

What is Title Insurance and Why Do You Need It?

The deed to your new home is not enough to ensure clear title. It is merely an instrument whereby the seller transfers right of ownership to you. It doesn't prove that the person described as the seller is actually the clear owner, and it does not eliminate claims or rights that others may have in the property. You cannot determine from the deed what rights, liens or claims may be outstanding against your title.

You should be protected against any undiscovered claims that may arise in the future to threaten your title. A title insurance policy from a title company provides this twofold protection in accordance with your instructions and within the parameters of the policy.

Although your mortgage lender will most likely have a title insurance policy, it only protects the lender's interest in the property (not your investment), and it decreases as the mortgage is paid off. You need owner's title insurance to protect your ownership for the full amount you paid for the property.

How does it work?

The title company conducts a thorough search and evaluation of the Public Record, looking for situations that may cloud the title to your new home, such as:

- Are all taxes and special assessments paid?
- Does anyone have special rights to property that would limit your ownership?
- Has the death of a former owner or the filing of a will affected title to the property?
- Are there undisclosed heirs or spouses of the seller?
- Are there any lawsuits or claims recorded against the property itself, or suits or judgments filed against the seller?

What about hidden risks?

Claims that cannot be discovered by examination of the Public Records called "hidden risks" could arise long after you have purchased the property.

Here are just a few of the most common hidden risk that can create an encumbrance on title or can even cause a loss of title:

- False impersonation of the true owner of the property.
- Forged deeds, releases or wills.
- Instruments executed under invalid or expired power of attorney.
- Misinterpretations of wills.
- Deeds by persons of unsound mind.
- Deeds by minors.
- Deeds by persons supposedly single, but in fact married.
- Liens for unpaid estate, inheritance, income or gift taxes.
- Fraud.

What about premiums?

Unlike most forms of insurance, you pay for a title insurance policy only once, and this relatively modest charge insures your title for as long as you or your heirs own the property. The seller generally pays the premium for title insurance.

Title Insurance: The End Result

By obtaining a title insurance policy, you are backed by the strength and security of the title insurer.