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FAQ'S ON TITLE INSURANCE

What is title insurance?

Title insurance plays an important role in making certain that home ownership, intended to be titled in the name of a new buyer, is safe and secure. The title insurance company protects against loss due to defects in title, and in the event any future problems should arise, it's the title company's obligation to provide legal support to resolve any title issues. Title insurance companies provide reliable and pertinent information and insight into historic matters of importance that need to be addressed to secure marketable title. Title insurance companies are regulated by state law and are required to be licensed.

How does it work?

Unlike most material purchases, the exchange of consideration for the ownership of real estate does not assure the buyer of a free and clear title. According to real property laws, once settlement is final, the buyer is financially responsible for any valid claims made against his or her property. This means that any unsettled matters involving the property and its past owners become the current owner's problem. For example, the property title may have been transferred by an estate without having supplied a release of lien of estate tax, or perhaps transferred by a minor or someone who was legally incompetent. The possibilities are endless. However, title insurance assures you that your investment is secure.

One of the title insurance company's main functions is to conduct a thorough title search of the property, which is a review of all matters affecting the status of ownership. The search also reveals tax information, easements and rights of ways for municipalities, power companies or other utilities, and any unsatisfied liens or claims against the property, such as open mortgages or pending foreclosure proceedings. However, sometimes the most careful investigation fails to disclose title defects. For this reason, buyers purchase title insurance to protect themselves (referred to as a "Fee Policy") and their mortgage company (referred to as a "Mortgagee Policy"). Title insurance is actually a package of two separate policies, one covering the buyer and the other covering the lender, but when purchased simultaneously there is a substantial savings on the premiums.

What is the cost?

In most states, the title insurance premium is a rate that each title insurer must have approved by its State Insurance Department. Generally, the rates are the same or very similar between companies. Most title companies have rate cards available upon request. Although the premium is paid only once, at settlement, title insurance continuously protects the owner or his/her heirs as long as they own the property. **There is no annual renewal payment needed to keep your policy in force.**