



Why You Need Title Insurance

Tell the truth – do you really know what title insurance is? Why most people should have it? Why it costs what it costs? Most people don't. In fact, a recent survey by the American Land Title Association revealed that most homebuyers think of title insurance as “just another fee” they have to pay to buy a home. They don't really know what it does, or how it protects them.

When you purchase a home, how can you be sure that the seller really owns the property and has the right to sell it to you? That there are no debts, liens or unpaid taxes that will become your problem? Title issues can limit your use and enjoyment of the property, as well as create a potential financial loss.

Title insurance is very unique compared to other lines of insurance. It does not address hazards that might occur after you buy the property. Instead, title insurance companies search for problems related to past ownership that need to be corrected or excepted from coverage before the property changes hands. In other words, title insurance covers mistakes and unknown factors that may exist prior to closing. The Texas Department of Insurance regulates title companies in Texas and sets fees, so there is no need to “shop” to compare premiums. A title policy premium is a one-time fee – there are no annual renewals like we pay for health, homeowner and auto insurance.

Once a sales contract has been signed by all parties, your title company searches the public records connected with the property and previous owners, going back many years. More than 1/3 of all title searches reveal a title problem that must be addressed before closing. For instance, a previous owner may have had minor construction done on the property but never paid the contractor, or the contractor did not pay his subcontractors, resulting in a lien claim. There may be a lien on the property for unpaid taxes by a previous owner, a missing signature of an heir in a prior transfer of the ownership, or failure to file a release of lien on a past mortgage.

Sometimes title problems occur because of matters that did not appear in the public records. To help protect purchasers in these instances, it is recommended that they obtain an Owner's Policy of Title Insurance to insure them against unforeseen problems.

Possible hidden title problems can include:

- Errors or omissions in deeds
- Mistakes in examining records
- Forgery
- Undisclosed heir
- Supplemental tax bills

The Owner's Title Policy

The cost of Owner's Title Insurance, or the “Owner's Policy,” is based on the sales price of the property. It protects the buyer(s) for as long as they or their heirs have an ownership interest in the property. For more information on the cost of premiums, please refer to the rate schedule included in this piece, or visit www.IndependenceTitle.com, choose your metro area, and go to the Title Premium Calculator in the Tools and Resources section.

Examples of Claims Against an Owner's Title Policy

Tax Example:

Mr. Buyer purchases a home from Mrs. Seller. Two years before the sale, Mrs. Seller added a detached garage, but did not get permits or notify the county tax office. Three years after Mr. Buyer purchased the property, the county tax office sends him a bill for back taxes on the improved property, going back to the date Mrs. Seller built the garage.

Heirship:

When a homeowner dies without a will, state law allows that two people outside the family (“disinterested parties”) may submit an Heirship Affidavit establishing who the heirs to the property should be. Obviously there could be relationships that are unknown to them. Heirs that were not accounted for can appear years later and claim some of the proceeds of the sale from the new owner, or claim some ongoing interest in the property.

Forgery:

It is possible that documents in the chain of title may be forged, especially releases of lien (document that falsely claims a debt was paid), fraudulent “conveyances,” (deeds that transfer title to the property), and powers of attorney. In one common scam, a fraudster identifies a property not occupied by the owner, files a fake deed transferring title into their own name, and “sells” the home to an unsuspecting buyer.