

WHAT IS TITLE INSURANCE?

Title Insurance is not like other forms of insurance. It does not insure against some casualty which may occur in the future, such as auto, homeowner's or health insurance. Title insurance protects the holder of the policy against things which might have occurred in the past; liens which were never paid off, mortgages which were never satisfied, deeds which were not signed by all parties with a vested interest in the property.

Technically speaking, title insurance is a policy of insurance that guarantees to the holder of the policy that there are no claims against the ownership of the insured property as of the effective date of the policy other than those exceptions listed within the policy.

A real estate title is the right to own, use and possess that property – it is the foundation of property ownership. A policy of title insurance provides protection to the insured should any claims be made against that right of ownership.

When ownership of a property is being transferred, it is customary for the Buyer to obtain a policy of title insurance, guaranteeing to the Buyer that the ownership is being transferred free of known defects and encumbrances.

To more fully understand title insurance, think about buying a property without it. How would you be sure that the mortgage was going to be paid off? How would you know that there weren't other mortgages, or that the taxes from previous years had been paid? How would you know that there were no judgments against the Seller that had attached to the property or that the swimming pool was not located in an easement?

These can be investigated, and that's what a Title Search and Examination is: it is a search of the public records to uncover information about the property. It's the first thing a title company does in the process of issuing a title policy.

Once the search and examination are complete, the title company will issue a Commitment for Title Insurance. The commitment describes everything that was uncovered in the title search, and is a binder, promising to issue a title insurance policy when the requirements stated in the commitment are met. The requirements will include such things as recording a properly executed deed from the current owners, payoff and recording the satisfaction of the current mortgage, etc...

The actual Policy of Title Insurance is issued after the recording of required documents. It guarantees to the new owner that all of the conditions stated in the Commitment have been met. But it does more. It also gives the owner a guarantee that there are no other 'hidden' encumbrances against the title. Unless it is stated as an exception to the policy, the holder of the policy is insured that there are no recorded liens or encumbrances on the property.