

Frequently Asked Questions About Title Insurance



What Is Title Insurance?

A title insurance policy protects the insured against any loss suffered as a result of the title to land not being as insured in the policy. For a one time premium the title policy provides protection as long as the buyer owns the property. Unlike other kinds of insurance, title insurance insures against past events, affecting the rights to real property, rather than unforeseen future events.

Why Is Title Insurance Important?

Title insurance is recommended on any home, no matter how new or apparently secure. Undoubtedly, the land has had many previous owners. Claims against any one of these persons can be filed against the property and against you as the present owner. Such hazards as fraud, missing heirs, old liens and many others can, and sometimes do, arise like ghosts out of the past. Title insurance protects you against these claims and title defects. Your title insurance policy is your shield of protection and will defend your ownership against loss as outlined by the policy. Your protection and peace of mind last as long as you and your heirs remain in ownership.

How Much Does Title Insurance Cost?

Unlike the annual premiums of most other forms of insurance, you pay a one-time premium for title insurance. The premium will depend on the type of coverage you and/or your lender request.

Who Is Covered?

There are two basic types of title insurance policies: an Owner's Policy and a Lender's Policy.

Owner's Policy:

Owner's title insurance is generally issued for the amount of the purchase price. It protects the purchaser and the purchaser's heirs as long as they own the property.

Lender's Policy:

Most lenders require title insurance as security for their investment in the property. The borrower typically pays for the Lender's Policy, which is issued for the loan amount.

How Does A Title Company Eliminate Risks?

Title insurers conduct an examination of the public records looking for matters affecting the title to the real property. These records can include, among other things:

- » Deeds
- » Civil and Probate court records
- » Easements
- » Maintenance Agreements
- » Assessments
- » Debts and other burdens
- » Restrictions on the property

An important part of the title insurance process is eliminating risk prior to insuring, thereby reducing the possibility of claim or loss. However, even the most careful examination cannot disclose "hidden hazards" to title.

What Are Some Hidden Hazards?

Hidden hazards can emerge after completion of a real estate purchase creating an unpleasant and sometimes costly surprise. Some examples are:

- » Forged deeds, releases or wills
- » Undisclosed heirs claiming an interest in the property
- » Documents executed under an expired or fabricated power of attorney
- » Mistakes made in the public record
- » Deeds executed by persons of unsound mind
- » Gaps in the "chain of title"
- » Invalid divorces
- » Fraud

While many of these hidden hazards might not be revealed as a result of a routine title examination, they may be covered under the terms of a title insurance policy. First American Title Insurance Company will defend the insured owner against an attack on their title and cover the cost of any settlement, up to the amount of the policy.



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What Is A Preliminary Report/ Title Commitment?

Based on the results of the title examination, First American Title will issue a Preliminary Report or Commitment for Title Insurance, depending upon the practice in your area. This document will include the following:

- » The names of the buyers and sellers
- » The type and amounts of coverage to be issued
- » The legal description of the property
- » A report of the condition of the title including any easements, liens, judgments and existing loans
- » A sketch (map) of the property
- » Copies of pertinent documents disclosed in the title report or commitment
- » An agreement to issue a Title Insurance Policy upon payment of the premium, subject to the terms and conditions as stated

What Are Some Exceptions To The Title Policy?

The following are some items which are typically not covered by the title insurance:

- » Taxes or assessments not shown by the public record
- » Errors due to poor surveying, such as faulty boundary lines
- » Limitations on land use, such as laws against farm animals
- » Exceptions may also be added to your policy

Examples include:

- » Easements, right of way and other legal obligations noted in the deed or other public records
- » Restrictive covenants or agreements limiting uses to your property

Things To Look For On Title Reports

Pending Action

Before title insurance can be issued on a subject property, a civil action affecting the property will generally need to be dismissed or settled. A pending divorce may not need to be finalized prior to closing of a sale or loan, however there may be special circumstances. Be sure to check with your First American Title office for further information.

Taxes And Assessments

Be sure to look for any special circumstances such as exemptions or classification designations that could change the tax amount as a result of a sale or loan.

Vesting

Your seller should be vested in the property. If they are not in title, look for a real estate contract as an exception. If one does not exist, check the legal description to make sure it is the same as on the purchase and sale agreement.

Joint Use

Driveways, party walls and access easements may require a joint maintenance agreement by the lender. The title report will show if one has been recorded.

Extended Coverage

If an extended coverage policy is requested, an ALTA survey of the property might be required. If there is a question on encroachment, lien rights or other matters, these must be cleared prior to closing. A supplemental report will be issued if these matters are cleared by an inspection of the property.

Legal Description

The legal description should always be compared to the legal description on the purchase and sales agreement to ensure all property being conveyed has been included and thereby covered in the preliminary commitment.

Identity Matters

Judgments and liens may be eliminated with an identity affidavit if they do not affect the party in question. If they do affect the party, but have been paid and not satisfied of record, a release should be recorded or filed to eliminate the matters from record.

Deed Of Trust

Deeds of Trust which are paid off require a reconveyance from the trustee or a court-ordered release to remove it from record.



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