

## Questions About Title Insurance?



Buying a home is, for many of us, the largest single investment we'll ever make. Knowing this, most homeowners provide for the security and safekeeping of their homes by insuring them against hazards such as fire, theft and weather damage.

But there is another hazard that can pose an even greater risk to homeownership: Defects in the title to your property can cause you to lose part or all of the investment in your home.

Fortunately, there is a way to protect your investment from these title defects. It comes in the form of title insurance.

### **WHAT IS TITLE INSURANCE AND WHY DO YOU NEED IT?**

In the following pages, we've listed the answers to these and other commonly asked questions.

We suggest that you read through this information carefully. It will help you to better understand the value of title insurance in protecting your homeownership, and the general real estate information will make the home-buying process smoother.

### **RESIDENTIAL TITLE HAS THE ANSWERS...**



### **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.

### **Wouldn't an abstract show property limitations and restrictions?**

Maybe - and maybe not. An abstract is a history of the property title as revealed by public records. Abstracts may contain errors and fail to disclose "hidden hazards" that can threaten your property title if you do not have a title insurance policy.

### **What about an attorney's opinion?**

An attorney's opinion is based on a search of the public records. So, once again, even the most exhaustive search of these records may not reveal everything. Unlike a title insurance company, an attorney is not liable if you should suffer loss because of "hidden hazards" in 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, the owner could grant easements or construct improvements that encroach on adjacent property. The owner could get married or divorced, or have a lien filed against the property. It is necessary to conduct an up-to-date title search to uncover any such problems.

### **If the builder of my home already has title insurance on the property, why do I need it again when I purchase the land from him?**

A title policy insuring the builder does not protect you. A great many things could have happened to the land since the builder's policy was issued. Liens, judgments and unpaid taxes that prior owners were responsible for may be disclosed after you purchase the property causing you aggravation and costing you money.

### Are there different types of title insurance policies?

Yes. Basically there are two different types of policies - a loan policy and an owner's policy. The loan policy protects the lender's interest in the property as security for the outstanding balance under the buyer's mortgage. The owner's policy safeguards the buyer's investment or equity in the property up to the face amount of the policy. (Title insurers in many states offer increased policy coverage through inflation endorsements to cover increases in value due to inflation.)

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

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

### What is a title?

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

### Why is transferring the title to real estate different from transferring the title to other items, like a car?

Because land is permanent and can have many owners over the years, various rights may have been acquired by others (such as mineral, air or utility rights) by the time you come into possession of it, even if the land has never before been built upon. In order to transfer clear title to a piece of land, it is first necessary to determine whether any rights are outstanding.

### 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 title search is to verify the seller's right to transfer ownership, and to discover any claims, defects or burdens on the property.

### What problems can a title search reveal?

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

### Are there problems that a title search can't reveal?

Yes. There are some "hidden hazards" that even the most diligent title search may not reveal. For instance, the previous owner could have incorrectly stated his marital status, resulting in a possible claim by his legal spouse. Other "hidden hazards" include fraud and forgery, defective deeds, mental incompetence, confusion due to similar or identical names and clerical errors in the records. These defects can arise after purchasing your home and can jeopardize your right to ownership.

### What is title insurance?

Title insurance is your policy of protection against loss if any of these problems, even a "hidden hazard," results in a claim against your ownership.

### How much could I lose if a claim is filed against my property?

That depends on the claim. In an extreme case, you could lose your entire home and property and still be liable to pay off the balance of your mortgage. Most claims aren't that dramatic, but even the smallest claim can cost you time, money and aggravation, and you may have to pay costs for a legal defense.

### How long does my coverage last?

For as long as you or your heirs retain an interest in the property, you are covered whether an issue appears months after the purchase or years later.



### How much does title insurance cost?

Probably a lot less than you think. Generally the cost of title insurance (including search, examination and related services) amounts to about 1%, or less, of the cost of the property. And unlike other insurance premiums which must be paid annually, a title insurance premium is paid one time only, usually at settlement.

### Are there different types of owner's policies?

Yes. There are two types of owner's policies - Basic Owner's policy and an Enhanced Homeowner's policy. Both of these policies provide comprehensive coverages, although the enhanced homeowner's policy has expanded coverages not found in a basic owner's policy. For more information about your specific needs, call Residential Title at **513-686-7670**.



For pricing on lender's & owner's title insurance, please visit our title insurance rate calculator at: [www.cbws.com](http://www.cbws.com)

Click on "Buyers," then scroll down and select "Title Services," then click on "Title Insurance Rate Calculator." Or, call Residential Title today at **513-686-7670**.