

What Every Realtor Should Know About Title Insurance

Make sure your clients are protected



The process of buying a home is complicated. Consumers can become confused and frustrated with the mounds of paperwork and documents to sign. Fees show up at closing that can sometimes surprise the buyer.

Title insurance is one of those charges little understood by homebuyers, who often see it as just another fee they have to pay to buy a home. As an important advisor to your clients, you can help them understand the value that title insurance provides, and the dangers that can be incurred without it.

Title insurance protects against problems affecting the title to a home, which is likely your client's most valuable asset. Homebuyers are protected from ownership issues by purchasing an Owner's Policy of title insurance, which ensures that the title to their property is clear of liens or encumbrances, such as unpaid mortgages, property taxes or child support liens, to name a few. Additionally, title professionals will look for anything that could limit the use of the property such as utility easements. When a title professional finds an issue, they work to resolve it— typically without you even knowing about it.

The majority of the one-time fee paid for an Owner's Policy covers the cost for professionals with local expertise to discover, identify and repair issues caused by title issues that occurred in the past. Because of these preventive measures, title insurance is fundamentally different from other forms of insurance, which charge annual premiums to provide insurance protection for future events. This also means that title insurance has lower loss rates than other forms of insurance. In title insurance, a claim is serious, and a loss means your client's homeownership is threatened. Low loss rates are good for consumers. The curative work performed by title agents minimizes the fear, disruption and distress that title claims have on homeowners. An Owner's Policy provides protection for as long as they or their heirs own the property. Having an

Owner's Policy means that the cost of defense and legal fees are paid by the title insurer for the homeowner.

When purchasing real estate, consumers are free to select their own title professional or company. You can also make a recommendation or encourage consumers to ask friends and neighbors if they were happy with the title company they worked with and get a referral. Also suggest to your clients that they utilize a company that is part of its state's title association or the American Land Title Association. If they are members, they are likely keeping abreast of state and federal trends and requirements.

Title insurance rates are regulated by state insurance departments. In addition, title insurance and real estate closing practices are regulated by the Consumer Financial Protection Bureau (CFPB). Keep in mind that title insurance industry practices vary due to differences in state laws and local real estate customs. Who pays for the Owner's Policy varies from state to state and sometimes even within a state.

Together, Realtors, land title insurance professionals and other stakeholders involved in the real estate transaction can protect consumers and provide them with a better experience to the real estate closing process.

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

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