

What Is Title Insurance?



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Like fire insurance that protects you against losses from a fire, title insurance protects the title (or ownership rights) to your property against undiscovered defects that were not identified by a title search. Unlike other types of insurance, there are no annual payments to keep your title insurance policy in force. The premium is paid once, at the time of the property purchase.

How does title insurance protect you?

If the title (ownership) to your property is threatened by forgery, confusion due to similar names, errors in the records etc., your title insurance entitles you to the cost of defending your title in court and the settlement of any claims that may result.

What is a Title Search?

When you are buying property, you should realize that, over the years, many laws have been enacted that give the property owner (as well as heirs and creditors) extremely strong rights. Thus, before you buy property, Title First will conduct a title search of all the public records associated with the property to assure you, the buyer, that the property you are buying is free and clear of any mortgages, judgements against previous owners, easements or other court actions, or recorded documents which affect title (legal ownership) to the property.

What does title insurance cover?

Title insurance may reimburse an insured for loss or damage caused by defects in title, including problems such as:

- ▶ Judgments against the seller
- ▶ Forged wills or deeds
- ▶ Unknown marriages and divorces
- ▶ Errors in record or clerical work
- ▶ Mistaken legal interpretations
- ▶ Confusion due to similar names
- ▶ Undisclosed restrictions, limiting the use of the land
- ▶ Fraud
- ▶ Undisclosed heirs
- ▶ Mental incompetence
- ▶ Invalid court proceedings
- ▶ Defective deeds

How does title insurance differ from an attorney's opinion?

An "attorney's opinion" is an assurance as to the condition of title made by a licensed attorney. This evidence of title, as with the abstract of title, is not a title insurance product and is subject to additional limitations. The opinion covers neither hidden defects in title nor forgery and fraud. Liability related to attorney opinions involves suits against the preparing attorney in negligence. Recovery on a loss may be frustrated by the availability of the attorney and the financial ability to pay judgments obtained against the attorney.

What is the role and responsibility of the closing agent?

When an order is placed, Title First, acting as your closing agent, coordinates the activity and documentation from a variety of participants, pulling each piece of transaction together:

From you and your real estate agent

- ▶ A copy of the sales contract
- ▶ Original termite inspection
- ▶ Names of gas, certification, and home warranty companies
- ▶ Attorney information
- ▶ Lenders and payoff information (if available)
- ▶ The new homeowner's insurance agent

From the lender -

- ▶ The complete loan package
- ▶ Closing instructions, including all requirements for proper disbursement of funds

Title First prepares -

- ▶ Mortgage
- ▶ Settlement Statements
- ▶ Affidavits
- ▶ Loan documents
- ▶ Riders
- ▶ Various notes

Additionally, all disbursement checks for the transaction are prepared and distributed by Title First acting as the escrow agent.

What happens during the closing?

At the closing, we meet with the buyer/borrower and their representatives to sign all of the documents and make the sale of your home official. At this point, we still have a great deal of work to do... We finalize the deposits, wire transfers and the checks, make photocopies of the documents (returning originals and photocopies to the proper parties).

What happens after the closing?

After the closing, we record the deed and the mortgage at the courthouse (returning the original recorded deed to the new owner and the mortgage to the lender), and prepare the owner's and lender's title policies.

Following the recording of the deed and mortgage, the buyer will receive (via the mail) the original recorded deed and the original title insurance policy, if applicable. It is wise to keep all of these documents in a safe place.