



UNDERSTANDING TITLE INSURANCE

What is a title?

A title is the foundation of property ownership. It is the owner's right to possess and use the property.

What is title insurance?

Title insurance is your policy of protection against "hidden hazards" - resulting in a claim against your ownership.

What is a title search?

A title search is a detailed examination of the historical records concerning a property. These records include deeds, court records, property and name indexes, and many other documents. The purpose of the search is to verify the seller's right to transfer ownership, and to discover any claims, defects and other rights or burdens on the property.

What kind of problems can a title search reveal?

A title search can show a number of title defects and liens, as well as other encumbrances and restrictions. Among these are unpaid taxes, unsatisfied mortgages, judgments against the seller and restrictions limiting the use of the land.

How does title insurance protect my investment if a claim should arise?

If a claim is made against your property, title insurance will, in accordance with the terms of your policy, assure you of a legal defense - and pay all court costs and related fees. Also, if the claim proves valid, you will be reimbursed for your actual loss up to the face amount of the policy.

The owner of the property has a deed. Isn't that proof of ownership?

Not necessarily. A deed is just a document by which the right of ownership in land is transferred, whatever that right may be. It's not proof of ownership, and it doesn't do away with rights others may have in the property. In addition, a deed won't show you liens or claims that may be outstanding against the title.

The owner of the property I want to purchase has lived in the home for only six months. He had a title search done six months ago. Why do I need another one?

Because the owner could, in a very short time, do many things to encumber the title. For example, he could grant easements or construct improvements that encroach on adjacent property. He could use the property as collateral for a loan or have received money, judgments, or liens which can attach to the real estate. It is necessary to conduct an up-to-date title search to uncover any such problems.

What is the difference between an Owner's policy and a Loan policy?

The Loan Policy is usually based on the dollar amount of your loan. It only protects the lender's interests in the property should a problem with the title arise.

An Owner's Policy is usually issued in the amount of the real estate purchase. It is purchased for a one-time fee. Only an Owner's Policy protects the buyer should a covered title problem arise.

How long does my coverage last?

The lender's policy of title insurance lasts until the mortgage is paid in full. An owner's policy of title insurance lasts for as long as you or your heirs retain an interest in the property.

