



Why Every Owner Needs Owner's Title Insurance

When you purchase your home, how can you be sure there are no problems with the home's title and that the seller really owns the property? This is the purpose of a title search and title insurance. Problems with the title can limit your use and enjoyment – and even your very ownership – of the property, as well as bring financial loss.

The Title Search

After your sales contract has been accepted, your closing attorney will search the public records to look for any problems with the home's title. This search typically involves a review of land records going back many years. More than 1/3 of all title searches reveal a title problem that your closing attorney can help fix before you go to closing. For instance, a previous owner may have had minor construction done on the property, but never fully paid the contractor. Or the previous owner may have failed to pay property taxes or may have had financial troubles leading to judgments that are liens on the property. In almost all closings, the seller or prior owners may have outstanding deeds of trust encumbering the property which need to be cleared of record. Your closing attorney will seek to resolve problems like these before you go to closing.

What happens if a problem arises after you move in?

The Owner's Title Policy

Sometimes title problems occur that could not be found in the public records, occurred prior to the time period that you ask your attorney to examine, or were inadvertently missed in the title search process. To help protect you in these events, it is recommended that you obtain an Owner's Policy of Title Insurance (aka Owner's Policy) to insure you as the named Insured against the most unforeseen title problems.

An Owner's Policy is usually issued in the amount of the real estate purchase price. It is purchased for a one-time fee at closing and lasts for as long as you or your heirs have an interest in the property or liability to any future purchaser under warranties in a future deed from you to them. Only an Owner's Policy fully protects you in the event a covered title problem arises after your closing.

Possible hidden title problems can include:

- False impersonation of the true prior owner of the property
- Forged deeds, releases or wills
- Undisclosed or missing heirs
- Instruments executed under invalid or expired powers of attorney
- Mistakes in recording legal documents
- Misinterpretations of wills
- Deeds by persons of unsound mind
- Deeds by minors
- Deeds by persons supposedly single, but in fact married
- Deeds of trust of prior owners unpaid and /or not canceled of record
- Errors or omissions in deeds
- "Discovered" taxes for prior years
- Fraud
- Mistakes in examining records
- Problems outside of your closing attorney's search period
- Pre-existing problems that only come to light many years after your closing, especially after your attorney is no longer practicing, has died or is no longer legally liable for errors while assisting you

What Protection Does Title Insurance Provide against Defects and Hidden Risks?

Your Owner's Policy provides assurance that your title company will stand behind you — monetarily and with legal defense if needed — if a covered title problem arises after you buy your home. The bottom line is that your title company will be there to help pay valid claims and cover the costs of defending an attack on your title. Title insurance coverage includes defending against any lawsuit regarding a covered title problem attacking the title as insured, and will either clear up title problems or pay your losses. For a one-time premium, an owner's title insurance policy remains in effect as long as you, as the named insured, or your heirs retain an interest in the property or have any obligations under a warranty in any conveyance of it. Owner's title insurance, issued simultaneously with your loan policy (for a combined rate), is the best title insurance value a property owner can get.

You also have the option of purchasing a policy with expanded coverage. It is called the Homeowner's Policy and it covers more things than the Owner's Policy. Ask your local title company for an explanation of the expanded Homeowner's Policy so you can decide which policy is the best one for you.

See a sample ALTA Owner's Policy, on-line at: <http://www.homeclosing101.org/forms.cfm>

The Lender's Title Policy does *not* protect you

A lender goes to great lengths to minimize their risk of lending money for the purchase of real estate. In addition to your personal financial information, the lender seeks assurance that the quality of the title to the property to be acquired and which will be pledged as security for the loan is satisfactory. The lender does this by obtaining a Loan Policy of Title Insurance (aka Loan Policy).

The Loan Policy protects the lender against loss due to unknown title defects if the loan is not paid in full by you, as their borrower. It also protects the lender's interest from certain matters which may exist, but may not be known at the time of the closing.

However, this policy only protects the lender's interest. It does not protect you as the owner of the property and borrower under their loan. In fact, the lender still has a claim against you for payment of your debt to them, even if there is a Loan Policy that would cover their title loss if they were not paid. You, as the owner, would have to pay your own costs and expenses to defend any contest of the title to the property. Their Loan Policy would not pay those expenses for your defense.

That is why you, as a real estate purchaser, need your own protection – an Owner's Policy – which can be issued at the same time as the Loan Policy.

Want to Know More?

Discuss this with your closing attorney or proposed title insurer at or before closing. Additional information is available on-line at:

Chicago Title's North Carolina website: www.northcarolina.ctt.com

American Land Title Association: www.homeclosing101.org/whyneed.cfm