

WHY DO I NEED AN OWNER'S TITLE POLICY?

Title insurance insures against financial loss from defects in title, liens or other matters. It protects both purchaser and lender against loss. Usually, during a purchase transaction the lender requests a policy (commonly referred to as the Lender's Policy) while the buyer receive their own policy (commonly referred to as Owner's Policy). But if this is your first home, you may wonder, "Why do I need another insurance policy?"

The answer is simple: The purchase of a home is likely going to be one of the most expensive and important purchases you will ever make. You and your mortgage lender want to make sure the property is indeed yours and that no individual or government entity has any right, lien, claim or encumbrance to your property.

Title insurance companies function is to make sure your rights and interests to the property are clear, that transfer of title take place efficiently and correctly and that your interests as a homebuyer are protected. Title insurance companies provide services to buyers, sellers, real estate developers, and builders, mortgage lenders and others who have an interest in real estate transfer. Title companies issue two types of policies—"Owners Policy" which covers the homebuyer; and "Lenders Policy" which covers the bank, savings and loan or other lending institution over the life of a loan. Both are issued at the time of purchase for a one-time premium.

The title company conducts an extensive search of public records to determine if anyone other than you has an interest in the property before issuing a policy. The search may be performed by title company personnel using either public records or more likely, information gathered, reorganized and indexed in the company's title "plant".

With such a thorough examination of records, title problems can usually be found and cleared up prior to purchase of the property. Once a title policy is issued, if for some reason any claim, which is covered under your title policy, is ever filed against your property, the title company will pay the legal fee involved in defense of your rights as well as any covered loss arising from a valid claim. That protection, which is in effect as long as you or your heirs own the property, is yours for a one-time premium paid at the time of purchase.

The title company works to eliminate risks before they develop. This makes the title insurance different from other types of insurance. Most forms of insurance assume risks by providing financial protection through a pooling of risks for losses arising from unforeseen events, like fire, theft or accident. The purpose of title insurance, on the other hand, is to eliminate risks and prevent losses caused by defects in title that happened in the past. Risks are examined and mitigated before property changes hands.

Eliminating risk has benefits to both you, the home buyer, as well as the title company. It reduces the chance adverse claims might be raised, and by doing so reduces the number of claims that have to be defended or satisfied. This keeps costs down for the title company and your title premiums low. With title insurance you are assured that any valid claim against your property will be taken on by the company, and that the odds of a claim being filed is slim.

