agent listed as the responsible producer for the agencies, misappropriated escrow funds collected by the agencies in furtherance of residential real estate closings. The agencies’ underwriters are obligated to honor the title commitments issued to consumers through the suspended agencies to avoid consumer harm. Title insurers Dakota Homestead and Attorneys Title underwrite or have underwritten policies for the agencies.

This summer, the Division commenced an investigation of ownership arrangements between and among all 500 or so licensed title insurance entities and those who refer business to the agencies. The investigation was prompted by an explosion in the number of title agencies seeking licensure, and complaints that the agencies were created solely to provide kickbacks to realtors and lenders who referred business to the agencies. Providing remuneration to those who refer business to title agencies is prohibited under state and federal law.

Farr’s companies were the first to be investigated. Division investigators determined that some of the agencies performed no title services, had few or no employees, and in at least one case, had no physical office location. In addition, Mr. Farr and the agencies failed to pay one of the agencies’ underwriters, Attorneys Title, approximately \$500,000 in premium. Consequently, several thousand Colorado consumers did not receive title insurance policies. The Division is working with the underwriter to ensure no consumers are harmed.

The Division expects to take more regulatory actions as the investigation progresses. “Affiliated business arrangements are not inherently bad,” said Commissioner David Rivera. “However, sham agencies affect the ability of legitimate title agencies to compete fairly in the marketplace. It’s our goal to take appropriate regulatory actions to level the playing field and ensure a competitive title insurance marketplace that will benefit Colorado’s consumers”, he said.

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“The Mission of the Division of Insurance is Consumer Protection.”

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