

TITLE INSURANCE BASICS

What is title insurance? Title insurance is an insurance policy protecting against loss should the condition of the title to land be other than as insured. It insures for losses that occur in the future due to what has happened in the past.

Standard coverage handles such risks as: forgery and impersonation; lack of competency, capacity, or legal authority of a party; deed not joined in by necessary party; undisclosed, but recorded prior lien; undisclosed, but recorded, easement or use restriction; erroneous or inadequate legal descriptions; lack of a right of access and deed not properly recorded.

What is a title search? It is a means of determining that the person who is selling the property really has the right to sell it, and the buyer is getting all the rights to the property that he or she is paying for. Includes chain of title, tax search and judgment search.

What is a title commitment? After the title search, the title company issues a commitment to insure, stating the conditions under which it will insure the title. It is good for six months.

The title commitment will include the amount to be insured (generally, purchase price for owner's policy, loan amount for lender's policy), who currently has title and who will be the insured and what interest they will hold, a description of the property and then the exceptions.

Section BI will list what needs to be done to issue the policy and Section BII lists the exceptions to the title policy (including standard exceptions), which will remain if not removed before the policy is issued.

Endorsements: Addition or limitation to title insurance. Could be a way of dealing with matters that a removal of an exception is not possible, varies on price (usually related to the amount of insurance issued).

Difference between lender and owner policy: Lender insurance covers mortgagee for up to the full value of the loan policy if the lender suffers a loss, including its ability to foreclose and recover its principal and interest.

It ensures that the lender's mortgage is in first position (unless the mortgage is meant to be a junior lien). Owners' policy will protect the owner from unknown risks to the ownership interest.

Cost: Usually determined by the amount of insurance provided. If there is to be an owner and lender policy issued, there is a simultaneous issue rate.

Reissue rate: If there is a loan or transfer within 10 years, rate is 70% of the prior purchase price or loan, but any amount over the original amount would be charged at the normal rate.