

Title Insurance Provides Needed Protection When Refinancing Mortgages

Title insurance is essential to protect homeowners and lenders against any problems affecting the title to a home.

Whether a consumer is purchasing a new or existing home, or refinancing, title insurance provides an underwriting service to mortgage lenders to ensure the borrower has clear ownership rights to the property, free and clear of any other claims to ownership. If the housing crisis taught us anything, it is that underwriting standards for mortgage lending should be strengthened not weakened. Strong underwriting protects consumers rather than hurts them, and title insurance provides a key part of this due diligence.

Basically, title insurance protects you against problems affecting the title to your home. There are two types of title insurance — a Loan Policy and an Owner's Policy. A Loan Policy protects the lender for the amount of the loan, while the Owner's Policy protects the homeowner and their investment in the property. In both cases, the title process covers an exhaustive search of public records to make certain the title to the subject property is clear, and covers against future loss if a claim against the property is made.

When you refinance you are obtaining a new loan, even if you stay with your original lender. Lenders will usually require a new title search and Loan Policy to protect their investment in the property. Homeowners don't need to purchase a new Owner's Policy; the one they bought at closing is good for as long as they and their heirs have an interest in the property.

Even if you recently purchased or refinanced your home, there are some problems that could arise with the title. For instance, a homeowner may have incurred a mechanics lien from a contractor who claims he/she has not been paid. Or a homeowner might have a judgment placed on their house due to unpaid taxes, homeowner dues, or child support for instance. The lender needs reassurance that the title to the property they are financing is clear. Here are some other examples of items that can arise and why title insurance is important when refinancing a home:

- Liens against the property that serve as security for the payment of an obligation (e.g., mortgage liens, judgment liens for unpaid court judgments, tax liens, state and local liens for failure to pay real estate taxes or assessments, mechanic's liens to secure payment for improvements, liens for recovery of child support payments or, as in New York City, for unpaid parking tickets);
- Easements that have been created by contract or arisen through use or adverse prescription (e.g., rights of way for utilities, rights acquired by neighbors because of a fence encroachment);
- Building or use restrictions contained in a recorded plats, agreements or deeds; and
- Rights or claims arising out of bankruptcy.

These rights may affect the use of the property or otherwise encumber the "ownership" rights of a property's owner. They can be placed on a property at any time, including during the time between when an original purchase mortgage is placed on the property and that mortgage is refinanced.

For more information about title insurance go to www.ortc.com or www.homeclosing101.org

Since 1907, Old Republic Title has weathered challenging economic times, meeting obligations to policy holders no matter what the conditions. With underwriting expertise, exceptional products and services, and a commitment to doing business with integrity, Old Republic Title is a name you can trust.

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(7.21.14)*

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Old Republic strongly recommends that consumers confer with their title insurer as underwriting requirements vary among companies and further, obtain guidance and advice from qualified professionals, including attorneys specializing in Real Property, Trusts and/or Title Insurance to get more detailed, and current, information as to any particular situation affecting them.

