

# What Is Title Insurance?

## What is title insurance and why do I need it?

Title insurance is protection for home buyers and lenders against financial loss due to title defects, liens, or other encumbrances.

When real property is purchased, title to the property is transferred to the purchaser of the property, giving the purchaser legal ownership of the property.

The home buyer will purchase an "Owner's Title Insurance Policy" to cover their personal investment from the impact of certain title defects or issues. The premium for this policy is paid up-front (generally at the time of purchase of the property) and there are no subsequent premium payments due to maintain the coverage for the period of time the property is owned.

If money is borrowed to take out a mortgage for the purchase of the property, the lender will likely also require the purchase of a "Lender's Title Insurance Policy". This policy is coverage exclusively to protect the lender's financial investment in the real property from certain title defects or issues. When the owner refinances the real property, a new loan policy is needed to protect the new lender's investment. Like with the owner's title insurance policy, the premium for the lender's policy is paid up-front (when the loan originates) and no subsequent premium payments are needed to maintain coverage for the life of the loan.

The process of issuing a title insurance policy starts with a title industry professional combing through public records, to track the ownership of the property, to discover liens and encumbrances on the property, and to ensure that the chain of title is clean and free of defects. However, sometimes there are title defects or issues, from a prior sale, mortgage, will, etc., that, for any number of reasons, are not revealed in the title search or examination and may give another party a valid legal claim against the real property.

The good news is that a title insurance policy may provide coverage for the title defect or issue found and the title insurance company may pay the legal costs to settle the dispute and/or otherwise resolve the title-related problem.

## What does title insurance cover?

Lost, forged or incorrectly filed deeds, property access issues, boundary disputes and improperly recorded liens on a property are just a few of the title problems that could arise after you buy or refinance real property, but may be covered by a title insurance policy.

## Is title insurance like homeowner's insurance?

No, title insurance and homeowner's insurance serve different purposes. Title insurance protects against title defects for the period of time that you own the property, while homeowner's insurance provides coverage for damages to the physical structure of the property and its contents due to covered perils like fire, theft, and natural disasters.



## Who needs title insurance?

**BUYER** – When acquiring property, it is recommended for the buyer to purchase an owner's title insurance policy as it will provide protection in the event that there is a covered title issue or defect against the property. A title insurance policy enables the buyer to enjoy peace of mind in protecting, what is often times, their largest asset.

**LENDER** – When a property is purchased and the person is using a lender to borrow money, that lender will commonly require the buyer to purchase a lender's title insurance policy. The lender's policy covers the lender's loss or damage, up to the amount of the outstanding balance on the mortgage, related to a covered title issue or defect, but it does not cover the buyer's loss or damage related to that issue or defect.

It's important to note that there are enhanced or premium policies that offer coverage for some risks that are not covered by a standard policy.

## When and where do I buy title insurance?

The process of buying title insurance starts after your offer on the real property has been accepted. The search for a qualified and well-vetted title agent begins here.

## How do I choose a title insurance company?

As the purchaser of real property, it is your right to choose the title company for your transaction. In most cases, this will be one of the largest investments in a lifetime. Do not relinquish your option to choose the right title company for you. Additionally, it is illegal for the seller to reject your offer if you do not want to use their recommended or preferred title company.

Under Section 9 of The Real Estate Settlement and Procedures Act (RESPA) [12 U.S.C. § 2608] states:

- No seller of property that will be purchased with the assistance of a federally related mortgage loan shall require directly or indirectly, as a condition to selling the property, that title insurance covering the property be purchased by the buyer from any particular title company.
- Any seller who violates the provisions of subsection (a) of this section shall be liable to the buyer in an amount equal to three times all charges made for such title insurance.

If you'd like to exercise your right to choose one of Security Title's agents, we offer a network of highly qualified and vetted title agents so you may benefit from their extensive expertise. **To be the preeminent partner for you, we make sure to appoint the best and most experienced agents into our network.**

## What does title insurance cost?

There are many different variables that influence the cost in each state, including, but not limited to, whether a standard or enhanced or premium policy is requested or required. Title insurance is a regulated cost that varies state by state and in some states, county by county. The only way to obtain an accurate estimate on your title insurance costs is by contacting a local title agent.

## What is a title search?

The title search is one of the first steps in obtaining title insurance. It is a detailed examination of the public records concerning the property including deeds, restrictions, rights of way, liens, tax records, civil and probate court records, etc. A title search verifies that the seller has the right to transfer ownership. The purpose is also to find any claims, errors, debts, assessments, or other restrictions on the property. The title agent you choose will procure a title search from a local area expert.