Southland Title

Home Buyer's Guide to Title Insurance

Just What is Title Insurance?

Real estate has always been considered an individual's most valuable asset. For most people, it is the most significant investment they will make in their lives. Thus, it is granted unique treatment under the law.

When you purchase real estate, you actually acquire the title to the property, rather than the land itself. Your title encompasses ownership, use and possession of the land. However, title to property may be limited by rights and claims asserted by others.

Problems with title can limit your use and enjoyment of real estate and have negative financial consequences. Title defects also threaten the security interest your mortgage lender holds in the property.

Protection against hazards of title is available through a unique coverage known as title insurance. Unlike other kinds of insurance that focus on possible future events and charge an annual premium, title insurance is purchased for a one-time payment and is a safeguard against loss arising from hazards and defects already existing in the title, with extended coverage available to cover certain future events, as well.

Two Kinds of Title Insurance

There are two basic kinds of title insurance: owner's coverage and lender's (or mortgagee) protection. Owner's title insurance ordinarily is issued in the amount of the real estate purchase and may last forever, even after the insured has sold the property, depending on the type of owner's policy.

By contrast, the amount of lender's title insurance necessary decreases and eventually disappears as the loan is paid off. Most lenders require mortgagee title insurance as security for their investment in real estate, just as they require fire insurance and other types of coverage as investor protection.

Elimination of Risk

Risk elimination assures that the policy holder has the best possible chance for avoiding title claim and loss. The title insurance process begins with a search of title records specific to the property being purchased.

The search results may uncover items found in the title history that need to be corrected before a clear title can be conveyed. Some examples include:

- Outstanding mortgages, judgments and tax liens;
- Deeds, wills and trusts that contain improper vestings and incorrect names;
- Incorrect notary acknowledgments;
- Easements.

Hidden Defects

In spite of the expertise and dedication that go into a search and examination, hidden defects can emerge after completion of a real estate purchase, causing an unpleasant and costly surprise. Examples include:

- Previously undisclosed heirs with claims against the property;
- A forged deed of trust that transfers no title to real estate;
- Instruments executed under expired or fabricated power of attorney;
- Mistakes in the public records.

Title insurance offers financial protection against these and other hidden defects of title through negotiation by the title insurer with third parties, payment for defending against an attack on title as insured, and payment of claims.

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