

WHY YOU NEED AN OWNER'S TITLE INSURANCE POLICY

At closing time when buying real estate you will find among the costs charged to you an item for "title insurance". Typically it is the premium for a policy required by your lender for their own protection. Known as a Mortgage Policy, it covers the lender's investment only. Even though you pay the fee, it does not protect you, the purchaser. You should insist on an OWNER'S POLICY - a second and distinct title insurance policy covering the same property in your name and covering the full purchase price, not just the mortgage amount. Fortunately, the owner's policy is quite low in cost if purchased at the same time as the mortgage policy, because it utilizes the same title searches - you don't have to buy them twice. Unfortunately, too many purchasers are unaware of the full, lifetime protection they can buy for approximately 25% or less added to the cost of the obligatory mortgage policy in their closing costs.

The premium is paid only once, but it covers your interest in the particular property for as long as you or your heirs have any interest whatsoever in the property, or even after you sell the property, if you sold it with warranty of title. It is thus cheaper than fire insurance, for which you pay premiums annually, though even more important. If the building burns, the land is still there on which you may rebuild. If title to the property fails, you have nothing. That is why owner's title insurance is always written to cover the value of the building and the lot.

The title insurance ordinarily written to insure the lender only is insufficient protection for a number of reasons. The lender's policy remains in effect only until the loan on your property is paid off. The lender's coverage under the mortgage policy is reduced as the loan balance is reduced, while your investment in the property is increased. Thus, as your investment is increased, your liability and exposure to loss is also increased. The lender cannot make a claim on its mortgage policy until they have suffered a loss, that is only if you default in making the payments on the loan due to a title failure. If there were a complete title failure, the lender would suffer no loss, as the mortgage policy would pay off your loan balance only, while you suffer a substantial loss if you do not protect yourself with an owner's title insurance policy.

The soundness of your investment in real estate depends largely on the title. Under the complex set of laws governing real estate, it is impossible to be certain there is no defect in your title. If you are not protected by an owner's title insurance policy against loss on account of these defects, your right to your land and buildings can be destroyed.

There are hazards in titles impossible to discover with even the most diligent search of the public records. Fraud. Forgery. Undisclosed or missing heirs. Marital rights. Improper indexing of records by the Clerk of Court. Human error. Surveyor's errors. Errors in tax records. These and hundreds of other matters might be sufficient cause for a suit to defeat and destroy your title to your property.

Although owner's title insurance cannot eliminate title defects any more than fire insurance can prevent fire, it does (1) assure you of the best possible legal defense if your title is attacked, and (2) reimburse you up to the face amount of the policy if the title, or any part of it, should fail. Thus, owner's title insurance permanently protects the safety of your investment.

Owners Title Insurance, simply, is insurance against risks present in real estate transactions. If your title is attacked, for any reason covered by the policy, it will be defended without costs to you, and you are protected against financial losses caused by title defects.