



Why You Need Title Insurance

Other types of insurance coverage focus on possible future events and charge an annual premium – such as flood insurance or hazard insurance that safeguard against loss from fire damage. Title insurance protects against loss from hazards and defects already existing in the title and is purchased with a one-time premium.

Title search and examination is the first step.

Insuring a home's title begins with a search of public land records affecting the property. The title agency or attorney examines pertinent documents to determine whether the title to the property is insurable. Those documents include deeds, wills, trusts, outstanding mortgages and judgments, property liens, highway or utility line easements, pending legal actions and notary acknowledgements.

If title problems are discovered during the examination process, sellers must usually correct them for the sale to be completed. According to surveys done by the American Land Title Association® (ALTA®), title problems arise in one out of three real estate transactions (36%).

A corrective process is vital to curing title problems.

The process of performing title searches and examinations does not come cheaply. Industry studies find that title insurers spend an average of 92 cents out of every premium dollar as their cost of doing business. The most common actions to cure title defects include:

- Releases/payoffs for liens – 33%
- Releases/payoffs for deeds/mortgages – 19%
- Typographical corrections (names, addresses, legal descriptions) – 17%
- Clearing estate/family issue – 11%
- Clearing physical property issues – 7%

What if a problem is hidden or missed?

After all this searching and examination, a title problem may still be hidden or missed, such as:

- A forged signature on a deed
- An unknown heir who steps forward to claim ownership of the property
- An expired or forged power of attorney used during a property transfer
- An incorrect public record



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In each of these cases and many more, a policy will offer financial protection. The title insurer defends the title and either cures the default or pays valid claims when there is appropriate title insurance coverage.

Why do lenders need it?

Lenders require the borrower to purchase title insurance, just as they call for fire insurance and other types of coverage to protect the lender's financial investment in the property. A lender's policy insures that the mortgage is valid and the lien priority is correct. In addition, title insurance is required for lenders who package and sell their loans in the secondary mortgage market.

For the homeowner to be covered, he or she must have an owner's policy in addition to the required lender or mortgagee policy.

A separate owner's policy is the best policy.

Owner's title insurance lasts as long as the policyholder or his or her heirs have an interest in the property – maybe even after the homeowner has sold the property. It is purchased for an additional premium.

For More Information Contact Our Stewart Trusted Provider.



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