

What is Title Insurance ?

Title insurance protects you against covered title defects, like a previous owner's debt, liens and other claims of ownership that may have been instituted prior to purchasing your home.



Title 101

How is it different than traditional insurance policies?

Title insurance protects against past problems, whereas other insurance, like property and casualty, deal with future risk. You only pay for an owner's policy of title insurance once; there are no ongoing premiums.

Types of policies



Loan policy

- ▶ Policy required by a mortgage lender to protect against title defects that could affect the lien of the lender's mortgage.
- ▶ Effective for the life of the loan.



Owner's policy

- ▶ A separate policy that helps protect you against title defects that could affect your ownership rights.
- ▶ Lasts as long as you or your heirs retain an interest in the property or remain liable for any warranties on the title

Most Common Title Claims

Liens

A lien is a notice attached to your property telling the world that a creditor claims you owe it money. Title claims for liens typically relate to the priority of a mortgage lien in relation to others such as federal and state tax liens.

Basic Risks

Fraud, forgery, undisclosed heirs, marital rights, recorded notices of zoning violations or building permit violation, and improper legal description of property

Encumbrances

Defects in insured title otherwise not excepted in the policy, such as missing interests, easements, or other recorded rights

Escrow and Closing Errors

Problems due to improper execution of closing documents, improper recordings, and certain agent errors and omissions.

The Title Insurance Process

A search and examination of public records helps title professionals find possible title defects (also called clouds) and associated risks.



Search

- ▶ County, state and federal records
- ▶ Court records



Examine

- ▶ Identify title defects
- ▶ Issue preliminary title report/ title commitment
- ▶ Identify curative actions
- ▶ An in-depth title search can uncover many unknown title defects such as liens, taxes, levies, land encroachments and unpaid debts



Curative

- ▶ Settle existing liens
- ▶ Resolve title issues



Close

- ▶ Transfer ownership
- ▶ Disburse funds
- ▶ Issue title policy