

Title Insurance

Kim and Mike Sandler recently moved into their new home after six months of extensive renovation, fulfilling a lifetime dream. Suddenly, a missing heir of a previous owner showed up and claimed title to the home. The Sandler's went to court, and lost. Now, not only do they not have a home, but they spent all their savings defending their case. A true story? No, not in this case, but such a scenario is not unheard of.

You can avoid this type of situation by purchasing owner's title insurance, and it is not the same thing as the type of insurance required by most mortgage companies. A title search generally determines ownership and any encumbrances affecting the property, but even so, most lenders require lender's insurance in the amount of the mortgage. This ensures that they have first lien on the property in the event of fraudulent or improperly signed deeds, unpaid taxes, or any undisclosed hazard or risk that comes to light.

In the case of the Sanderly's, however, a lender's title insurance would not have helped them--only the lender. In addition, homeowners should be aware that once the loan is paid off, the lender's title insurance is no longer in effect.

Many homeowners opt to also purchase owner's title insurance, written for the amount of the purchase price. This protects the homebuyers' up to the time they sell the property.

Homebuyer's title insurance usually guarantees that the insurer will pay any legal fees for defending against challenges to the title and will pay any valid claims. A separate owner's title policy is needed even if your attorney has performed a title examination and assumed liability for the work. An independent attorney's liability is limited to negligence and does not include responsibility for the hidden title problems.

Owner's title insurance is a one-time fee, paid at the time of purchase--usually included in the closing costs. Ask your REALTOR® to assist you in the purchase of owner's title insurance. Most agents can recommend a list of reputable, experienced insurers. Prices will vary, so it's best to shop around and compare rates and coverage.

At a time when many homebuyers are struggling just to save for a down payment, owner's title insurance can seem like an unnecessary luxury, but a little extra investment up front can save years of worry, or in the worst case, your home.

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