

Why do you need title insurance?

To protect possibly the most important investment you'll ever make - the investment in real estate.

A lender goes to great lengths to minimize the risk of lending money for the purchase of real estate. First, credit is checked as an indication of the borrower's ability to repay the loan.

Then, the lender seeks assurance that the quality of the title to the property to be acquired and which will be pledged as security for the loan is satisfactory. The lender does this by obtaining a loan policy of title insurance.

The loan policy does not protect the borrower.

The loan policy protects the lender against loss due to unknown title defects. It also protects the lender's interest from certain matters which may exist, but may not be known at the time of the sale.

But, this policy only protects the lender's interest. It does not protect the borrower. That is why a real estate purchaser needs an owner's policy, which can be issued at the same time as the loan policy, usually for a nominal one-time fee.

What is the danger of loss?

If the lender has title insurance protection and the owner does not, what possible danger of loss exists?

As an example, assume real estate was purchased for \$100,000. A down payment of \$20,000 is made, and a lender holds an \$80,000 mortgage lien, or beneficial interest. The lender acquires title insurance protecting the lender's interest up to \$80,000. But the purchaser's down payment of \$20,000 is not covered.

What if some matter arises affecting the past ownership of the property? The title insurance company would defend and protect the interest of the lender. The purchaser, however, would have to assume the financial burden of his or her own legal defense. If the defense is not successful, the result could be a total loss of title.

The title insurance company pays the lender's loss and is entitled to take an assignment of the borrower's debt. The purchaser loses the down payment, other equity in the property that may have accumulated, and the property. And the balance on the note is still due!

How can there be title defect if the title has been searched and a loan policy issued?

Title insurance is issued after a careful examination of copies of the public records. But even the most thorough search cannot absolutely assure that no title hazards are present, despite the knowledge and experience of professional title examiners. In addition to matters shown by public records, other title problems may exist that cannot be disclosed in a search.

What title insurance protects against.

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

- 1 False impersonation of the true owner of the property
- 2 Forged deeds, releases or wills
- 3 Undisclosed or missing heirs
- 4 Instruments executed under invalid or expired power of attorney
- 5 Mistakes in recording legal documents
- 6 Misinterpretations of wills
- 7 Deeds by persons of unsound mind

- 8 Deeds by minors
- 9 Deeds by persons supposedly single, but in fact married
- 10 Liens for unpaid estate, inheritance, income or gift taxes
- 11 Fraud

What protection does title insurance provide against defects and hidden risks?

Title insurance will pay for defending against any lawsuit attacking the title as insured, and will either clear up title problems or pay the insured's losses. For a one-time premium, an owner's title insurance policy remains in effect as long as the insured, or the insured's heirs, retain an interest in the property, or have any obligations under a warranty in any conveyance of it. Owner's title insurance, issued simultaneously with a loan policy, is the best title insurance value a property owner can get.