

# HOW TITLE INSURANCE PROTECTS ALL HOMEBUYERS

**Whether you're purchasing a new or existing home, or refinancing, title insurance protects you against any problems affecting the title to your home.**

## **The Basics**

There are two types of title insurance: the owner's policy and the lender's policy. The owner's policy protects your property rights as the homebuyer, whereas the lender's policy insures the financial investment of the bank or lender. If someone else claims ownership of your property, title insurance typically defends you legally and financially.

## **Common Risks**

Here are some examples of problems with title:

- Liens against the property that serve as security for the payment of an obligation (e.g. mortgage liens, judgment liens for unpaid court judgments, federal tax liens, state and local liens for failure to pay real estate taxes or assessments, mechanic's liens to secure payment for property improvements, liens for recovery of child support payments or, as in New York City, for unpaid parking tickets).
- Easements that have been created by contract or arisen through use or adverse prescription (e.g. rights of way for utilities, rights acquired by neighbors because of a fence encroachment).
- Building or use restrictions contained in recorded plats, agreements or deeds.
- Claims arising out of bankruptcy.

These are just some of the many reasons why getting owner's title insurance is crucial when buying or refinancing a home. It gives you peace of mind that your property rights are protected.

## **Refinancing?**

When you refinance, you are obtaining a new loan, even if you stay with your original lender. Lenders will usually require a new title search and lender's policy to protect their investment in the property. Fortunately, homeowners don't need to purchase a new owner's policy—the one you bought at closing is good for as long as you or your family own the property. However, you may want to contact an ALTA member to update your policy to reflect changes in your life.

## **Enduring Value**

Owner's title insurance is a low, one-time fee based on the value of your home. For example, the typical owner's title insurance policy costs an average of 0.5% of a home's purchase price. With a home being one of the largest investments you'll ever make, it's clear why getting owner's title insurance is such a smart way to give yourself peace of mind.

**More Homebuyer Tips & Information** The American Land Title Association helps educate homebuyers like you about title insurance so you can protect your property rights. Check out [www.homeclosing101.org](http://www.homeclosing101.org) to learn more about title insurance and the home closing process.

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