



# Guide to Title Insurance

## What is Title Insurance?

Title insurance is an agreement to indemnify against damage or loss from a defect in title as evidenced by a policy of title insurance to a specific parcel or real property. Following a search and examination of public records and in exchange for a premium paid, title insurance companies will assume the risk that title to a parcel of real property is as stated to be in the policy of title insurance.

## Types of Title Insurance (Policies):

### Owner's Policy:

Insures an owner of any type of real property against loss by reason of those matters covered under the policy of insurance for as long as they own the property. There are several versions of each policy. Consult with your Real Estate Professional to determine which policy is best for you.

### Lender's Policy:

Insures the priority of the lender's security interest over claims that others may have in the property.

### Title Companies- What they handle

Title companies provide services to buyers, sellers, real estate developers, builders, mortgage lenders and others who have an interest in the real estate transaction. Title companies provide assurances that the transfer of title takes place efficiently and that your interests as an insured are protected under the terms and conditions of the policy.

Title insurance is different from many other types of insurances (casualty, auto, etc.). These other types of insurances assume risks by providing financial protection for losses arising from an unforeseen future event such as a fire, theft or accident. In (or with) title insurance, risks are examined and mitigated before the property changes hands.

## Frequently Asked Questions about Title Insurance

### Q. What does Title Insurance insure?

A. Title insurance offers protection against claims resulting from various defects (as set out in the policy) which may exist in the title to a specific parcel of real property effective on the issue date of the policy. For example, a person might claim to have a deed or lease giving them ownership or the right to possess your property. Another person could claim to hold an easement giving them a right of access across your land. Yet another person may claim that they have a lien on your property securing the repayment of a debt. That property may be an empty lot or it may hold a 50-story office tower. Title companies work with all types of real property.

### Q. How much can I expect to pay for Title Insurance?

A. This point is often misunderstood. Although the title company or escrow office usually serves as a meeting ground for closing the sale, only a small percentage of total closing fees are actually for title insurance protection. Your title insurance premium may actually amount to less than one percent of the purchase price of your home, and less than ten percent of your total closing costs. The title policy is in effect for as long as you and your heir(s) own the property with the payment of only a one time premium.

### Q. Who will pay for title insurance charges, the buyer or the seller?

A. Surprisingly, "who pays" is not uniform. In some areas the buyer will pay while in others the seller will pay. In some places, the seller will pay for the owner's title policy and the buyer will pay for the lender's policy. But in every case, the question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice in your area.

**Q. Why are separate owner's and lender's Title Insurance policies issued?**

A. Both you and your lender will want the security offered by title insurance. Your home is an important purchase, and you will want to be certain your home is yours, all yours.

**Q. What are my chances of ever using my Title Policy?**

A. In essence, by acquiring your policy, you derive the important knowledge that recorded matters have been searched and examined so that title insurance covering your property can be issued. Because title insurance companies are risk eliminators, the probability of exercising your right to make a claim is very low.

However, claims against your property may not be valid, making the continuous protection of the policy all the more important. When a title company provides a legal defense against claims covered by your title insurance policy the savings to you for that legal defense alone will greatly exceed the one-time premium.

**Q. What if I am buying property from someone I know?**

A. You may not know the owner as well as you think you do. People undergo changes in their personal lives that may affect title to their property.

People get divorced, change their wills and engage in transactions that limit the use of the property and have liens and judgments placed against them personally for various reasons.

There may also be matters affecting the property that are not obvious or known, even by the existing owner, which a title search and examination seeks to uncover as part of the process leading up to the issuance of the title policy. Just as you wouldn't make an investment based on a phone call, you shouldn't buy real property without assurances as to your title. Title insurance provides these assurances. The process of risk identification and elimination performed by the title companies, prior to the issuance of a title policy, benefits all parties in the property transaction.

Title insurance minimizes the chances that adverse claims might be raised, and by doing so reduces the number of claims that need to be defended or satisfied. This process keeps costs and expenses down for the title company and maintains the traditional low cost of title insurance.

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