

What Is Title Insurance?

Title insurance protects the title to the real estate that you are about to acquire. Unlike other types of insurance, which protect the insured against loss due to unexpected future events, title insurance protects against loss, which may occur due to events that took place in the past.

Specifically, title insurance protects the buyer against loss resulting from previously unreported land title defects, such as forgeries, deeds by persons without authority, missing heirs and numerous others.

The beneficiaries of title insurance policies generally are real estate buyers and mortgage lenders. A title insurance policy protects the named insured against title defects, liens and encumbrances existing as of the date of the policy and not excepted from coverage.

Types of Title Insurance

There are two types of title insurance: also called a Loan Policy, and Owner's title insurance. Most lenders require a Loan Policy when they issue you a loan. The Loan Policy is usually based on the dollar amount of your loan. It protects the lenders' interest in the property should a problem with the title arise. The policy amount decreases each year and eventually disappears as the loan is paid off.

Owner's title insurance is usually issued in the amount of the real estate purchase. It is purchased for a one time fee at closing and lasts as long as you or your heirs have an interest in the property. This may even be after the insured has sold the property. Only Owner's title insurance fully protects the buyer should a problem arise with the title that was *not* uncovered during the title search. Owner's title insurance also pays for any legal fees involved in defending a claim to your title.