

Chair Lampton, Vice Chair Craig, Ranking Member Hall, and members of the House Insurance Committee, thank you for the opportunity to testify on HB 230 to revise and improve some of the laws that govern title agency joint ventures in Ohio. This legislation is intended to update Ohio law to close loopholes that currently could be exploited by bad actors and clarify ambiguities in the law regarding how a Joint Venture can be lawfully dissolved

My name is Jim Janson, and I have been a licensed title agent for over 25 years, a title agency owner for over 20, and a joint venture operator for 19.

A joint venture title agency is a partnership between a title agent who performs the work and manages the JV, and 1 or more real estate industry professionals- real estate agents, brokers, lenders, attorneys or builders- who refer work to it. The referrers provide the revenue, and the title agent provides the expertise and management, and the two together drive the JV's success. Title insurance agencies are highly regulated entities, and joint venture title agencies are the subject of even more scrutiny given anti-kickback provisions that have existed for several decades in federal and state law. For a JV to be legitimate and legal, it must adhere to certain federally-stipulated mandates, as well as Ohio statutes and Department of Insurance Regulations.

The relevant federal law under which JVs operate is the Real Estate Settlement Procedures Act, and it stipulates how JVs must operate. Ohio does not have a state equivalent of RESPA, but it has several laws that overlap or reinforce its JV provisions and consumer-protection goals. Some of those statutes are the subject of HB 230, which seeks to clarify some of the rules by which title agencies can legally form, re-form, operate, or shut down joint ventures, and to close certain existing loopholes by which some title agencies avoid the joint venture statutes and make payments to individuals or entities in a manner that would otherwise be illegal.

The proposed changes in HB 230 can be broadly categorized into 3 categories:

1. **Changes to close loopholes in existing law** by which title insurance companies or agents avoid creating a joint venture, and instead split their title insurance revenue or premiums with referrers of business, a practice which would otherwise be illegal and which violates the obvious intent of longstanding law. These changes include:
  - clarifies the definition of a Joint Venture in this context, and adds the definition of a Beneficial Owner in joint ventures.
  - clarifies the definition of persons and entities prohibited to act as an agent of a title insurance company.

- clarifies the definition of persons to whom title companies and agents are prohibited from paying commission, fees, or any other consideration either as an inducement or compensation for title insurance business.
  - Clarifies annual review requirements for title agency joint ventures, and directs the superintendent of insurance to promulgate rules setting forth standards and forms for said annual reviews.
2. **Replacement of ORC 3953.36:** Dealing with the dissolution or termination of a JV. The existing statute is very short, but also so vague that neither the JV operators that it is meant to guide, nor the Department of Insurance tasked with its enforcement, know how to interpret it. Nor is there either guidance from any state agency, legal opinion from the Attorney General, or verdict from any court, that has addressed this statute. In its present form, the statute can be construed as binding title agents to their current joint venture partners, at their current ownership interest levels, forever, regardless of changes in circumstances. It achieves this by a combination of vague language that casts a wide net, and specific language that requires existing JVs to either remain in place in perpetuity, or to be re-formed with their existing arrangement replicated, thus making it effectively impossible for title agents to decide with whom they can partner, or cease partnering. HB 230 would replace the existing statute with more specific language describing actions that joint ventures are permitted to undertake, and actions they are prohibited from undertaking, in both their initial formation and as part of their ongoing operations.
3. **Lastly, as a result of an Interested Parties meeting held in July,** to which Representative Thomas alluded in his sponsor testimony last week, several suggestions were made to fine-tune some of the language in HB 230; we are still waiting on those edits from the persons who suggested them. It is also anticipated that the final version will include a provision that would codify and update a 27-year-old Department of Insurance memorandum which currently restricts the annual limit that title agents are permitted to spend on any one customer to a maximum of \$50, and which made no provision for inflation-indexing or any other adjustment. We anticipate that these edits will be submitted very shortly, and that none of them will affect the core premise of this bill.

With that, I would be happy to answer any questions you may have, to the best of my ability. Thank you again, Chair, for this opportunity to testify.