WFG National Title Company
a Williston Financial Group company

TITLE INSURANCE 101

Believe it or not, title insurance is one of the most integral parts of the real estate process, yet many people readily admit they have very little understanding of what it is and why it is important.

Title insurance is commonly opened at the time a listing agreement is signed. Once the listing agreement is signed, the listing agent will often contact their preferred title company and ask to open a preliminary title report. It is referred to as a preliminary title report, because the proposed party to be insured (the buyer) has yet to be identified.

Once the order has been opened, the title company creates a file for the property by doing an initial pull of basic information in connection with the property – legal description, plat map, assessor parcel numbers, tax roll information, etc. This will form the base of the file and provide specific information from which the property can be further inspected.

Once the file has been created, a title search will then ensue. A title search is the process of determining from public record just what these rights are and who owns them. The title search is a means of determining that the person who is selling the property really has the right to sell it; and the buyer purchasing the property is getting all the rights that he or she is paying for.

A title search will typically contain the following steps:

Chain of Title: This is simply a history of the ownership for a particular piece of property, telling who bought and sold it, and when.

Tax Search: This is a search to determine the present status of general real estate taxes against the property. The tax search will reveal if taxes are current or past due and what amounts are unpaid from previous years.

Report on Possession: Title companies may send inspectors to look at the property to verify the location of improvements, ok for evidence of easements that are not shown on public record, and for encroachments.

Judgment & Name Search: This determines if there are any unsatisfied judgments, IRS liens, state tax warrants, and superior court actions against the seller or previous owners which were in existence while they owned the property. A judgment is a general lien against the property and constitutes security for any money owed to a particular party under the judgment.

Report: Once all searches have been completed, the title company issues a report to insure, stating the conditions under which it will insure the title to the property. Once a report has been issued, the title company simply waits to be made aware of a mutually accepted offer. After an offer has been accepted, the title company will update the report with the proposed insured party's (buyer's) information. Once the report has been updated, the buyer, seller, mortgage lender (if applicable), and escrow can proceed with closing the transaction. To help protect the buyer and the seller in a transaction, a disinterested third party, known as an escrow holder, will often be contracted with to assist in the clearing of any encumbrances on the title and ultimately closing the transaction. Once the transaction is closed and recorded on county records, the title company will officially issue a title insurance policy to the buyer's of the property.

If a mortgage is obtained in order to purchase property, nearly all lenders require that a home buyer purchase the lender's title insurance policy for an amount equal to the loan. A lender's policy is issued to a mortgage lender. The policy gives the lender protection from covered losses arising from any defects in the title that have become known only after the insured property has been financed. The lender's insurance policy will remains in effect until the amount financed has been repaid or the property is resold or refinanced.