

LAWYERS LINK



6 FIRST-TIME HOMEBUYER QUESTIONS ABOUT TITLE INSURANCE

Must-Know Information

What is title insurance and how does it work?

Before issuing a policy of title insurance, the title company meticulously reviews public records of the property being sold or financed. The purpose of the search is to confirm the legal owner of the property and identify all claims or liens against the property.

Owner's title insurance fully protects the homeowner if a covered title issue or defect arises that wasn't discovered during the title search and after the home is purchased. Hidden defects are dangerous because a homeowner might not learn about them for months or years after purchase. Title insurance also pays for any legal fees

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involved in defending a claim to the title. Think of owner's title insurance as helping protect a homeowner's equity or investment in a home.

What type of issues are typically covered under most title insurance policies?

- Unpaid judgments and liens
- Unpaid taxes and assessments
- Improper execution of documents
- Mistakes in recording or indexing legal documents
- No right of access to and from the land
- Forgeries and fraud
- Undisclosed or missing heirs
- Unreleased mortgages
- Mental incompetence of grantors on the deed
- Impersonation of the true owners of the land by fraudulent persons

Is title insurance and homeowners' insurance the same?

While a homeowners' insurance policy protects the physical and tangible assets of a home, a title insurance policy protects new homeowners from any past issues affecting their right to own and use the property.

Is title insurance a one-time fee?

A title insurance policy is paid as a one-time fee, and covers the homeowner for the entire duration that they or their heirs own the property. There are no annual payments to keep the owner's title policy in force. A title insurance policy could potentially last a lifetime.

What types of policies are there?

There are two types of policies – the owners policy which covers the homebuyer for the full amount paid for the property, and a lenders policy which covers the lending institution over the life of the loan.

Why does a lender need a policy on my property?

For the lender a title policy is a guarantee that it has a valid and enforceable lien (loan or deed of trust) secured by the property, that no one else other than those listed on the policy has a prior claim (or loan, etc), and that the party to whom they are making the loan does own the property being used as security for the loan. This protection remains in effect as long as the loan remains unpaid.



MONTHLY INDUSTRY TERMS

Annual Percentage Rate (APR)

An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit cost. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

Earnest Money

A deposit of funds made by a buyer of real estate as evidence of good faith.

Easement

A non-possessory right to use all or part of the land owned by another for a specific purpose.