

WHAT IS TITLE INSURANCE?



The purchase of a home is probably the single largest investment you'll make in your lifetime. It is only prudent that you want to safeguard your rights and investment. Title insurance assures that your rights and interests to the property are as expected, that the transfer of ownership is smoothly completed and that you receive protection from future claims against the property. It is the most effective, most accepted and least expensive way to protect your ownership rights.

Because land endures over generations, many people may develop rights and claims to a particular property. The current owner's rights - which often involve family and heirs - may be obscure. There may be other parties (such as government agencies, public utilities, lenders or private contractors) who also have "rights" to the property. These interests limit the "title" of any buyer.

Before your real estate transaction closes, the title company performs an extensive search of all recorded documents related to the property. These records are then examined by experienced title officers to determine their effect on the current status of ownership and a report is issued to you or your agents for review. This thorough examination generally allows any pending title problems to be identified and cleared prior to your purchase of the property.

If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closings, why do you need a title insurance policy?

Because even after the most careful research, some title flaws may go undetected. Among the more common flaws to title which are not of record are forgery, invalid court proceedings, mistaken legal interpretations, defective deeds, confusion due to similarity of names, previously unrecognized rights of spouses and undisclosed heirs. These problems may surface at any time in the future.

Protection against these flaws and other claims is provided by the title insurance policy which is issued after your transaction is complete. Two types of policies are routinely issued at this time: an "owners policy" which covers you, the homebuyer for the full amount you paid for the property; and a lender's policy which covers the lending institution over the life of the loan. When purchased at the same time, you can obtain a substantial discount in the combined cost of an owner's and a lender's policy. Unlike other forms of insurance, your title insurance policy requires only one moderate premium for a policy to protect you and your heirs for as long as you own the property. There are no renewal premiums or expiration date.

Each policy is a contract of "indemnity". It agrees to assume the responsibility for legal defense of your title for any defect covered under the policy's terms and to reimburse you for actual financial losses up to the policy limits.

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Protecting Your Property Rights



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