

# Title Insurance FAQs

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## Q: WHAT IS TITLE INSURANCE?

**A:** Title insurance is an agreement to indemnify against damage or loss from a defect in title as outlined in a policy of title insurance for a specific parcel of real property. Following a title search and examination of public records, and in exchange for a premium paid, title insurance companies will assume the risk that title to a parcel of real property is as stated in the policy of title insurance.

## Q: WHAT DOES TITLE INSURANCE DO?

**A:** Title insurance offers protection against claims resulting from various defects (as set out in the policy) which may exist in the title to a specific parcel of real property, effective on the issue date of the policy. Some common examples of risks covered by the owner's policy include defects in title caused by:

- Improper execution of documents
- Mistakes in recording or indexing legal documents
- Forgeries and fraud
- Undisclosed or missing heirs
- Unpaid taxes and assessments

## Q: IS TITLE INSURANCE OPTIONAL?

**A:** Most lenders require you to purchase a lender's policy to protect their interest in the property, but title insurance for the buyer is optional. An owner's policy will provide peace of mind that your title company will stand behind you if a covered title issue or defect arises after you purchased your property.



## Q: WHAT DO TITLE COMPANIES DO?

**A:** Title companies provide services to buyers, sellers, real estate developers, builders, mortgage lenders and others who have an interest in the real estate transaction. Title companies provide assurances that the transfer of title takes place efficiently, and that your interests as an insured are protected under the terms and conditions of the policy.

Title insurance is different from many other types of insurances (e.g., casualty, auto, etc.). These other types of insurances assume risks by providing financial protection for losses arising from an unforeseen future event such as a fire, theft or accident. With title insurance, risks are examined and mitigated before the property changes hands.

## Q: WHAT IS AN OWNER'S POLICY?

**A:** An Owner's Policy insures the owner of real property against loss resulting from matters covered under the policy of insurance for as long as they own the property. There are several versions of this policy. Consult with your real estate professional to determine which policy is best for you.

## Q: WHAT IS A LENDER'S POLICY?

**A:** A Lender's Policy insures the priority of the lender's security interest over claims that others may have in the property.

## Q: HOW MUCH CAN I EXPECT TO PAY FOR TITLE INSURANCE?

**A:** Title insurance is generally calculated based on the value of your property. This one-time premium covers the cost of a title policy for as long as you and your heirs own the property.

## Q: WHO PAYS FOR TITLE INSURANCE, THE BUYER OR THE SELLER?

**A:** Surprisingly, "who pays" for title insurance is not uniform. In some areas, the buyer pays, while in other areas, the seller pays. In some places, the seller pays for the owner's title policy and the buyer pays for the lender's policy. But in every case, the question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice in your area.

## Q: WHO CHOOSES THE TITLE AGENT?

**A:** If you are paying for title insurance, you can shop around. That means you can choose what title company you work with. You can research the title company you want to use or go with one your real estate agent recommends.